Alinta

Alinta Limited
ABN 40 087 857 001

The Quadrant
1 William Street
Perth WA 6000
GPO Box W2030
Perth WA 6846

Telephone 08 9486 3000
Facsimile 08 9486 3030

17 March 2004

To: Company Announcements Office
ASX

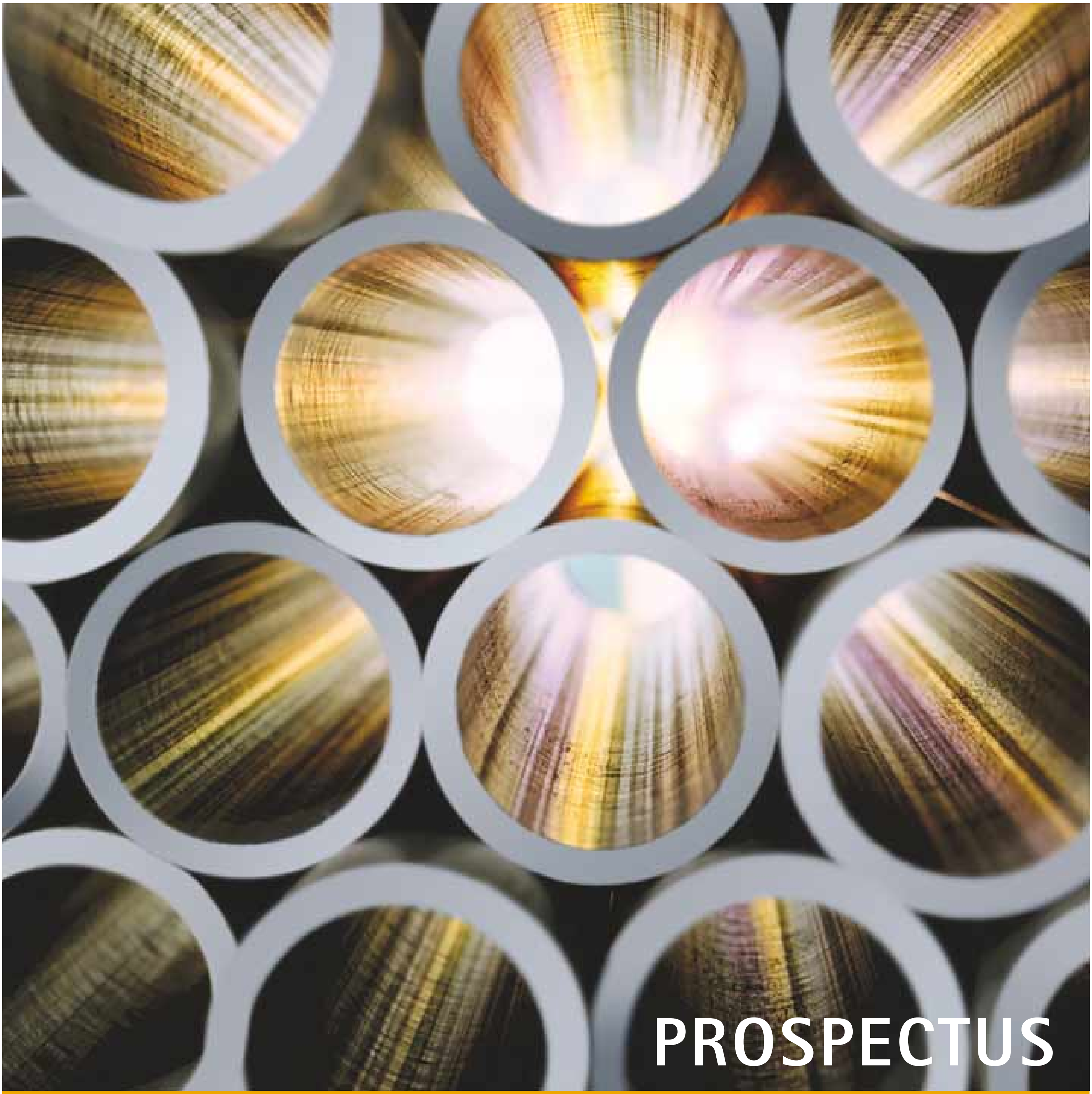
By: Electronic Lodgement

ALINTA'S PROSPECTUS – RENOUNCEABLE RIGHTS ISSUE

Attached is a copy of Alinta's prospectus for the pro rata renounceable rights issue. The prospectus is available on Alinta's website at www.alinta.net.au. It may also be reviewed at Alinta's registered office or obtained free of charge by calling the Alinta Rights Issue Infoline on 1800 023 726.

Murray King
Company Secretary

Enclosure



PROSPECTUS

FOR A RENOUNCEABLE RIGHTS ISSUE OF APPROXIMATELY 84.5 MILLION NEW SHARES AT AN ISSUE PRICE OF $5.50 PER NEW SHARE TO RAISE APPROXIMATELY $465 MILLION

Lead Manager and Underwriter
Macquarie Equity Capital Markets Limited

Co-Managers
Hartleys Limited
Patersons Securities Limited

Legal Advisers
Blake Dawson Waldron

Alinta

ALINTA LIMITED
ABN 40 087 857 001

IMPORTANT NOTICE

This Prospectus is dated 17 March 2004 and was lodged with ASIC on that date. New Shares issued pursuant to this Prospectus will rank equally with all existing Shares. No New Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Within seven days after the date of this Prospectus, Alinta will apply to ASX for the New Shares to be admitted to quotation on ASX.

Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus.

You should read this Prospectus in its entirety before deciding to complete and lodge the accompanying Entitlement and Acceptance Form. In particular, it is important that you consider the financial outlook (Sections 6 and 7 of this Prospectus), the proposed restructuring (Section 8) and the risk factors (Section 10). Please carefully read the instructions on the accompanying Entitlement and Acceptance Form regarding the acceptance or disposal of your Rights. If you have any questions, you should seek professional advice from your stockbroker, accountant or financial adviser.

Investment Decisions

If you are an Eligible Shareholder and decide not to exercise all or part of your Rights and take up New Shares, you should consider whether to sell (that is, renounce) your Rights. Instructions relating to exercising or selling your Rights are contained in Section 3 of this Prospectus and on the back of the accompanying Entitlement and Acceptance Form.

Individual Eligible Shareholders are responsible for determining their allocations of Rights and New Shares before trading in them. Eligible Shareholders who trade in Rights or New Shares before receiving confirmation of their allocation do so at their own risk.

Prospectus Availability

Eligible Shareholders with registered addresses in Australia or New Zealand can obtain a copy of this Prospectus during the period of the Rights Issue on the Alinta website at www.alinta.net.au or by calling the Alinta Rights Issue Infoline on 1800 023 726. The electronic version of this Prospectus on the Alinta website will not include an Entitlement and Acceptance Form. Eligible Shareholders will only be entitled to exercise their Rights and take up New Shares by completing the personalised Entitlement and Acceptance Form which accompanies a paper copy of this Prospectus (refer to Section 3 for further information).

Neither this Prospectus nor the accompanying Entitlement and Acceptance Form may be sent to Shareholders or investors outside Australia or New Zealand (particularly the United States) or otherwise distributed outside Australia or New Zealand.

Australia and New Zealand

This Prospectus contains an offer to Eligible Shareholders whose registered address is in Australia or New Zealand, of continuously quoted securities (as defined in the Corporations Act), and has been prepared in accordance with section 713 of the Corporations Act.

In making the offer to Eligible Shareholders in New Zealand, Alinta is relying on the *Securities Act (Overseas Companies) Exemption Notice 2002 (NZ)*, by virtue of which this Prospectus is not required to be registered in New Zealand.

Foreign Jurisdictions

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia and New Zealand. The Rights Issue is not being extended to any Eligible Shareholders whose registered address is outside Australia or New Zealand.

The distribution of this Prospectus outside these jurisdictions may be restricted by law. Any person who comes into possession of this Prospectus (including trustees, custodians and nominees) should observe any such restrictions and should seek advice on such restrictions. Any non-compliance with restrictions may contravene applicable securities laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

No action has been taken to register the New Shares, the Rights or this Prospectus or otherwise permit an offering of the New Shares or the Rights in any jurisdiction outside Australia or New Zealand.

Neither the Rights nor the New Shares have been or will be registered under the *US Securities Act 1933* (as amended) or the securities laws of any state of the United States and they may not be offered or sold in the United States or to or for the benefit of persons resident in the United States.

Disclaimer

No person is authorised to give any information or make any representation in connection with the Rights Issue, which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Alinta or its Directors.

Photographs and Diagrams

The assets depicted in photographs and diagrams in this Prospectus are not assets of Alinta or products or services sold by Alinta, unless otherwise stated. Diagrams appearing in this Prospectus are illustrative only and may not be drawn to scale.

Privacy

As a Shareholder, Alinta and the Registrar have already collected certain personal information from you. If you apply for New Shares, Alinta and the Registrar may update that personal information or collect additional personal information. Such information will be used to assess your acceptance of New Shares, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Alinta and the Registrar may disclose your personal information for purposes related to your shareholding to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act:

- the Lead Manager in order to assess your acceptance of New Shares;
- the Registrar for ongoing administration of the register; and
- printers and mailing houses for the purposes of preparation and distribution of Shareholder statements and for handling of mail.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Alinta or the Registrar. You can request access to your personal information by telephoning or writing to Alinta through the Registrar as follows:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone +61 8 9323 2000
Facsimile +61 8 9323 2033

Definitions and Abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the Glossary at the end of this document.

Financial Amounts

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise.

TABLE OF CONTENTS

KEY INVESTMENT DETAILS

KEY OFFER STATISTICS	
RIGHTS ISSUE PRICE	$5.50 PER SHARE
NEW SHARES AVAILABLE UNDER THE RIGHTS ISSUE	84.5 MILLION
RIGHTS ISSUE PROCEEDS	$465 MILLION
KEY DATES	
LODGEMENT OF PROSPECTUS WITH ASIC	17 MARCH 2004
EXISTING SHARES QUOTED EX-RIGHTS ON ASX AND RIGHTS TRADING COMMENCES ON ASX	19 MARCH 2004
RECORD DATE FOR ENTITLEMENTS UNDER RIGHTS ISSUE	25 MARCH 2004
RIGHTS ISSUE OPENS	29 MARCH 2004
RIGHTS TRADING ON ASX ENDS	5 APRIL 2004
CLOSING TIME AND DATE FOR RENUNCIATIONS, ACCEPTANCES AND PAYMENT IN FULL (5.00 PM AWST)	14 APRIL 2004
ALLOTMENT OF NEW SHARES	22 APRIL 2004*
DISPATCH OF SHAREHOLDER STATEMENTS FOR NEW SHARES	22 APRIL 2004
NORMAL TRADING COMMENCES FOR NEW SHARES ON ASX	23 APRIL 2004

Note: This timetable is indicative only. Alinta, in consultation with the Lead Manager and subject to the Corporations Act, the ASX Listing Rules and other applicable laws, has the right to vary any of the above dates without notice.

* The date for allotment and the subsequent dates may be extended by up to nine business days.

How to apply for New Shares

Eligible Shareholders can only exercise their Rights and take up New Shares by completing and lodging the Entitlement and Acceptance Form accompanying this Prospectus.

Details of how to accept are set out in Section 3 of this Prospectus.

CHAIRMAN'S LETTER

Dear Shareholder,

On 15 March 2004, companies within the Alinta Group agreed to acquire a diversified portfolio of gas transmission and power generation assets from the Duke Energy Group for $1,690 million.

The Assets which Alinta has agreed to acquire include three strategically located gas transmission pipelines, three power stations in Australia and one power station in New Zealand.

The Acquisition is expected to provide Alinta with a number of key benefits, including:

- Significant growth opportunities, including strong forecast growth in gas pipeline throughput based on identifiable customer demand;
- Further diversification of Alinta's energy infrastructure portfolio by geography, customer, regulatory regime and energy source;
- Stable long term cash flows, with over 94 percent of FY2004 forecast revenue from the Acquired Assets projected to come from existing contracts and each gas pipeline underpinned by a long term foundation contract; and
- Quality contracts in energy intensive industries including alumina, electricity generation, iron ore, steel, oil and gas and energy distribution.

The Acquisition, in addition to the opportunities available from Alinta's existing operations such as the development of a 140MW co-generation plant at Alcoa's Pinjarra alumina refinery and the recently announced wind farm project in Western Australia, leaves Alinta well positioned to deliver enhanced returns to its shareholders.

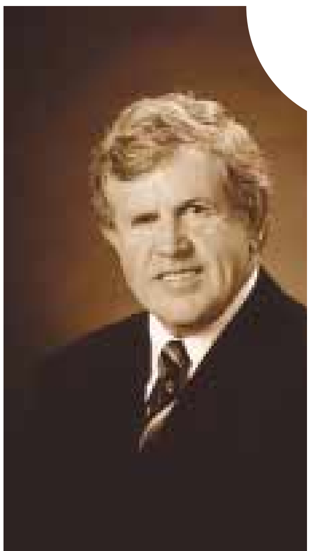
Pursuant to this Prospectus, Alinta is proposing to raise a further $465 million under the Rights Issue. The Rights Issue is underwritten by Macquarie Equity Capital Markets. Eligible Shareholders will be offered three New Shares for every seven Shares they hold as at the Record Date, at an Issue Price of $5.50 per New Share. The balance of the Acquisition price is being funded by bank debt, working capital and an institutional placement, which has already been conducted.

Because of the modern asset base of the Duke portfolio, depreciation will significantly exceed capital expenditure and therefore free cashflow from the Acquired Assets is expected be substantially higher than Alinta's reported earnings over the medium term. In order to optimise returns to shareholders following the Acquisition, Alinta is developing a proposal to convert Alinta Shares into Stapled Securities. Under the proposed new corporate structure, the Acquired Assets will be held in a trust and Alinta's other businesses will be held within the current company structure. If the Restructuring is approved, Shareholders will receive one Unit in the trust for each Share held. The resulting Stapled Security structure will provide Alinta with the flexibility to further expand and diversify its asset base in the future and enhance its ability to make efficient distributions to Shareholders. Details of the proposed Restructuring, which is subject to approval by holders of Shares and RePS, and other approvals, are set out in Section 8 of this Prospectus.

Alinta expects to pay distributions totalling 38 cents per Share or Stapled Security in respect of FY2004.

The New Shares will be issued at a price of $5.50 per New Share, which is a 28.2% discount to the closing market price of Shares on 12 March 2004, the last day of trading before the announcement of the Acquisition. As a consequence, the Rights are valuable and the Directors urge you to carefully read this Prospectus before deciding how to deal with your Rights. Alinta has also made provision to enable Shareholders who do nothing in respect of their Rights to realise the value of those Rights.

Further details on Alinta, the Acquired Assets and the impact of the Acquisition on Alinta are set out in Sections 4, 5 and 6 of this Prospectus. It should be noted that the Acquisition carries with it risks. Details of these risks and the risks associated with investing in New Shares are set out in Section 10 of this Prospectus.



If you have any questions in relation to the Rights Issue, please contact the Alinta Rights Issue Infoline on 1800 023 726.

Each of the Directors intend to exercise their Rights. On behalf of the Directors, I commend the Rights Issue to you.

Yours faithfully

Tony Howarth AO
Chairman

17 March 2004

ALINTA WILL BE ONE OF AUSTRALIA'S LEADING ENERGY COMPANIES

POWER GENERATION
- four power stations
- one co-generation facility under construction

GAS INFRASTRUCTURE
- three gas transmission pipelines
- two gas distribution networks

ELECTRICITY INFRASTRUCTURE
- an electricity distribution network

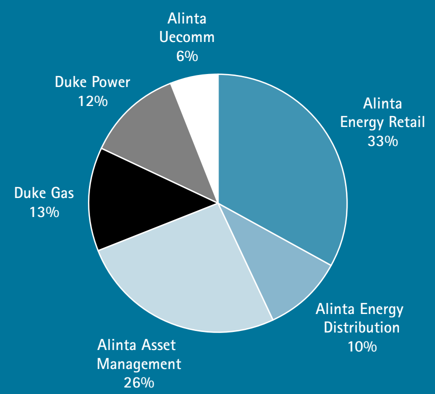
ENERGY SALES
- gas and electricity retail businesses in Western Australia
- gas wholesaling businesses in Victoria, New South Wales and Tasmania

THE ACQUISITION REPRESENTS A UNIQUE OPPORTUNITY TO ACQUIRE A LARGE INTEGRATED WHOLESALE ENERGY BUSINESS

DIVERSIFIED ENERGY PORTFOLIO

The Acquisition is consistent with Alinta's objective of **growing** its energy infrastructure business and achieving geographic, regulatory and commodity diversity

Alinta Group – FY2004 Forecast Revenue by Source



EXPANDING ASSETS UNDER MANAGEMENT

Following the Acquisition, Alinta will manage, operate or own energy infrastructure assets worth over **$5.7 billion**

DELIVERING CONSISTENT SHAREHOLDER RETURNS

Alinta has continued to deliver capital and dividend **growth** to its Shareholders

INDEX OF ALINTA TOTAL SHAREHOLDER RETURNS SINCE LISTING (REBASED TO 100)

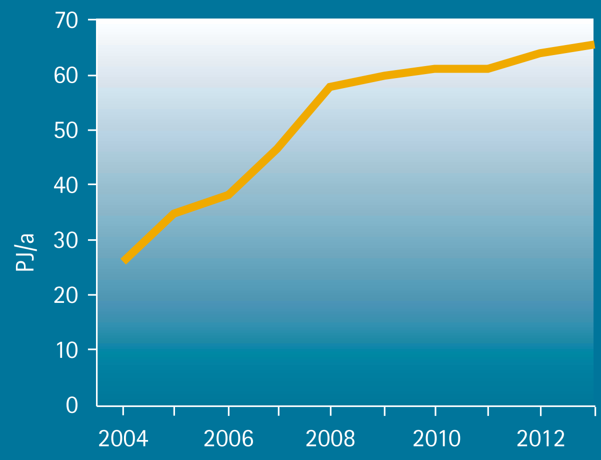
HIGH PROPORTION OF CONTRACTED REVENUE

Over **94%** of FY2004 forecast revenue from the Acquired Assets is projected to come from existing contracts

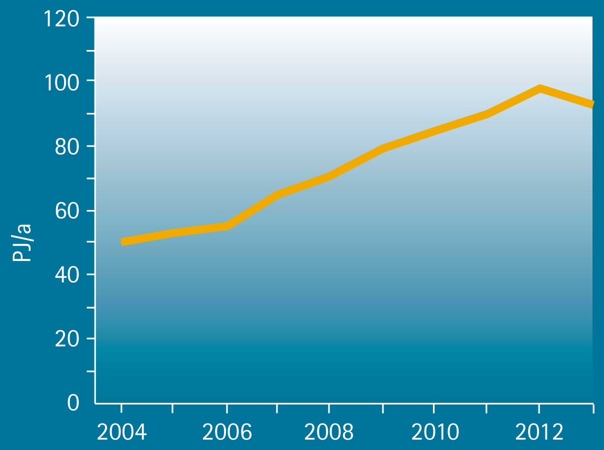
CLEARLY IDENTIFIABLE GROWTH OPPORTUNITIES

The Acquisition positions Alinta to leverage the growth potential in natural gas, Australia's fastest growing non-renewable energy source

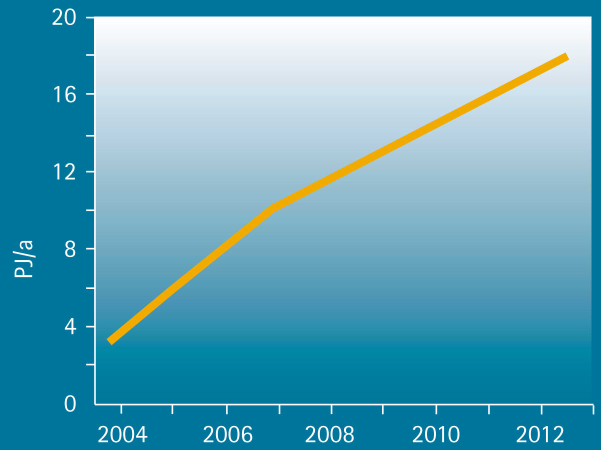
QGP FORECAST GAS THROUGHPUT*



EGP FORECAST GAS THROUGHPUT*



TGP FORECAST GAS THROUGHPUT*

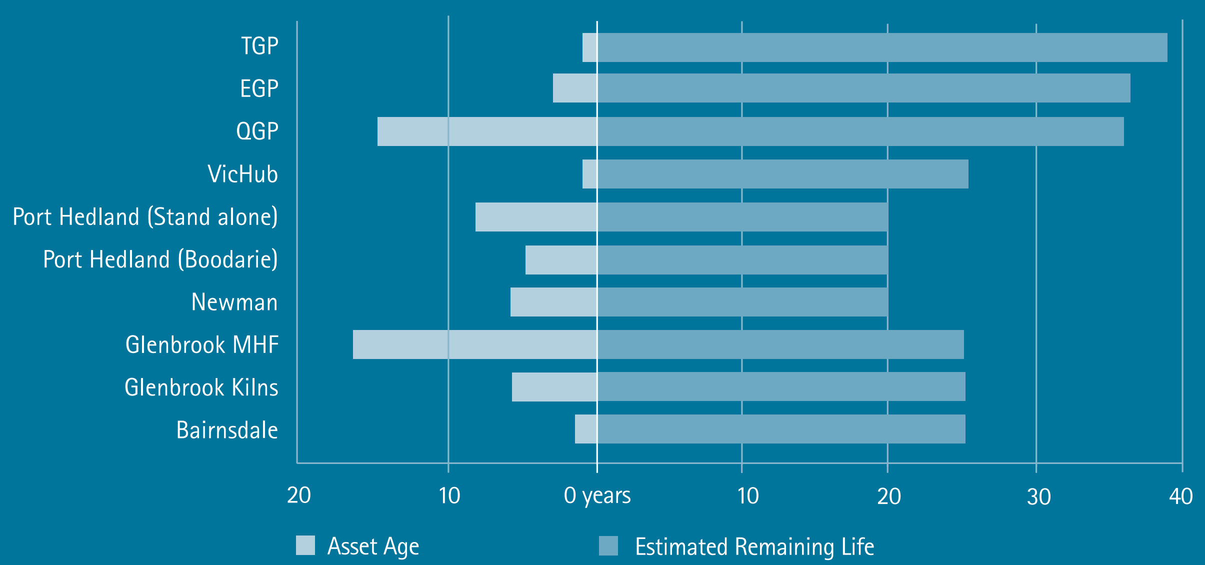


** Details of the Forecasts (including the assumptions underlying them) are set out in Section 5 and the Independent Expert's Report in Section 9.*

MODERN AND WELL MAINTAINED ASSETS

All of the Acquired Assets have long remaining useful lives and have relatively low maintenance expenditure requirements

ACQUIRED ASSETS – ESTIMATED REMAINING LIVES



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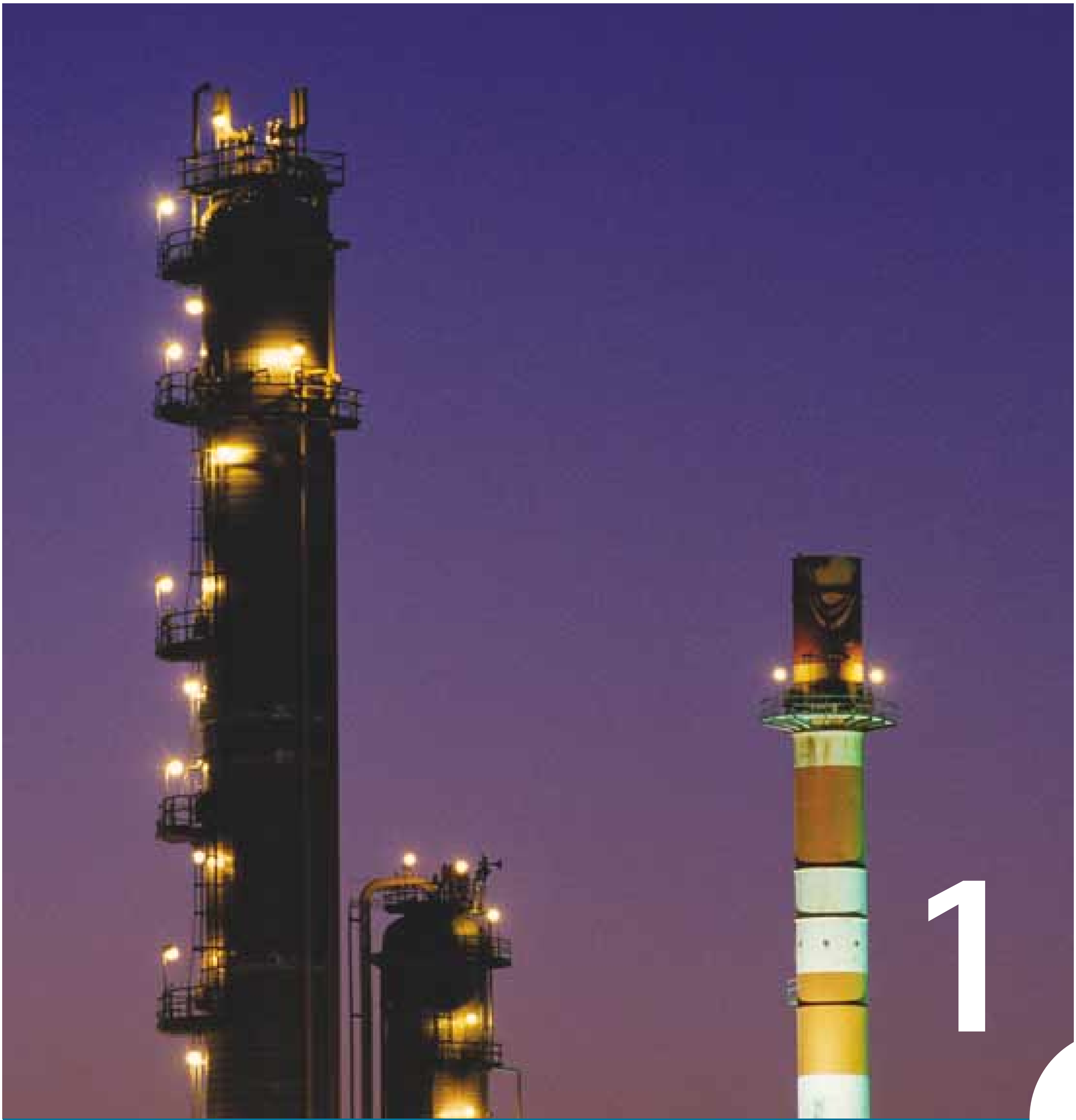

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OVERVIEW OF THE ACQUISITION

1.1 THE ACQUISITION

The Alinta Group has agreed to acquire a diversified portfolio of gas infrastructure and power generation assets from the Duke Energy Group for $1,690 million.

The Acquired Assets include three strategically located gas transmission pipelines and three power stations in Australia and one power station in New Zealand.

1.2 KEY ASSETS

Upon Completion, the Alinta Group will acquire the following gas infrastructure assets:

- **Eastern Gas Pipeline** – a pipeline constructed in 2000 delivering gas from the Gippsland Basin in Victoria to Sydney;
- **Queensland Gas Pipeline** – a pipeline constructed in 1989 delivering gas from the Surat and Cooper Basins to Gladstone and Rockhampton;
- **Tasmanian Gas Pipeline** – a sub-sea and underground pipeline system constructed in 2002 delivering Gippsland Basin gas to Tasmania;
- **VicHub** – a gas infrastructure interconnect facility, allowing gas to flow between the EGP, TGP and the Victorian market; and
- **Goldfields Gas Transmission Pipeline (11.8% interest)** – a pipeline transporting gas from the Carnarvon Basin to Kalgoorlie.

The Alinta Group will also acquire the following power generation assets:

- **Port Hedland Power Station** – a 175MW gas-fired power station supplying electricity to mines, ports and the HBI Plant in the Pilbara region of Western Australia;
- **Newman Power Station** – a 105MW gas-fired power station supplying electricity to mines in the Pilbara region of Western Australia;
- **Glenbrook Power Station** – a 112MW co-generation power station supplying electricity and steam to NZ Steel's steel works at Glenbrook near Auckland; and
- **Bairnsdale Power Station** – a 94MW gas-fired power station located in Victoria.

The Alinta Group will also own a gas wholesaling business (currently conducted by DEATM) which operates in Victoria, New South Wales and Tasmania.

A more detailed description of the Acquired Assets and the post-Acquisition structure of the Alinta Group is set out in Section 5 of this Prospectus.

1.3 ACQUISITION FUNDING

Alinta is proposing to fund the Acquisition using the following sources of funds:

Sources of Funds	A$m	Uses of Funds	A$m
Institutional Placement	196	Acquisition price	1690
Rights Issue	465	Transaction costs	84[1]
Debt funding	1180	Reserves & Provisions	67
TOTAL	**1841**		**1841**

[1]*Transaction costs include stamp duty, equity raising fees, debt establishment fees, advisory fees and other costs.*

On 16 March 2004, Alinta conducted an Institutional Placement of 29 million Shares at an issue price of $6.75 per Share raising gross proceeds of approximately $195.8 million. Shares issued under the Institutional Placement are entitled to participate in this Rights Issue. In addition, Alinta has agreed to procure renunciation in favour of allotees of Shares under the Institutional Placement (at no separate cost) of 0.532 Rights per Share, rounded down to the nearest Right, from the Rights to which its subsidiary WAGH is entitled under the Rights Issue by virtue of its holding of 36 million Shares.

1.4 IMPACT OF THE ACQUISITION

The Acquisition represents a unique opportunity for Alinta to diversify and expand its energy infrastructure business through the acquisition of a portfolio of gas infrastructure and power generation assets. The gas infrastructure assets to be acquired are strategically located in key growth markets and have additional capacity available to capitalise on a range of growth opportunities, including organic growth from new customers and development of new markets. The power generation assets to be acquired are expected to provide strong and stable cashflows underpinned by medium to long term contracts with key customers.

The Directors are forecasting distributions totalling 38 cents per Share or Stapled Security for FY2004. Alinta's reported EPS is expected to be negatively impacted by the Acquisition due to the high depreciation charges associated with the Acquired Assets. Having regard to the strong cashflows generated by the Acquired Assets and their growth profile, the Directors believe that the anticipated long term benefits of the Acquisition outweigh the negative impact on EPS.

Following completion of the Rights Issue and the Acquisition, Alinta's Gearing is expected to increase from 57.8% to 61.4% and Interest Cover is expected to decline from 7.4 times to 3.4 times.

Standard & Poor's has assessed the impact of the proposed Rights Issue and Acquisition on Alinta's corporate credit rating and, as at the date of this Prospectus, has affirmed that based on information provided to it, and subject to review of final documentation by Standard & Poor's, successful raising of equity and completion of the transaction on the terms and conditions expected by Standard & Poor's, the ratings on Alinta would be affirmed at 'BBB/A-2' with a stable outlook.

The ratings assigned to Alinta are based on current information furnished to Standard & Poor's by or on behalf of Alinta or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. **Any rating maybe changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, such information, or based on other circumstances. A rating by Standard & Poor's is a statement of opinion and is not a recommendation to buy, hold, or sell securities (including New Shares.)**

A detailed planning process has commenced within Alinta for the integration of the Acquired Assets. These plans will be activated on completion of the Acquisition. In integrating the operations of the Acquired Assets, Alinta will seek to:

- ensure an effective transition to Alinta;
- maximise synergies across the broader organisation; and
- maintain appropriate operational contracts.

1.5 IMPLICATIONS OF THE ACQUISITION NOT PROCEEDING

At the date of this Prospectus, Completion is subject to the satisfaction of a number of conditions precedent and certain approvals being obtained. Refer to Sections 5.2 and 11.2 of this Prospectus for further details.

Completion will occur after the conditions precedent are satisfied (or waived) and the approvals are obtained.

Issue of New Shares is currently expected to occur on 22 April 2004, being the day before the anticipated date for Completion. However, if there is a delay in satisfying any of the conditions precedent, the Board will consider whether it is appropriate to issue the shares on the date currently contemplated, or instead to defer the issue date (in order to ensure, as far as practicable, proximity between issue and Completion). Under the current timetable the latest date for issue is 15 business days after the Closing Date (i.e. by no later than 5 May 2004), although it would be open to Alinta to apply to ASX seeking a waiver to extend that date.

Shareholders should be aware that there is no certainty that Completion will occur on or before the currently scheduled issue date for the New Shares or any extended issue date referred to above. If the conditions precedent are not satisfied and the Acquisition does not proceed, New Shares may not be issued under this Prospectus, in which case Alinta will return all Application Monies as soon as practicable, without interest. In that case the Rights will cease to have any value.

1.6 PROPOSED RESTRUCTURING

The Directors are developing a proposal for reorganising the Alinta Group's corporate structure to provide the Alinta Group with the flexibility to further diversify and grow its asset base and enhance its ability to make efficient distributions to holders of Shares and RePS.

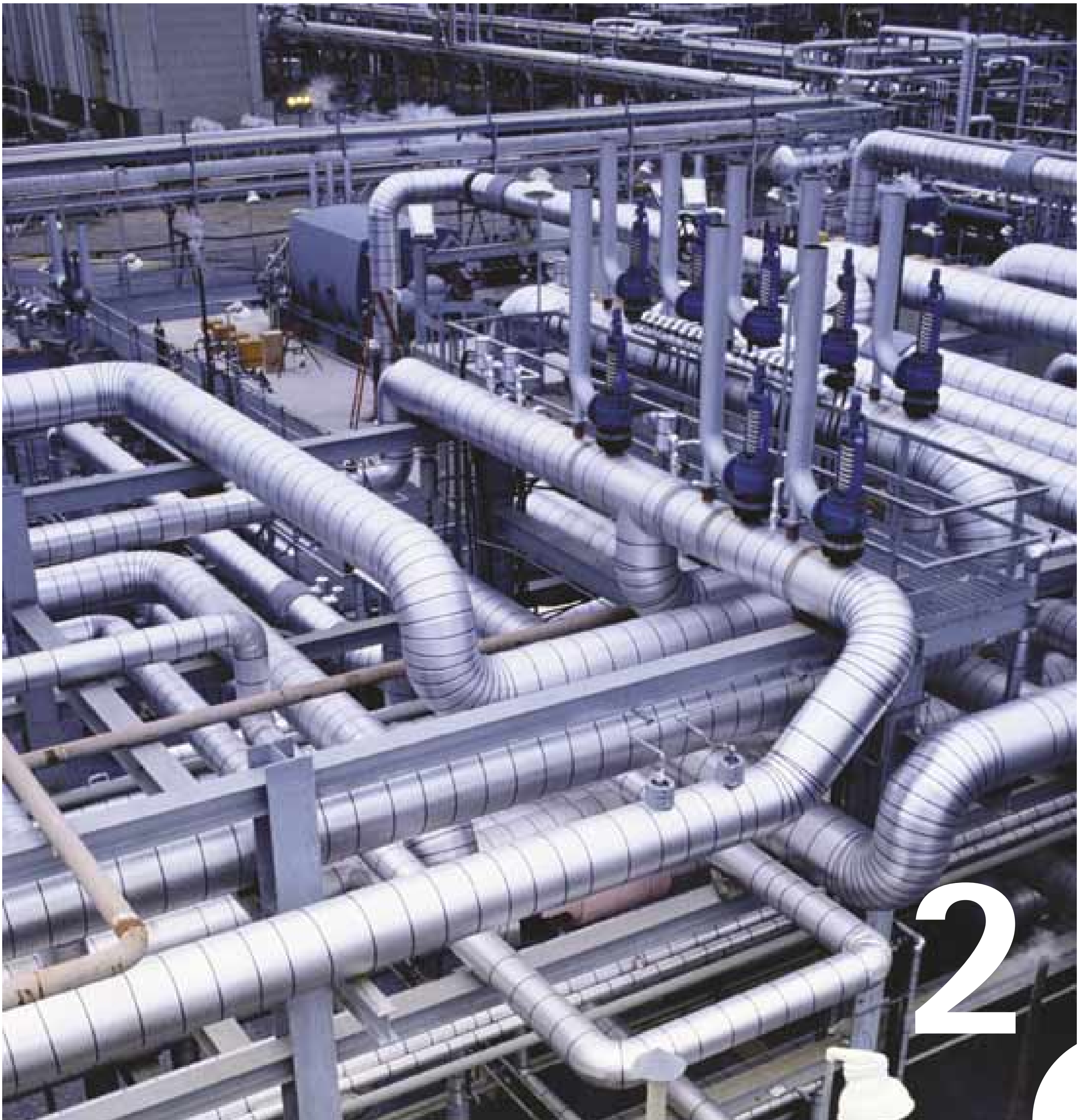
Following the Acquisition, the Directors intend to give holders of Shares and RePS the opportunity to vote on a proposal to convert from an investment in a single company structure to an investment in a Stapled Security structure comprising a Share and a Unit in Alinta Infrastructure Trust, which will be registered as an Australian registered managed investment scheme.

With this in mind, certain companies and trusts have been established within the Alinta Group to facilitate the Restructuring as set out in Section 8.1.3 of this Prospectus.

The Restructuring is subject to a number of approvals, which are described in Section 8.4 of this Prospectus. If the Restructuring is approved, Shareholders will directly hold the majority of the Units in Alinta Infrastructure Trust, with Alinta retaining a 19.9% interest. Units in Alinta Infrastructure Trust and Shares will be stapled together such that they could only trade on ASX as a single security.

Alinta's long term strategy is to maintain a separation between asset ownership and asset management. The proposed Restructuring is consistent with this strategy and allows the Stapled Securities to be destapled at some point in the future.

Further details of the proposed Restructuring and its impact on holders of Shares and RePS are set out in Section 8 of this Prospectus.



2

DETAILS OF THE RIGHTS ISSUE

2.1 THE RIGHTS ISSUE

Alinta is offering for subscription approximately 84.5 million New Shares at an Issue Price of $5.50 per New Share by way of a pro rata renounceable rights issue. The Issue Price is payable by Shareholders in full on exercising their Rights and taking up their New Shares.

New Shares are offered to Eligible Shareholders, being the holders of Shares as at 5.00pm AWST on 25 March 2004, on the basis of three New Shares for every seven existing Shares.

The number of New Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Fractional entitlements to New Shares have been rounded up to the nearest whole number of New Shares. For this purpose, holdings in the same name are aggregated for calculation of entitlements. Where Alinta considers that holdings have been split in order to take advantage of this rounding, Alinta reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating entitlements.

Alinta will accept applications until 5.00pm AWST on 14 April 2004, or any other date the Directors, in consultation with the Lead Manager and subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable laws, determine.

The Rights are renounceable, which means that Eligible Shareholders who do not wish to exercise their Rights and take up some or all of the New Shares to which they are entitled may sell their Rights. Details on how to sell your Rights are provided in Section 3 of this Prospectus.

Alinta has also put in place a mechanism whereby unexercised Rights will be sold through a bookbuild process for the benefit of Shareholders. Details of this mechanism are provided in Section 3.6 of this Prospectus.

The Rights Issue is underwritten by Macquarie Equity Capital Markets. See Section 11.1 of this Prospectus for a summary of the Underwriting Agreement. If the Underwriting Agreement is terminated by the Underwriter, the Rights Issue may not proceed, in which case Application Monies will be refunded (without interest). Alinta reserves the right to withdraw the Rights Issue and this Prospectus at any time, in which case Application Monies will be refunded (without interest) and Rights will cease to have any value.

Eligible Shareholders who do not exercise their Rights may have their shareholding diluted.

As at the date of the announcement of the Acquisition, Alinta had approximately 168.1 million Shares on issue. After the Rights Issue and the Institutional Placement, Alinta will have approximately 282 million Shares on issue.

Shares on issue prior to announcement of Acquisition*	168.1
Shares to be issued under Institutional Placement	29.0
Total Shares on issue following Institutional Placement*	197.1
New Shares to be issued under Rights Issue	84.5
Total Shares on issue following Rights Issue and Institutional Placement*	281.6
WAGH Shares to be cancelled	36.0
Total Shares on issue following each of the above steps	245.6

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* *These Shares include the 36 million Shares held by WAGH, a wholly-owned subsidiary of Alinta. These Shares will be bought back and cancelled by Alinta after completion of the Rights Issue. See Section 12.7 for further details in relation to WAGH's shareholding.*

2.2 THE PURPOSE OF THE RIGHTS ISSUE

Alinta will raise gross proceeds of approximately $465 million through the Rights Issue. The net proceeds of the Rights Issue will be used to fund a portion of the purchase price for the Acquisition. Refer to Section 1.3 of this Prospectus for further details.

2.3 RANKING OF NEW SHARES

New Shares issued pursuant to the Rights Issue will be fully paid and will rank equally in all respects with existing Shares. Section 12.4 of this Prospectus provides specific details of the voting and other rights attached to new and existing Shares.

2.4 ISSUE OF NEW SHARES

New Shares are expected to be issued on 22 April 2004.

2.5 TREATMENT OF SHAREHOLDERS

2.5.1 AUSTRALIA AND NEW ZEALAND

This Prospectus contains an offer to Eligible Shareholders.

Eligible Shareholders who hold Shares on behalf of persons who are not resident in Australia or New Zealand are responsible for ensuring that exercising Rights and taking up New Shares under the Rights Issue does not breach securities laws in the relevant overseas jurisdictions. Return of a duly completed Entitlement and Acceptance Form will be taken by Alinta to constitute a representation that there has been no breach of such laws. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent advice as to how they should proceed.

2.5.2 UNITED STATES OF AMERICA

Neither the New Shares nor the Rights have been or will be registered under the *US Securities Act 1933* nor the securities laws of any states of the United States and may not be offered or sold in the United States or to or for the benefit of persons resident in the United States.

2.5.3 NON-QUALIFYING FOREIGN SHAREHOLDERS

Alinta is of the view that it is unreasonable to extend the Rights Issue to Non-Qualifying Foreign Shareholders, having regard to:

- the low number of foreign Shareholders;
- the number and value of the New Shares which would be offered to foreign Shareholders; and
- the cost of complying with the legal requirements and the requirements of the regulatory authorities in the respective overseas jurisdictions.

Accordingly, the Rights Issue is not being extended to any Shareholders whose registered address is outside Australia or New Zealand.

Alinta has appointed the Lead Manager to sell the Rights which would otherwise accrue to Non-Qualifying Foreign Shareholders if there is a viable market in the Rights and a premium over the expenses of sale can be obtained. Section 3.6 of this Prospectus sets out the process by which these Rights will be sold. The proceeds of sale (if any) will be distributed to the Non-Qualifying Foreign Shareholders for whose benefit the Rights have been sold in proportion to their shareholdings (after deducting brokerage commission and other expenses). Neither Alinta nor the Lead Manager will be liable for a failure to sell Rights or to sell Rights at any particular price.

2.6 MARKET PRICES OF SHARES ON ASX

Set out below is an overview of the market sale prices of Shares traded on ASX during the last three months immediately prior to announcement of the Acquisition:

Timing	High	Low	Volume Weighted Average Price
One month	$7.77	$6.85	$7.31
Three months	$7.77	$6.20	$6.94

The last market sale price of Shares on 12 March 2004 was $7.66.

2.7 TAXATION IMPLICATIONS FOR ELIGIBLE SHAREHOLDERS

Taxation implications of the Rights Issue are explained in detail in Sections 3.9, 3.10 and 3.11 of this Prospectus.

2.8 HANDLING FEE

A handling fee of one percent (1%) of the Application Monies (inclusive of GST) on New Shares issued pursuant to this Rights Issue will be paid by the Lead Manager to participating organisations of ASX and registered financial planners up to a maximum amount of $300 per individual application on Entitlement and Acceptance Forms bearing their stamp. If an individual application is on behalf of more than one beneficial holder, a list of beneficial holders must be provided in order to receive up to a maximum of $300 per beneficial holder. No handling fee is payable on any application which exceeds 5,454 New Shares.

3

ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

3.1 WHAT YOU MAY DO – CHOICES AVAILABLE

If you are an Eligible Shareholder, you may take any of the following actions:

- take up all of your Rights (refer to Section 3.2);
- sell all of your Rights on ASX (refer to Section 3.3);
- sell part of your Rights on ASX and take up the balance (refer to Section 3.4);
- transfer all or part of your Rights to another person other than on ASX (refer to Section 3.5); or
- do nothing (refer to Section 3.6).

3.2 IF YOU WISH TO TAKE UP ALL OF YOUR RIGHTS

If you are an Eligible Shareholder and you wish to take up all of your Rights, complete the accompanying Entitlement and Acceptance Form in accordance with the instructions set out on that form. If you have not received a personalised Entitlement and Acceptance Form, please contact the Alinta Rights Issue Infoline on 1800 023 726.

You should then forward the completed Entitlement and Acceptance Form, together with your cheque or bank draft for the Application Monies, to either of the following addresses:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000

Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

by no later than 5.00 pm AWST on 14 April 2004.

Completed Entitlement and Acceptance Forms and Application Monies will not be accepted at Alinta's registered office. A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required. If mailed outside Australia, correct postage must be affixed.

3.3 IF YOU WISH TO SELL ALL OF YOUR RIGHTS ON ASX

If you are an Eligible Shareholder and you wish to sell all of your Rights on ASX, complete the panel headed "Instructions to your Stockbroker" on the back of the accompanying Entitlement and Acceptance Form and lodge the form with **your stockbroker** as soon as possible. You can sell your Rights on ASX from 19 March 2004. All sales of Rights on ASX must be completed by 7.00 pm AWST on 5 April 2004, when Rights trading ends on ASX. If you have not received a personalised Entitlement and Acceptance Form, please contact the Alinta Rights Issue Infoline on 1800 023 726.

3.4 IF YOU WISH TO SELL PART OF YOUR RIGHTS ON ASX AND TAKE UP THE BALANCE

If you are an Eligible Shareholder and you wish to sell part of your Rights on ASX and take up the balance, complete the Section headed "Instructions to your Stockbroker" on the back of the accompanying Entitlement and Acceptance Form and lodge the Form, together with your cheque or bank draft for the Application Monies for the New Shares for which you wish to subscribe, with your stockbroker as soon as possible.

You can sell your Rights on ASX from 19 March 2004. Any sale of part of your Rights on ASX must be completed by 5.00 pm AWST on 5 April 2004, when Rights trading ends on ASX. If you have not received a personalised Entitlement and Acceptance Form, please contact the Alinta Rights Issue Infoline on 1800 023 726.

To take up the balance of your Rights, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form reaches either of the following addresses:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

by no later than 5.00 pm AWST on 14 April 2004.

3.5 IF YOU WISH TO TRANSFER ALL OR PART OF YOUR RIGHTS TO ANOTHER PERSON OTHER THAN ON ASX

If you are an Eligible Shareholder and you wish to transfer all or part of your Rights to another person other than on ASX, forward a completed renunciation form (which you can obtain by contacting the Alinta Rights Issue Infoline on 1800 023 726) together with the accompanying Entitlement and Acceptance Form and the applicable transferee's cheque or bank draft for any Application Monies, to reach either of the following addresses:

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840

by no later than 5.00 pm AWST on 14 April 2004.

If the Share Registrar receives both a completed renunciation form and a completed Entitlement and Acceptance Form in respect of the same Rights, the renunciation will be given effect in priority to the acceptance.

3.6 RIGHTS NOT TAKEN UP – IF YOU DO NOTHING

If you:

- decide not to sell all or part of your Rights and do not take up all or part of your New Shares before 5.00 pm AWST on 14 April 2004, or
- do nothing,

then your Rights may be sold after 14 April 2004 in accordance with the following:

- Alinta has appointed the Underwriter to sell those Rights after close of trading on ASX on 19 April 2004 (subject to any amendment to the timetable) to institutional investors by way of a bookbuild process;
- those Rights will only be sold to institutional investors who agree to exercise those Rights and pay the Issue Price of $5.50 or greater per New Share; and
- Eligible Shareholders will receive the Net Rights Price, being any premium paid over the Issue Price of $5.50 per New Share after deduction of brokerage and other expenses.

The ability to sell those Rights and the price obtained for them are dependent on various factors, including market conditions. Neither Alinta nor the Underwriter will be subject to any liability for failure to sell those Rights or to sell them at a particular price.

The Net Rights Price will be distributed pro rata to each of the Eligible Shareholders for whose benefit those Rights have been sold. Payment of the Net Rights Price will be made in Australian currency after the final issue of New Shares.

If the Rights not taken up cannot be sold for a premium as described above, the underlying New Shares will be subscribed for by the Underwriter in accordance with the Underwriting Agreement. In this event, you will receive no value for your Rights.

The process described above will also apply to the Rights which would otherwise accrue to Non-Qualifying Foreign Shareholders.

If you do nothing, although you will continue to own the same number of Shares, your percentage shareholding will be diluted as a result of the issue of New Shares.

3.7 PAYMENT

The Issue Price for New Shares is payable in full on acceptance by a payment of $5.50 per New Share. Entitlement and Acceptance Forms must be accompanied by a cheque or bank draft for the Application Monies. Cheques or bank drafts must be made in Australian currency only, made payable to "Alinta Rights Issue" and crossed "Not Negotiable". Cash will NOT be accepted. Receipts for payment will not be issued.

3.8 INTEREST ON APPLICATION MONIES

Until New Shares are issued, Alinta will hold the Application Monies on trust in a bank account. The account will be established and kept solely for the purpose of depositing Application Monies and retaining those funds for as long as required under the Corporations Act. Any interest accrued on Application Monies will be retained by Alinta.

3.9 TAXATION IMPLICATIONS

The following comments concerning the taxation implications arising for Eligible Shareholders are general in nature and deal only with Australian and New Zealand tax implications. Accordingly, all persons should seek and rely upon their own taxation advice before concluding as to the possible tax consequences. Neither Alinta nor any of its officers, nor its taxation or other advisers, accept any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences themselves.

3.10 AUSTRALIAN TAX IMPLICATIONS

The comments do not apply to Eligible Shareholders which carry on a business of trading in shares, or hold shares on revenue account.

These comments are based on the law in Australia in force at the time of issue of this Prospectus. The precise implications will depend upon each Eligible Shareholder's specific circumstances.

Capital gains are taxed in Australia. A capital gain generally arises when an asset is disposed of and the capital proceeds exceed the total cost of acquiring the asset. Conversely, a capital loss generally arises if the total cost exceeds the capital proceeds received. Rights, and any New Shares acquired on exercising Rights, are assets for capital gains tax purposes.

A net capital gain is generally included in the assessable income of the taxpayer, and the taxpayer may be subject to tax on the capital gain or the discounted capital gain (for certain types of taxpayers who have held the asset for at least 12 months). The amount of tax payable will depend upon the particular taxpayer's income tax profile. For instance, an individual may have to pay tax up to 47% plus the medicare levy on any capital gain (see item (b) below in respect of selling your Rights). A company may have to pay tax of up to 30% on any capital gain.

(a) **Granting of Rights**

The granting of the Rights to Shareholders should not constitute a dividend for income tax purposes nor will it give rise to any income tax or capital gains tax liability for the Shareholders.

(b) **Selling your Rights**

Residents of Australia

If you are an Australian resident for tax purposes, and you sell your Rights, this will give rise to a capital gain. Prima facie, the capital gain would be equal to the capital proceeds received for the disposal of the Rights.

The time at which the Rights are deemed to be acquired is the time when the existing Shares to which the Rights relate were acquired. The net capital gain (i.e. your total capital gains less current year and prior year capital losses) arising for individuals and entities acting as trustees (other than for a trust that is a complying superannuation entity) may be reduced by 50%, if the existing Shares to which the Rights relate were held for more than 12 months as at the date the Rights are disposed of. For a complying superannuation entity, the net capital gain may be reduced by $33\frac{1}{3}$%, if the existing Shares to which the Rights relate were held for more than 12 months on the date the Rights are disposed of.

If you purchased your Rights from another entity, and disposed of the Rights at a profit, the profit will be taxable as a capital gain.

Non-residents of Australia

If you are not an Australian resident for tax purposes and you sell your Rights, an Australian capital gains tax liability should not arise unless you and your associates (if any) beneficially own or owned at any time during the period of five years preceding the sale of the Rights, 10% or more of the issued share capital of Alinta.

(c) **If you do not sell or exercise your Rights by the Closing Date**

If you do not sell or exercise your Rights by the Closing Date, those Rights may be sold under the procedures described in Section 3.6 or may revert to the Underwriter.

In that event, if those Rights:
- are sold on your behalf in accordance with the procedures described in Section 3.6, then the tax consequences will be the same as described above in paragraph (b) and the capital proceeds that you receive will equal the Net Rights Price; or
- are not sold under the procedures described in Section 3.6 and the New Shares are taken up by the Underwriters, this should not give rise to any capital gains tax liability for you. If you have acquired your Rights from another person, you should make a capital loss equal to the amount you paid for them.

(d) **Acquiring New Shares by taking up your Rights**

If you exercise all or a part of your Rights, this should not give rise to any income tax or capital gains tax liability to you, irrespective of whether the Rights were issued to you or acquired from another entity.

The cost base for New Shares which you acquire under Rights which were issued to you will equal the amount you paid to acquire the New Shares ($5.50 per New Share), plus any non-deductible incidental costs you incurred to acquire them.

If the Rights were acquired by you from another entity, the cost base of your New Shares should include the amount paid to acquire the Rights, as well as the amount you paid to acquire the New Shares ($5.50 per New Share), plus any non-deductible incidental costs you incurred to acquire them.

(e) **Disposal of New Shares**

Residents of Australia

If you are an Australian resident for tax purposes and you sell any New Shares acquired on exercising the Rights, prima facie a capital gain will arise if the capital proceeds received for the disposal of the New Shares exceed your cost base for the New Shares. The sale may give rise to a capital loss if the capital proceeds received for the disposal of the New Shares is less than your cost base for the New Shares.

The New Shares that you acquire as a result of the exercise of Rights will be treated for capital gains tax purposes as having been acquired by you on the day on which you exercise the Rights.

The prima facie capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by 50%, after offsetting current year or prior year capital losses, if the New Shares were held for more than 12 months before disposal. For a complying superannuation entity, the prima facie capital gain may be reduced by 33⅓%, after offsetting current year or prior year capital losses, if the New Shares were held for more than 12 months before disposal.

Non-residents of Australia

If you are not an Australian resident for tax purposes and you sell any New Shares acquired on exercising the Rights, an Australian capital gains tax liability should not arise unless you and your associates (if any) beneficially own or owned at any time during the period of five years preceding the sale of the New Shares, 10% or more of the issued share capital of Alinta.

(f) **Goods and Services Tax**

You should not be liable to pay GST in respect of:
- the acquisition of New Shares;
- the sale of your Rights on ASX;
- the transfer of your Rights to another person other than on ASX; or
- the sale of New Shares acquired by taking up your Rights.

3.11 NEW ZEALAND TAX IMPLICATIONS

The following comments concerning the taxation implications arising for Eligible Shareholders are general in nature, deal only with New Zealand tax implications and are based on the law in New Zealand in force at the date of this Prospectus.

The precise tax implications will vary depending on the Eligible Shareholder's specific circumstances. Accordingly, all Eligible Shareholders should seek and rely upon their own taxation advice before concluding on the possible New Zealand tax consequences. New Zealand does not have a capital gains tax but does tax gains arising from the sale of shares or rights that were acquired with the purpose of sale, acquired as part of a business of dealing in shares, or acquired as part of an undertaking or scheme entered into for the purpose of making a profit, including gains from sale of rights attaching to those shares or gains from the sale of shares acquired through the exercise of those rights. The comments below do not apply to these situations.

3.11.1 GRANTING OF RIGHTS

The granting of the Rights to Eligible Shareholders should not constitute a dividend for New Zealand income tax purposes, nor should it give rise to any income tax liability for the Eligible Shareholders.

3.11.2 IF YOU DO NOT SELL YOUR RIGHTS OR TAKE THEM UP

If your Rights were issued to you and you do not exercise all or part of your Rights, this should not give rise to any income tax liability to you.

3.11.3 IF YOU TAKE UP YOUR RIGHTS BY 7.00 PM AWST TIME ON 5 APRIL 2004

If you exercise all or part of your Rights, this should not give rise to any income tax liability to you, irrespective of whether the Rights were issued to you or acquired from another entity.

3.11.4 SELLING YOUR RIGHTS

If you sell your Rights this should not give rise to any income tax liability to you.

3.11.5 DISPOSAL OF NEW SHARES

If you sell your New Shares acquired by taking up your Rights, this should not give rise to any income tax liability to you.

3.11.6 GOODS AND SERVICES TAX

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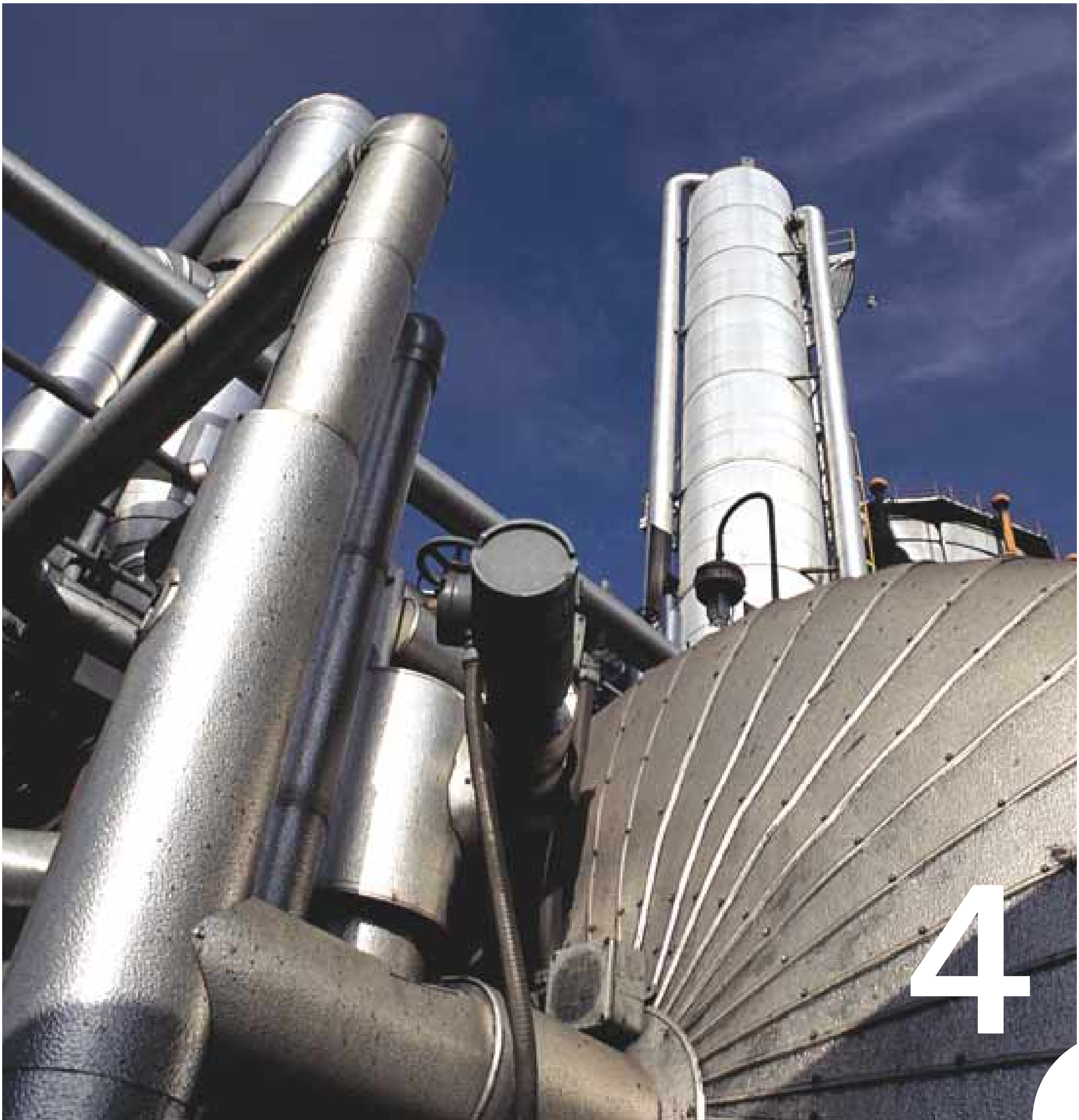
The New Shares you acquire as a result of the exercise of the Rights will be classified as "financial services" for New Zealand GST purposes. As such, New Zealand GST of 12.5% will not apply to any subscription monies applicants pay in consideration for New Shares issued on exercise of the Rights.

New Zealand GST will not apply to any of the events discussed above under Section 3.11.1 to 3.11.5.

3.12 CONTACT INFORMATION

If you have any questions about the Rights Issue, please contact the Alinta Rights Issue Infoline between 7.00 am and 4.00 pm AWST (Monday to Friday) toll free on, 1800 023 726. Shareholders calling from outside Australia will not be able to access the toll free Infoline number, and should instead direct their inquiries to the Registrar on Intl 61 3 9415 4190. The Infoline will remain open throughout the Rights Issue, and is not expected to close before the date of allotment of the New Shares.



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OVERVIEW OF ALINTA

4.1 ALINTA'S STRATEGY

Alinta's aim is to be a leader in the management of energy infrastructure and the provision of energy-related products in its target markets.

Alinta's strategy is focused on:
- optimising its core business;
- pursuing new growth opportunities; and
- providing consistent Shareholder returns.

Alinta targets acquisitions which:
- achieve required financial criteria;
- draw upon Alinta's core competencies: asset management, regulatory knowledge, energy retailing and integration capability;
- further enhance Alinta's asset management services and engineering services business;
- expand Alinta's portfolio of assets under management to include: power generation, electricity wires and gas infrastructure; and
- achieve geographical, regulatory and commodity diversity in its business.

Alinta seeks logical growth leveraging from its core competencies. This is likely to result in Alinta pursuing growth opportunities in the following areas:
- gas and electricity transmission;
- gas and electricity distribution;
- power generation;
- infrastructure management and operations; and
- energy retailing.

Alinta has implemented its acquisition strategy through a number of transactions over the last 12 months, including:
- the Aquila transaction in which Alinta acquired 34% of the distribution assets of UEL, 19.9% of Multinet's Victorian gas network and other non-distribution assets previously owned by UEL;
- the execution of long term management contracts to operate, maintain and manage UEL, Multinet and AlintaGas Networks;
- the commencement of construction of a 140MW co-generation power station at Alcoa's Pinjarra alumina refinery in Western Australia which is expected to commence operation in 2005; and
- the execution of a PPA to support the construction of a 90MW wind farm near Geraldton in Western Australia.

The Directors believe that the Acquisition represents an attractive opportunity which is consistent with Alinta's strategy. The Acquisition will enable Alinta to expand and diversify its existing portfolio of energy infrastructure assets, provide Alinta with a strong presence in the electricity market and allow Alinta to further benefit from the expected growth in demand for natural gas in Australia. The Acquisition will also further establish Alinta as one of Australia's largest listed energy infrastructure companies.

4.2 PROFILE OF ALINTA

Alinta is a Western Australian based energy company. Alinta's operating structure prior to the Acquisition is summarised below.

ENERGY INFRASTRUCTURE

Prior to the Acquisition, Alinta operated, managed, and part-owned over 20,000 km of gas pipelines and 12,000 km of electricity lines, worth approximately $4 billion.
- **AlintaGas Networks** is Western Australia's leading natural gas distributor, delivering gas to businesses and around 60% of Western Australian households through a network of over 11,000 km of pipelines.
- **United Energy Distribution** is an electricity distribution company with networks covering approximately 1,450 square kilometres and serving approximately 596,000 connections in Melbourne and the Mornington Peninsula. UED owns the distribution network assets that encompass the infrastructure used to transport electricity from the high voltage transmission network to the premises of its customers.

- **Multinet** is the largest distributor of natural gas in Victoria, distributing approximately one third of Victoria's annual gas load to approximately 630,000 commercial, industrial and domestic customers in Melbourne.
- **Asset Management Services** consists of Alinta Network Services, which has long term service agreements in relation to each of the gas and electricity distribution businesses described above, and National Power Services which provides a range of construction and maintenance services to both Alinta Network Services and other external customers.

ENERGY SALES

Alinta is the leading supplier of gas in Western Australia, selling gas to over 480,000 industrial, residential and commercial customers in 2003. The Wesfarmers LPG contract, which is due for renegotiation by June 2005, is a significant contributor to earnings from this division.

During 2003, Alinta successfully contracted to sell over 110MW of electricity, underpinning the Pinjarra co-generation project in Western Australia.

ENERGY SUPPLY

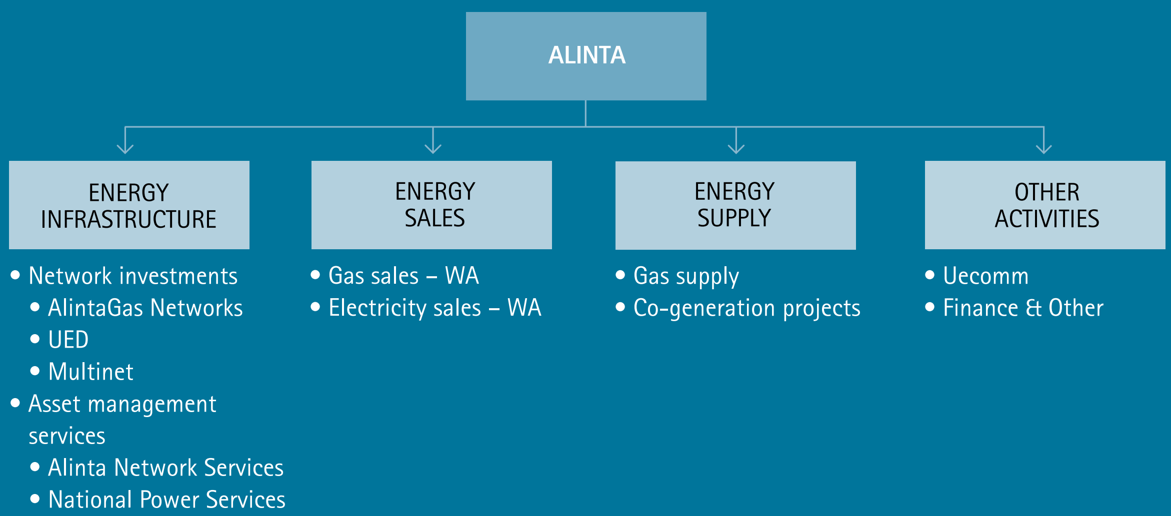
This division negotiates the purchase of natural gas from producers such as North West Shelf Gas, and gas infrastructure contracts with Epic Energy. It is also responsible for the development of Alinta's electricity co-generation projects.

Alinta has commenced construction of a 140MW co-generation power station at Alcoa's Pinjarra alumina refinery. The unit will cost approximately $160 million and is due for completion in mid 2005.

OTHER ACTIVITIES

Alinta acquired a 66.3% equity interest in Uecomm as part of its acquisition of the non-distribution assets of UEL. Uecomm is a licensed telecommunication carrier that operates fibre optic networks in the metropolitan areas of major capital cities in Australia. Alinta does not expect to remain a long term shareholder in Uecomm, as the scope of Uecomm's business is not consistent with Alinta's strategic growth vision.

ALINTA'S OPERATING STRUCTURE



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4.3 BOARD OF DIRECTORS

Tony Howarth AO – Chairman and Non-Executive Director, FIABF, FAIM, FSIA

Tony Howarth, 52, worked in the banking and finance industry for over 30 years and is the former Managing Director of Challenge Bank Limited. He is Chairman of Home Building Society Limited and St John of God Health Care Group and a director of Mermaid Marine Australia Ltd. He is also a director of the Australian Chamber of Commerce and Industry. Tony is a member of a number of community organisations including the senate of the University of Western Australia and the Prime Minister's Community Business Partnership. He has been the Chairman of Alinta since its incorporation in January 2000. Tony is a member of the Remuneration and Nomination Committee.

Robert Browning – Chief Executive Officer, BSc, MBA, MSc

Bob Browning, 49, commenced as Chief Executive Officer at Alinta in March 2001. Prior to his appointment, Bob had eight years' experience at UtiliCorp United Inc. where he was responsible for change management, strategic planning and business operations. Prior to that, Bob worked with Coca-Cola Enterprises Inc. in consumer retail sales and distribution. Bob is a member of the board of the West Australian Chamber of Commerce and Industry and is a director of Austal Limited.

Fiona Harris – Non-Executive Director, BComm, FCA, FAICD

Fiona Harris, 43, is a professional non-executive Director. Previously, she spent 14 years with a major chartered accounting firm in Perth, San Francisco and Sydney. She was an Audit and Assurance partner in the New South Wales practice of that firm when she retired in 1994. She is a director of Burswood Limited, Portman Limited, HBF Health Funds Inc and West Australian Symphony Orchestra Holdings Pty Ltd. Fiona is Vice President of the State Council of the Australian Institute of Company Directors. She has been a Director of Alinta since its incorporation in January 2000. Fiona is Chairman of the Board's Audit and Risk Management Committee.

Timothy Healey – Non-Executive Director, BEc, BLitt (Hons), FAICD

Tim Healey, 59, was previously a director of UEL. Tim has a background in finance, economic policy and development banking. He has been a director of a number of companies and government corporations and was appointed to the Alinta Board in February 2002. Tim has also been a director of Uecomm since August 2003. Tim Healey is a member of the Audit and Risk Management Committee.

Tina McMeckan – Non-Executive Director, BSc, MBA, FAICD

Tina McMeckan, 54, was previously a director of UEL. She has substantial energy market experience, having served on the boards of a number of energy corporations and with the Victorian government on energy reform. Tina is Chairman of the Zoological Parks and Gardens Board in Victoria and the Centre for Eye Research Australia Limited. Tina joined the Board of Alinta in October 2003. Tina is a member of the Audit and Risk Management Committee.

John Poynton – Non-Executive Director, BComm, FSIA, FAICD, FAIM

John Poynton, 52, is a founding director and Chairman of Poynton and Partners and GEM Consulting. John is a director of Austal Limited and Multiplex Limited. He is also a member of the Payments Systems Board of the Reserve Bank of Australia, is Chairman of the Board of Governors of the Western Australian Museum Foundation and is a member of the University of Western Australia Business School, where he also serves as an Adjunct Professor in Financial Management. John joined the Board of Alinta in October 2000. John is a member of the Remuneration and Nomination Committee.

5

THE ACQUISITION

5.1 RATIONALE FOR THE ACQUISITION

The Acquisition is a key step for Alinta in pursuing its growth strategy. The Acquired Assets will form part of the diversified portfolio of assets which comprise Alinta's energy infrastructure group.

The Acquisition is consistent with Alinta's objective of pursuing logical growth that leverages off its core competencies. The Acquired Assets fall within Alinta's target markets of:

- gas and electricity transmission;
- gas and electricity distribution;
- power generation;
- infrastructure management and operations; and
- energy retailing.

More specifically, the Acquisition is expected to offer the following key benefits to Alinta.

ADDITIONAL EXPOSURE TO AUSTRALIA'S FASTEST GROWING NON-RENEWABLE ENERGY SOURCE

The acquisition of three gas infrastructure pipelines will provide Alinta with further exposure to the expected growth in demand for natural gas in Australia. Natural gas is Australia's fastest growing non-renewable energy source and is expected to account for 26% of Australia's primary energy needs by 2020 due to a number of factors including:

- expansion of the gas pipeline network;
- the relatively low price of gas compared to petroleum products and electricity;
- expansion of the number of gas-fired power stations;
- environmental benefits of natural gas, which make it attractive compared to other fossil fuels; and
- energy market reforms, which have helped facilitate an efficient market for gas sales.

Duke Australia's gas infrastructure assets are strategically located in key growth markets and have additional capacity available to take advantage of a range of growth opportunities, including incremental growth from existing customers and development of new markets.

STABLE AND PREDICTABLE CASHFLOW GENERATION

The portfolio of Acquired Assets is characterised by stable and predictable cashflows underpinned by long term contracts with customers.

Over 94% of FY2004 forecast revenues from the Acquired Assets are estimated to come from existing contracts.

DIVERSIFIED ASSET BASE

The Acquisition will further diversify Alinta's energy infrastructure portfolio by geography, customer, regulatory regime and energy source.

CONTRACTS WITH KEY CUSTOMERS

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As a result of the Acquisition, Alinta will secure contracts to supply gas transportation services and electricity to a number of high quality industrial customers from a range of industries including alumina, iron ore, steel, oil and gas and energy distribution. Further information in relation to some of these contracts is set out in Section 11.

MODERN ASSET BASE

Based on their design lives, all of the Acquired Assets are estimated to have long remaining useful lives and have relatively low maintenance expenditure requirements.

- The gas infrastructure assets to be acquired have an average age of 4.9 years, and an average estimated remaining life of 34 years.
- The power generation assets to be acquired have an average age of 7.2 years and an average estimated remaining life of 23 years.

5.2 OVERVIEW OF ACQUISITION TERMS

Under the Sale and Purchase Agreement, Energy Holdings and Power Trust have agreed to purchase all the issued share capital of DEL and DENZL respectively from DEIAP for a total price of $1,690 million. Part of the purchase price will be applied to satisfaction of all intra group and external debt of DEL, DENZL and their subsidiaries, so that those companies are purchased on a debt free basis.

The Sale and Purchase Agreement is conditional on the satisfaction of various conditions precedent which include obtaining the consent of counterparties to various agreements containing change of control clauses (including agreements or authorisations which require Ministerial consent in Queensland, Victoria and Tasmania).

A summary of the material terms of the Sale and Purchase Agreement is set out in Section 11.2 of this Prospectus.

5.3 ACQUISITION STRUCTURE

The following diagram shows the corporate ownership structure of the Alinta Group immediately following the Acquisition but prior to the Restructuring.

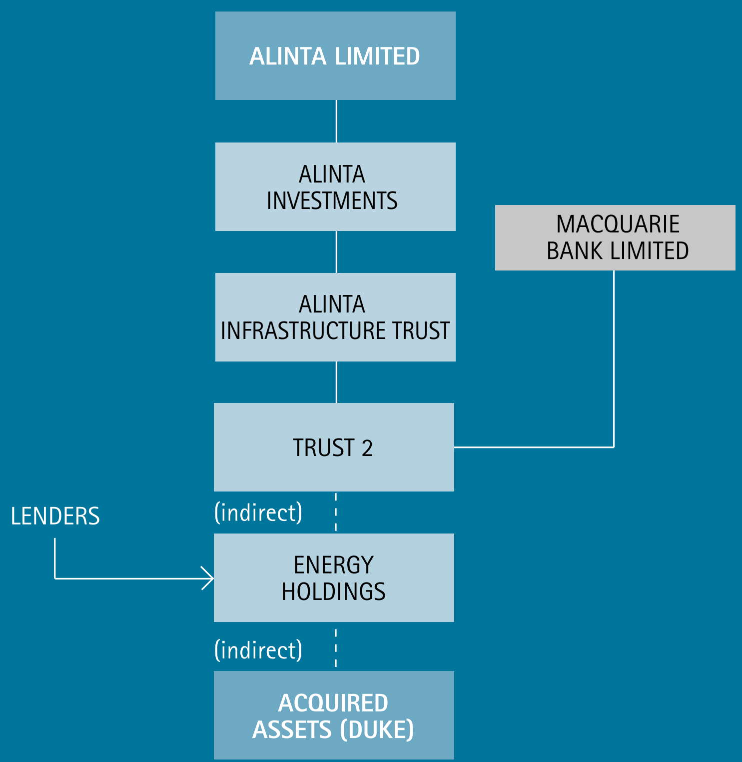
Immediately following the Acquisition, Alinta's interest in the Acquired Assets will be held indirectly by Alinta Infrastructure Trust which will be 100% owned by Alinta (apart from a small Macquarie Bank interest referred to below). A summary of the Alinta Infrastructure Trust Constitution is contained in Section 11.7.6.

An initial interest in the Acquired Assets may be held by Macquarie Bank. Macquarie Bank will have the right to vote and receive distributions of income, but not capital. Macquarie Bank's interest is expected to have a nominal value at the time of the Restructuring, and Alinta Infrastructure Trust will have the right to acquire it after completion of the Institutional Placement and the Rights Issue.

The trustees of Alinta Infrastructure Trust, Trust 2 and other trusts in the structure will be wholly-owned subsidiaries of Alinta.

The Directors intend to give Shareholders the opportunity to vote on a proposal to convert from an investment in a single company structure to an investment in a stapled security structure comprising a Share and a Unit in Alinta Infrastructure Trust.

ACQUISITION STRUCTURE



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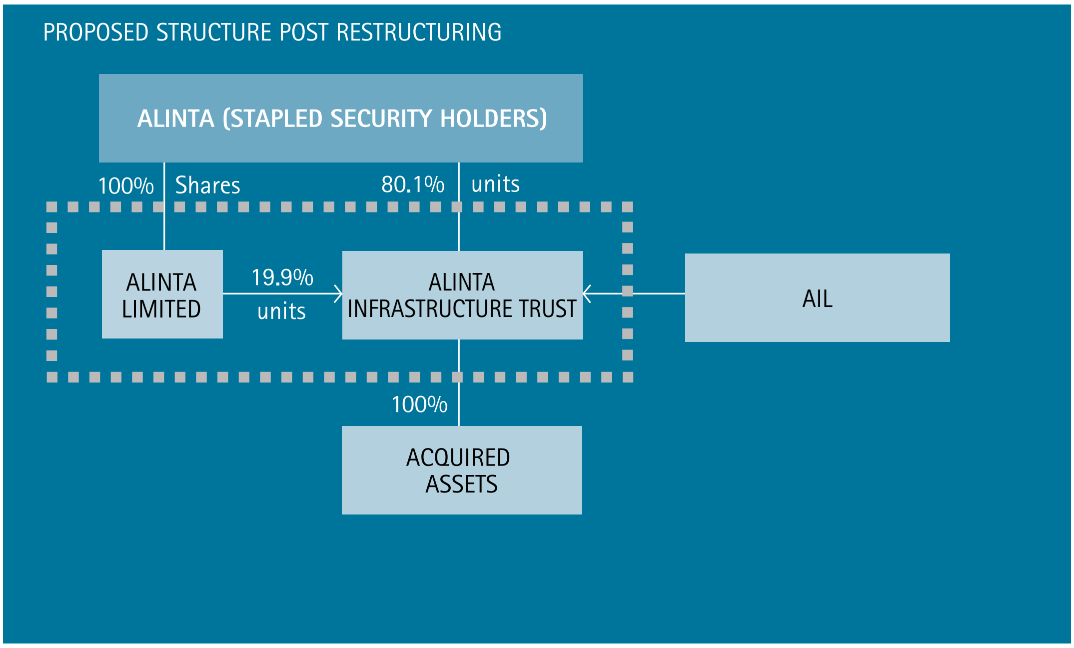
If the Restructuring is implemented, Alinta's Shareholders will directly hold the majority of the Units in Alinta Infrastructure Trust with Alinta retaining a 19.9% interest. Units and Shares will be stapled such that they can only trade on ASX as a single security.

Alinta's proposed structure is detailed below.

Alinta's long term strategy is to maintain a separation between asset ownership and asset management. The proposed Restructuring is consistent with this strategy and allows the Stapled Securities to be destapled at some future date.



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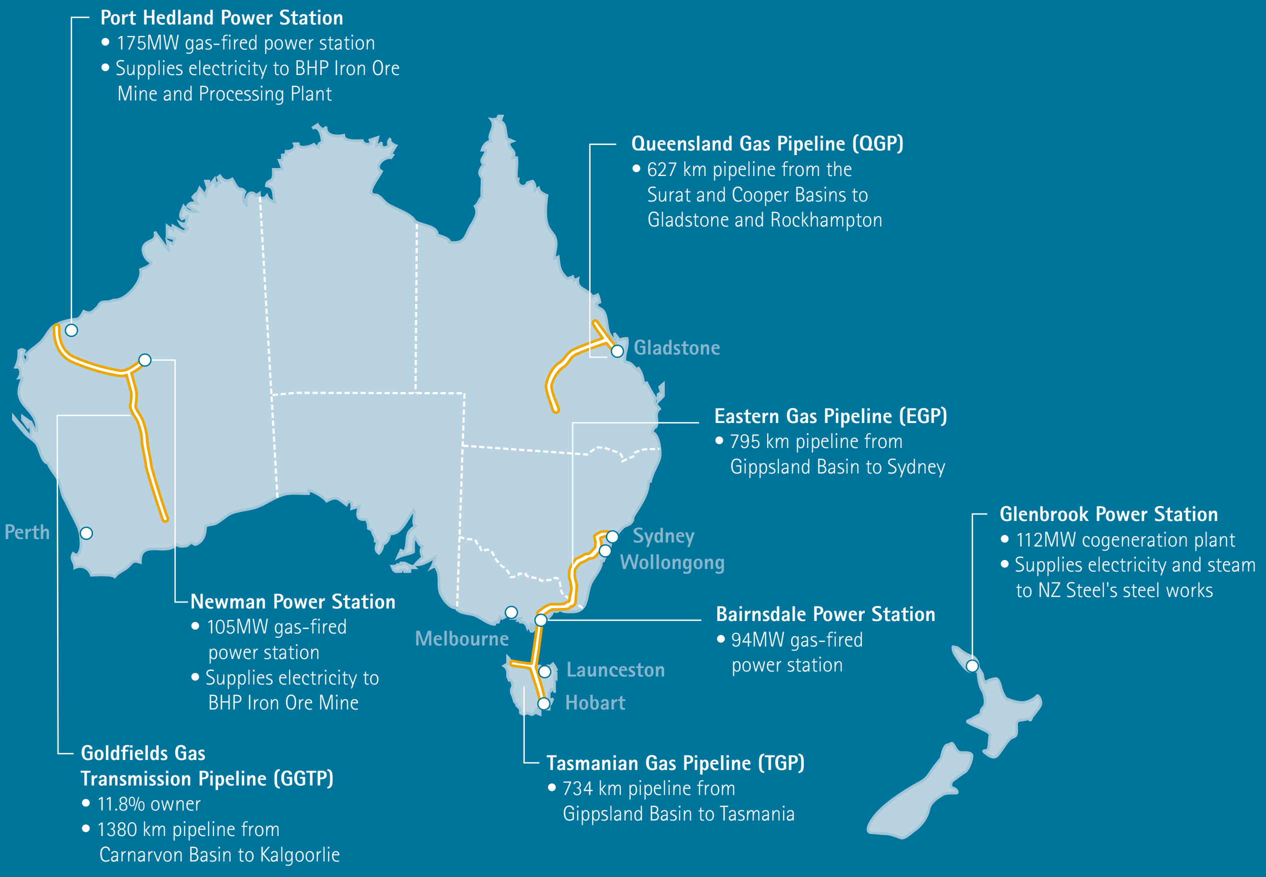
5.4 OVERVIEW OF THE ACQUIRED ASSETS

The Acquired Assets include three strategically located gas transmission pipelines and three power stations in Australia and one power station in New Zealand.

The pie chart below shows a breakdown of FY2004 forecast revenue for the Acquired Assets.

LOCATION OF THE ACQUIRED ASSETS



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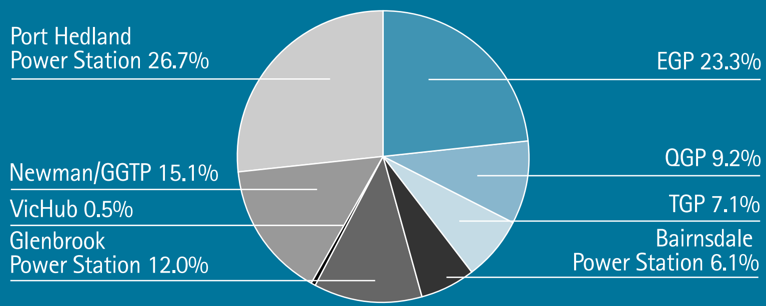
ACQUIRED ASSETS – FY2004 FORECAST REVENUE BREAKDOWN*



* excludes gas commodity revenues

5.5 PROFILE OF GAS INFRASTRUCTURE BUSINESS

Upon Completion, Alinta Group will acquire the following gas infrastructure assets:

- Eastern Gas Pipeline;
- Queensland Gas Pipeline;
- Tasmanian Gas Pipeline;
- An 11.8% interest in Goldfields Gas Transmission Pipeline; and
- VicHub.

Alinta will also own DEATM, a gas wholesaling business which operates in Victoria, New South Wales and Tasmania.

Each of these assets is described in more detail below.

5.5.1 EASTERN GAS PIPELINE

ASSET OVERVIEW

The EGP transports gas from the Gippsland Basin in Victoria to markets in Sydney and regional centres along the route. Gas is supplied to the EGP at the Longford compressor station by local gas producers and through the VicHub facility.

The EGP was commissioned in 2000 and is 795 km long.

The current capacity of the EGP is 65PJ per annum. Alinta management believes that the capacity of the pipeline could be increased to 105PJ per annum by the addition of three compressor stations.

EXISTING MARKET

The EGP transports gas for consumption by industrial, power generation and residential users in New South Wales and the Australian Capital Territory.

The pipeline also transports gas to the Bairnsdale power station in East Gippsland, the Bluescope Steel facilities in Port Kembla and the Smithfield power station in Sydney.

The EGP is not currently regulated by the Gas Code. As a result, tariffs on the pipeline are negotiated on a commercial basis.

EASTERN GAS PIPELINE

GAS SUPPLY

Gas supply to the New South Wales market comes predominantly from two sources:

- the Moomba to Sydney gas pipeline, which transports gas from the Cooper Basin; and
- the EGP which transports gas from the Gippsland Basin.

NSW Gas Supply

Pipeline	Owner	Pipe Length (km)	Gas Source	Supply Reserves (PJ)	Sydney Market Share
Eastern Gas Pipeline	Duke Australia	795	Gippsland Basin	6,900	40%
East Australian Pipeline Ltd (Moomba to Sydney)	APT	1,300	Cooper Basin	2,860	60%

All of the gas supply to the EGP comes from the Gippsland Basin so the pipeline is heavily dependent on the reserves, production levels, and prices in the Gippsland area. Given the substantial volume of remaining reserves in the Gippsland Basin, and corresponding potential for increased production, this dependency poses little risk in the near to medium term. However, in the longer term, EGP flows are expected to decrease when Gippsland Basin production declines. It is possible that gas supplies from the north could eventually flow through the EGP in the reverse direction, replacing declining Gippsland supply. However, gas delivered to Victoria via the EGP from PNG, Timor, or north-west Australia would be expensive, and volumes would be limited to those users with very high price tolerances.

Additional gas for Victoria will be supplied from the Otway and Bass Basins. To the extent that increasing Otway and Bass production enters the Victorian market, more Gippsland production may become available for the New South Wales market. The Otway Basin in particular appears to offer potential for future discoveries, and therefore it is indirectly an additional source of gas supply for the EGP.

KEY CUSTOMERS AND CONTRACTUAL COVER

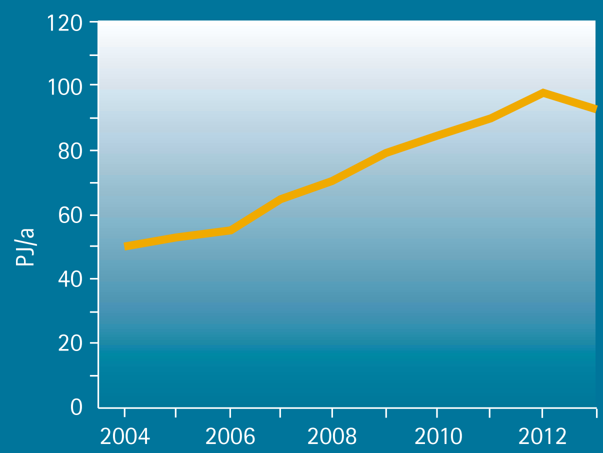
Esso/BHPB Petroleum, the main customer of the EGP, has a gas transportation contract which is expected to account for approximately 70% of FY2004 forecast revenue for the EGP.

96% of FY2004 forecast revenue from the EGP is expected to come from existing contracts.

GROWTH OUTLOOK

The Directors' forecast of gas throughput volumes for EGP is shown in the chart below.

EGP – FORECAST GAS THROUGHPUT VOLUME



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Specifically, the forecast is based on the following assumptions:

Demand assumptions

- Major industrial gas users continue to take quantities as currently contracted for 10 years.
- The market for smaller industrial, commercial and residential users in New South Wales grows at 2.5% per year.
- Coal continues to be the preferred fuel for base load power generation in New South Wales.

Supply assumptions

- Total Gippsland Basin reserves in 2010 decline slightly from the present level of about 6,900PJ. Approximately 2,000PJ of gas reserves are added through exploration and extensions to existing fields in the Gippsland Basin by 2010. During the same period, 3,170PJ are produced.
- Gas production in the Gippsland Basin increases from the present level of about 270PJ to 370PJ in 2013.
- Gas reserves in the Otway Basin decrease from the present level of about 1,390PJ. 200PJ of new reserves are added through exploration and extensions to existing fields, while 675PJ are produced.
- Annual Otway Basin production reaches 90PJ by 2010.

Contract renewal assumptions

- Energex renews its contract in 2008 and continues to backhaul 11PJ per year to Longford.

Capital expenditure assumptions

- Significant capital expenditure will need to be incurred in 2006 to install compression to meet additional demand.

The Directors' forecasts of gas throughput volumes for EGP, and the assumptions on which those forecasts are based, have been found to be reasonable by ACIL Tasman. Refer to Section 9 for further information.

In the medium term, the Directors believe that there are a number of potential opportunities for volume growth, which have not been reflected in the forecasts. These include the development of new gas-fired power stations in New South Wales, supply of gas to the proposed expansion of the Victorian gas reticulation network and the development of new gas fields in the Gippsland Basin, such as the Sole gas field and the Golden Beach field.

5.5.2 QUEENSLAND GAS PIPELINE

ASSET OVERVIEW

The QGP transports gas from the Surat and Cooper Basins and from the Rolleston and Westgrove gas fields to markets in Gladstone and Rockhampton.

The QGP was commissioned in 1989 and is 627 km long.

The current capacity of the QGP is 32PJ per annum. Alinta management believe the capacity of the pipeline could be increased to 52PJ per annum by the addition of five compressor stations.

EXISTING MARKET

The QGP services the Gladstone and Rockhampton markets where the primary demand for gas comes from large industrial companies. The key industries in the region include alumina production, aluminium and magnesium smelting and chemical manufacturing. Gas is also supplied to a small retail distribution network.

The QGP is regulated by the Gas Code. The terms of access by third parties are regulated by an access arrangement which has been approved by the ACCC. This access arrangement applies until 31 August 2016.

Tariffs on the pipeline are negotiated on a commercial basis subject to maximum tariffs which are prescribed under the access arrangement and the indicative tariff set under the *Gas Pipelines Access (Queensland) Act 1998*.

GAS SUPPLY

Historically, the majority of the gas transported to the Gladstone and Rockhampton markets through the QGP has been conventional natural gas from the Surat and Cooper Basins. While there is a risk that supply from the Cooper Basin will be insufficient to support gas supply at current costs in the long term, the Directors believe that this will not undermine the QGP's ability to supply its customers due to the alternative supply of CSM from the Surat and Bowen Basins.

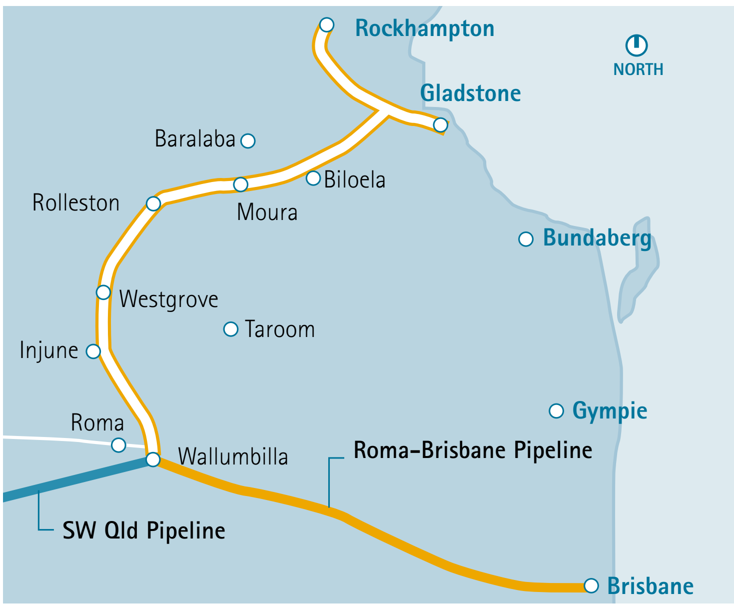
KEY CUSTOMERS AND CONTRACTUAL COVER

80% of FY2004 forecast revenue from the QGP is expected to be generated under a take-or-pay contract with foundation customer Queensland Alumina. Queensland Alumina is the world's largest alumina producer, with a production capacity of 3.7 million tonnes per annum. The Queensland Alumina alumina plant has been in operation since 1967 and its alumina product is used to supply alumina reduction smelters across the globe. The existing gas transportation contract between Duke Australia and Queensland Alumina expires in 2006. Based on QGP's position as the sole transporter of gas to this market, Alinta management expects this contract to be renewed.

Other major customers of the QGP include Energex, Queensland Magnesia and Origin Energy Retail.

98% of FY2004 forecast revenue from the QGP is expected to come from existing contracts.

QUEENSLAND GAS PIPELINE



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GROWTH OUTLOOK

The Directors' forecast of gas throughput volumes for QGP is shown below.

Specifically, the forecast is based on the following assumptions:

Demand assumptions

- The new Comalco alumina refinery in Gladstone starts production in 2005. A second production stage is planned for completion in 2009.
- The Queensland Alumina refinery completes its planned expansion in 2008.
- A major new co-generation facility is installed at one of the alumina refineries in 2007.
- Industrial plants currently consuming gas remain in operation for the next 10 years.

Supply assumptions

- CSM production in the Bowen Basin increases to 65PJ by 2013. Reserves necessary to support this level of production are proved in the course of the development program.

Contract renewal assumptions

- The Queensland Alumina gas transportation agreement is renewed in 2006.
- The Energex gas transportation agreement which supplies gas to the Boyne Island Smelter and Orica's ammonium nitrate plant are renewed in 2007 and 2006 respectively.
- The Origin Energy Retail gas transportation agreement which supplies gas for the Gladstone retail market is renewed in 2006.

Capital expenditure assumptions

- Significant capital expenditure will be required in 2006 and 2009 to install additional compression to meet demand.

The Directors' forecast gas throughput volumes for the QGP, and the assumptions on which the forecast is based, have been found to be reasonable by ACIL Tasman. Refer to Section 9 for further information.

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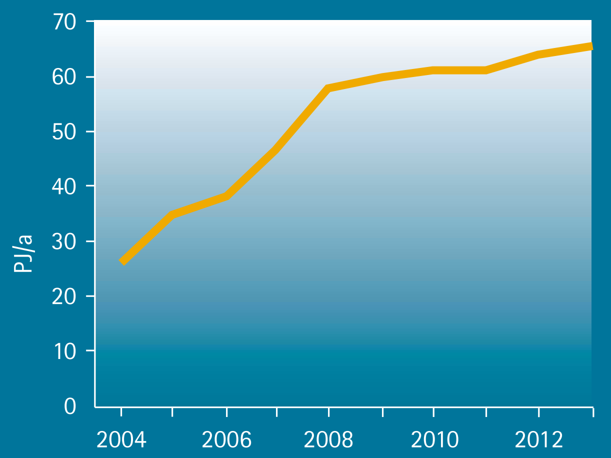
QGP – FORECAST GAS THROUGHPUT VOLUME



5.5.3 TASMANIAN GAS PIPELINE

ASSET OVERVIEW

The TGP is a sub-sea and onshore gas pipeline system which transports Gippsland Basin gas from the Longford compressor station in Victoria to Tasmania.

The TGP is 734 km long and was commissioned in 2002.

The capacity of the TGP is summarised below:

Pipeline Section	Maximum Compressed Capacity	Current Capacity
Longford-Bell Bay mainline	57PJ/a	47PJ/a
Port Latta lateral	Na	7PJ/a
Hobart lateral	Na	11.4PJ/a

EXISTING MARKET

The TGP delivered natural gas to Tasmania for the first time in 2002 and consequently, retail gas reticulation in Tasmania is still developing. Existing gas consumption by industrial customers and the Bell Bay power station constitute the current demand.

The recently announced reticulation and gas distribution agreement between Powerco and the Tasmanian State Government is expected to result in the development of a more expansive distribution network. Powerco is currently constructing a new reticulation network in Tasmania, which is expected to eventually supply gas to residential and industrial customers for natural gas in Hobart, Launceston, Devonport and Burnie.

The TGP is not currently regulated by the Gas Code. As a result, tariffs on the pipeline are negotiated on a commercial basis.

GAS SUPPLY

The TGP is the only supplier of natural gas to Tasmania. There are estimated to be commercially recoverable gas reserves of approximately 6,900PJ in the Gippsland Basin region and a significant quantity of these reserves are currently uncontracted, meaning that availability of gas supply is unlikely to constrain the performance of the TGP over the medium term.

KEY CUSTOMERS AND CONTRACTUAL COVER

TGP's current gas transportation contracts are with DEATM, which uses the capacity to supply Gippsland Basin gas to industrial customers in Tasmania. The largest of these customers is Hydro Tasmania which owns the Bell Bay power station. Hydro Tasmania is owned by the Tasmanian Government.

100% of FY2004 forecast revenue from the TGP is expected to come from existing contracts.

TASMANIAN GAS PIPELINE

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GROWTH OUTLOOK

The Directors' forecast throughput volumes for TGP are shown in the chart below.

Specifically the forecast is based on the following assumptions:

Demand assumptions

- Average hydro-generation availability is 10,200GWh per annum.
- Electricity demand growth is 1% per annum.
- Net electricity imports on Basslink are zero. (Sale of surplus hydro-generation available during the day are balanced by imports of low cost electricity from the NEM at night.)
- The two existing Bell Bay power station 120MW units are operated in intermediate mode as needed.
- A new 120MW unit is installed at Bell Bay power station in 2014.
- The gas distribution network is completed as currently planned, and commercial and residential utilisation of gas develops at a pace similar to that of Victoria when gas was introduced there, in proportion to population.
- Most industrial energy users presently using liquid fuels convert to gas within a few years once the reticulation network is completed.

Supply assumptions

- Total Gippsland Basin reserves in 2010 decline slightly from the present level of about 6,900PJ. Approximately 2,000PJ of gas reserves are added through exploration and extensions to existing fields in the Gippsland Basin by 2010. During the same period, 3,170PJ are produced.
- Gas production in the Gippsland Basin increases from the present level of about 270PJ to 370PJ in 2013.
- Gas reserves in the Otway Basin decrease from the present level of about 1,390PJ. 200PJ of new reserves are added through exploration and extensions to existing fields, while 675PJ are produced.
- Annual Otway Basin production reaches 90PJ by 2010.

Contract renewal assumptions

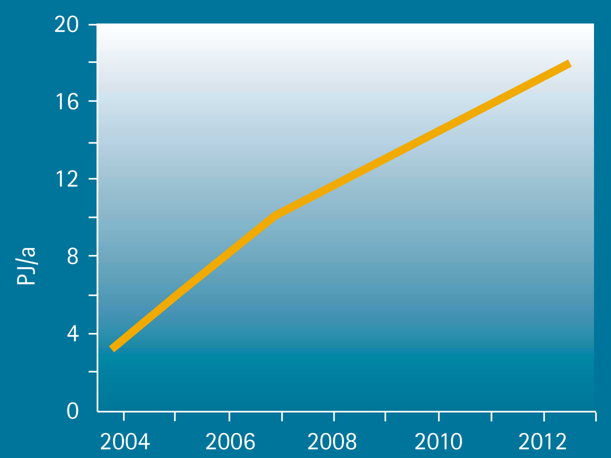
- The equivalent of 8PJ of firm capacity is acquired for supply of gas for Bell Bay power station Unit 2.
- Gas transportation for the new Bell Bay power station unit is contracted on an as available basis.

Capital expenditure assumptions

- No significant capital expenditure will be required to meet demand.

The key factors which will determine the actual levels of throughput for the TGP are the future demand for electricity in Tasmania and the extent to which this is utilised from the different generation sources available. Tasmania's current electricity demand of 10,200GWh is approximately the same as the average available supply from hydro generation. In years of heavy rainfall, there is enough water for existing hydro-generation facilities to supply Tasmania's electricity demand, while in dry years there is not. It is expected that Tasmania will be connected to the NEM in late 2005 or early 2006 following the construction of the Basslink interconnector. This will provide Tasmania with much greater flexibility to optimise the use of its generation resources and to utilise electricity supplies from the NEM.

TGP – FORECAST GAS THROUGHPUT VOLUME



The Directors' forecast gas throughput volumes for the TGP, and the assumptions on which the forecast is based, have been found to be reasonable by ACIL Tasman. Refer to Section 9 for further information.

5.5.4 GOLDFIELDS GAS TRANSMISSION PIPELINE

The GGTP is 1,380 km long and transports gas from the Carnarvon Basin to Kalgoorlie.

The GGTP is connected to the Newman power station by a 50 km lateral pipeline that was constructed in 1996.

The Alinta Group has agreed to acquire an 11.8% stake in the GGTP. The other shareholders in the GGTP are APT and CMS. Following Completion, Alinta will be required to contribute 11.8% of the pipeline's operating and any ongoing capital costs, and will be entitled to 11.8% of revenue from the GGTP. Alinta will also acquire the right to transport 23.3TJ per day into Newman through the GGTP at no transportation cost.

The GGTP transports 60TJ per day for the joint venture partners, and 15TJ per day for third parties. The GGTP is regulated under a State agreement with the Western Australian Government.

5.5.5 VICHUB

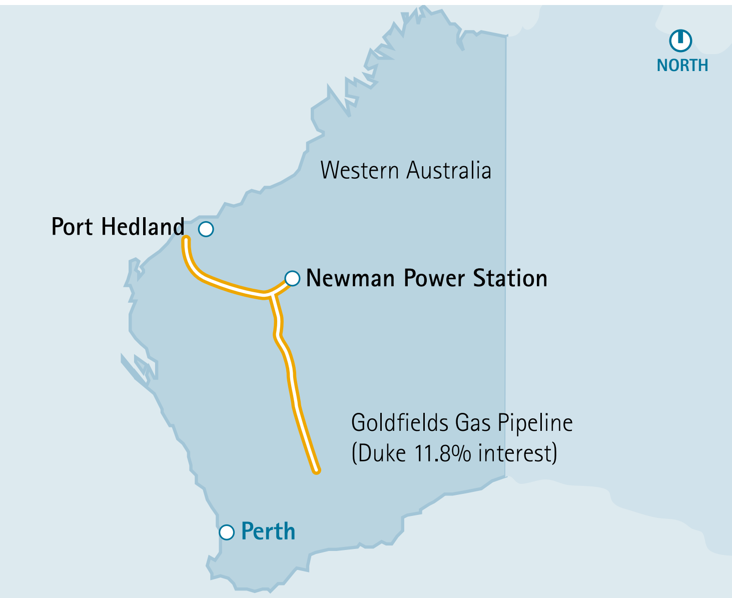
ASSET OVERVIEW

VicHub is an interconnect facility situated at Longford, that enables gas to flow between the EGP, TGP and GasNet's Victorian gas infrastructure network. The VicHub facility was commissioned in January 2003 and includes part of the Longford compressor station. DEATM has contracted to purchase all of the capacity on VicHub until 2007 and manages the commercial operation of the facility. VicHub enables the DEATM to enhance its flexibility in meeting short term requirements by allowing it to inject or draw up to 135TJ of gas per day into or out of the Victorian gas market.

5.5.6 DEATM

DEATM acts as a gas wholesaler by purchasing gas from producers and supplying it in bulk to industrial, power generation and aggregator counter-parties. DEATM currently has supply contracts in place with major industrial users and retailers in NSW, Victoria and Tasmania, including retailers Energy Australia and Country Energy.

GOLDFIELDS GAS TRANSMISSION PIPELINE



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5.6 PROFILE OF POWER GENERATION BUSINESS

Upon Completion, the Alinta Group will acquire the following power generation assets:

- Port Hedland power station in Western Australia;
- Newman power station in Western Australia;
- Glenbrook power station in New Zealand; and
- Bairnsdale power station in Victoria.

5.6.1 PORT HEDLAND POWER STATION

ASSET OVERVIEW

Port Hedland power station comprises five turbine units at two separate sites:

- a two turbine facility located inside BHP Billiton's HBI Plant and commissioned in 1998; and
- a three turbine facility located near Port Hedland and commissioned in 1995.

The two facilities are connected by a 66kV power transmission line, allowing them to operate as an integrated plant with a combined normal operating capacity of 160MW.

Port Hedland power station is connected to Western Power's NWIS electricity grid. Western Power is a statutory corporation owned by the Western Australian Government.

Gas is supplied to the Port Hedland power station by Pilbara Gas, a BHP Billiton subsidiary, via the Karratha to Port Hedland pipeline which is owned by Epic Energy. The Port Hedland facility can be fired by either natural gas or distillate fuel. The HBI Plant is configured to be fired solely by gas.

KEY CUSTOMERS

Port Hedland power station has three contracts that underpin nearly all of its current revenue.

Port Hedland Power Station PPA's Counterparty	CMD[1]	Expiration	Use of Electricity
BHPB Direct Reduced Iron	70MW	2014	HBI Plant
The MNJV parties, with BHP Billiton Iron Ore as agent and manager	35MW	2014	Nelson Point port facilities
The MGJV parties, with BHP Billiton Iron Ore as agent and manager	23MW[2]	2014	Finucane Island port facilities Iron ore mines at Yarrie and Nimingarra
TOTAL	**130MW**		

1. *Contracted maximum demand (take-or-pay quantity).*
2. *Includes 11.5MW increase in 2004 and 2003 CMD. This will not increase take-or-pay revenue earned.*

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BHPB Direct Reduced Iron is a subsidiary of BHP Billiton which operates the HBI Plant in the Pilbara region.

The MNJV owns and operates significant mining operations in the Newman area. MNJV is a joint venture between BHP Billiton Iron Ore, Mitsui-Itochu Iron and CI Minerals Australia.

The MGJV owns and operates the Nimingarra and Yarrie iron ore mining operations. The MGJV is a joint venture between BHPB Minerals, Mitsui Iron Ore Corporation and CI Minerals Australia.

MARKET OUTLOOK

The only other significant electricity generators in the Pilbara region are at the facilities of Hamersley Iron and Robe River. Future development of on-site generation capability may provide a source of competition in the region.

5.6.2 NEWMAN POWER STATION

ASSET OVERVIEW

Newman power station is a 105MW gas-fired power station located within the MNJV mining lease, adjacent to the Newman mining township. The Newman power station was commissioned in 1996 as the sole source of electricity to the remote Newman grid. Newman power station is not connected to the NWIS.

Newman power station's maximum capacity from its three gas turbines is 105MW, although under normal site conditions, output is 90MW. The power station can be fired by either natural gas or distillate fuel.

Natural gas is supplied to Newman power station via the GGTP.

KEY CUSTOMERS

The MNJV is the sole customer of Newman power station.

MARKET OUTLOOK

Newman power station supplies power to the existing MNJV mining operations, the Newman township and the BHP Billiton Jimblebar mine. The mines operated by the MNJV are estimated to contain sufficient reserves to maintain operations for at least 23 years.

The Newman grid is in an isolated system and Newman power station is the sole supplier of electricity. Future development of on-site generation capability is the main potential source of new competition in the region, however this is unlikely to be economically viable.

5.6.3 GLENBROOK POWER STATION

ASSET OVERVIEW

Glenbrook power station is a 112MW co-generation power station situated at Glenbrook, near Auckland and is located within the area occupied by the steelworks owned and operated by NZ Steel. Glenbrook power station is the main supplier of electricity to the steelworks.

The power station comprises the Kilns CoGen and the MHF CoGen. The generation units use the gases produced by the steelworks. The MHF CoGen also involves a slab reheat boiler which produces steam which is used by the steelworks.

The output of the power station is dependent on the level of the production processes at the steelworks for the various gases that are used to fuel the generation units. Apart from being the source of the fuel for the power station, the steelworks also provides the power station with a number of other services including auxiliary electricity, compressed air, water, and fire services.

The Kilns CoGen is connected to the New Zealand national grid through NZ Steel's connection arrangements with Transpower New Zealand Limited (the operator of the national grid). The MHF CoGen is integrated into the steelwork's electricity reticulation system.

KEY CUSTOMERS

Glenbrook power station currently has one customer, NZ Steel, the operator of the steelworks. Having the Kilns CoGen connected to the New Zealand national grid means that the power station could sell electricity produced by the Kilns CoGen into the New Zealand electricity market. However, Alinta management expects that NZ Steel will continue to consume all of Glenbrook power station's available output. NZ Steel currently supplements the power it receives from the Glenbrook power station with power purchased from the New Zealand electricity market.

MARKET OUTLOOK

The Glenbrook power station currently supplies approximately 60% of the electricity requirements of the steelworks. The primary growth opportunity for the Glenbrook power station is the potential to expand its generation capacity and supply NZ Steel with the electricity it currently purchases from the New Zealand electricity market.

5.6.4 BAIRNSDALE POWER STATION

ASSET OVERVIEW

Bairnsdale power station is a 94MW open cycle gas-fired power station located in Victoria's East Gippsland region. The Bairnsdale power station supplies electricity into the NEM at times of peak demand. It also provides generation into TXU Electricity's distribution network.

Bairnsdale power station commenced operation in June 2001 and comprises two 47MW simple cycle gas turbines.

Gas is supplied to Bairnsdale power station from a lateral pipeline connected to the EGP.

KEY CUSTOMERS

Bairnsdale power station's key customer is currently TXU Electricity.

Under the NSA with TXU Electricity, Bairnsdale power station is required to supply network services including electricity within designated time periods on a daily basis if requested, up to a maximum annual requirement.

MARKET OUTLOOK

When providing network support for TXU Electricity under its network support agreement obligations, Bairnsdale power station usually generates in the late evening and thus receives off-peak pool prices in addition to fees from TXU Electricity. At all other times, Bairnsdale power station dispatches its entire output into the NEM, operating as a peaking generator.

In Australia, the NEM operates across the three eastern mainland states and South Australia. Generated power is offered into the NEM, with the relevant regional reference pool price in any particular time interval set according to the price offered by the most expensive generator last dispatched to meet demand in that period.

The total generation requirements from peaking plants are primarily determined by weather conditions.

Victoria's electricity is supplied by privately owned companies, with the majority coming from coal-fired plants. There are currently no new coal-fired or gas-fired plants in development stages in Victoria, despite the state being at some risk of electricity supply shortfalls during peak summer demand. It is expected that in the medium term, additional generation capacity will be required to resolve the demand/supply imbalance.

It is expected that new base load generation will be required in South Australia, Victoria and the New South Wales regions of the NEM in the next three to six years, with a predicted electricity supply shortfall in Victoria during the summer peak period in 2005/2006. Bairnsdale power station has the opportunity to meet part of this additional demand by converting to a combined cycle operation.

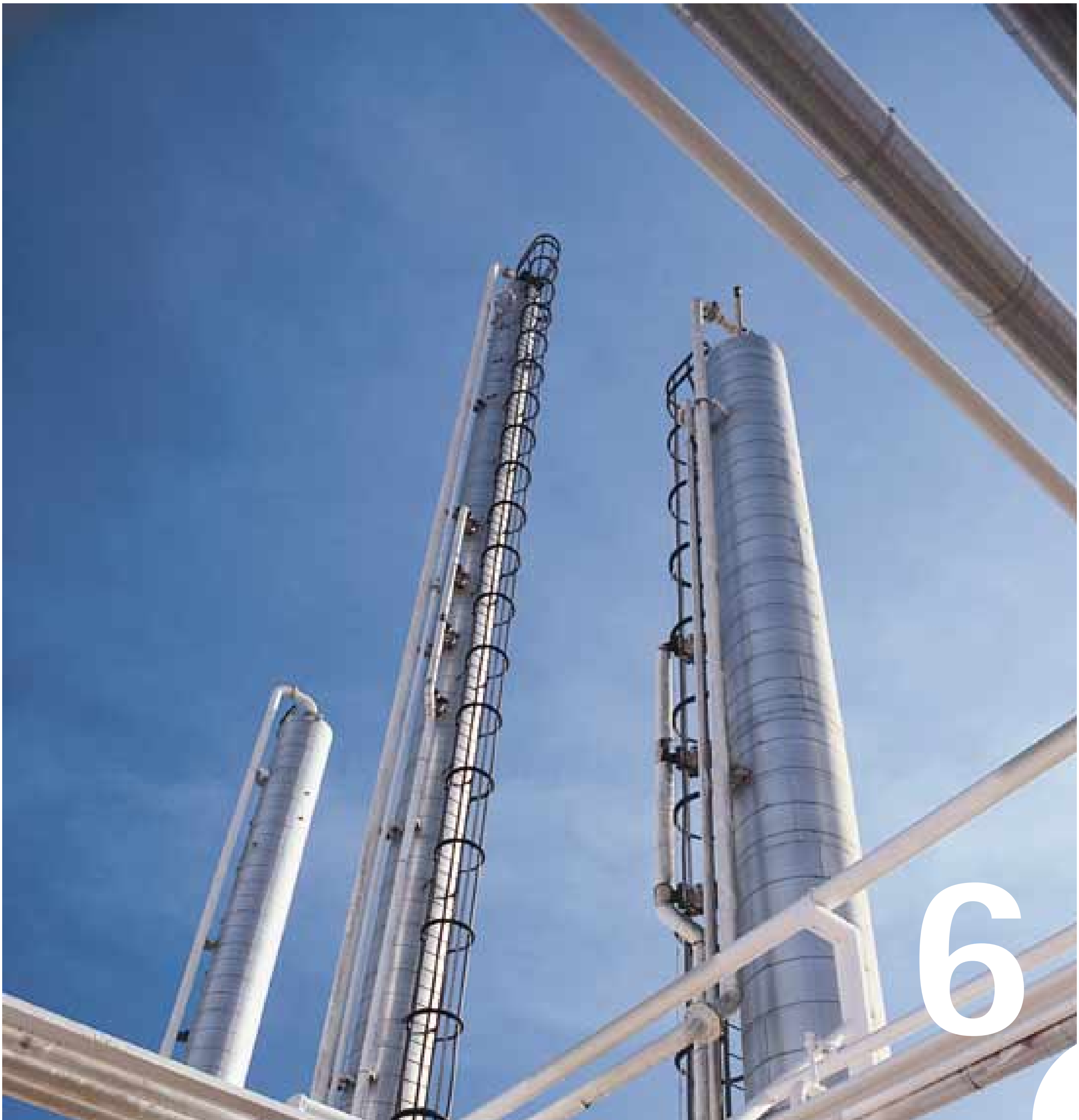
Continued regulation arising from the concerns relating to the use of fossil fuels such as the NSW Greenhouse Gas Abatement Scheme, and is expected to improve Bairnsdale power station's competitive position relative to other generators in the Victorian market.

5.6.5 BELL BAY POWER STATION

Bell Bay power station comprises two 120MW turbines which were commissioned in 1971 and converted from oil to gas fired operation during the past two years.

Until 31 December 2005, Duke Australia has an agreement to operate and maintain the Bell Bay power station.

Duke Australia (and other members of the Duke Energy Group) and Hydro Tasmania are parties to a joint venture heads of agreement under which the parties are to negotiate the ownership and operation of Bell Bay power station from 1 January 2006. If a joint venture is entered into, the capacity and gas purchase agreements with Hydro Tasmania will be assumed by the joint venture. Duke Australia (and other members of the Duke Energy Group) and Hydro Tasmania would share in the generation revenue from the operation of the Bell Bay power station in proportion to their interests in the joint venture.



6 OUTLOOK

The Directors have forecast distributions totalling 38 cents per Share or Stapled Security for the year ending 31 December 2004. Alinta's reported earnings per Share is expected to be negatively impacted by the Acquisition due to the high depreciation charges associated with the Acquired Assets. Having regard to the strong cashflow generated by the Acquired Assets and their growth profile, the Directors believe that the anticipated long term potential benefits of the Acquisition outweigh the negative impact on EPS.

There are a number of factors which could affect the financial performance of Alinta following the Acquisition, including:

THE PERFORMANCE OF ALINTA'S EXISTING BUSINESS

The Directors expect that Alinta's existing business will continue to perform strongly in FY2004. The key drivers of the FY2004 result will be a full year contribution from Alinta Network Services and National Power Services and from the investments in UED and Multinet.

THE PERFORMANCE OF THE ACQUIRED ASSETS

Based on the findings of its due diligence enquiries in relation to the Acquired Assets, the Directors expect the Acquired Assets to contribute $109.2 million of pro forma EBITDA in FY2004. Alinta estimates that approximately 51% of pro forma EBITDA before corporate costs in 2004 will be derived from the power generation assets, and the remaining 49% from the gas infrastructure assets. Over 94% of forecast FY2004 revenue is expected to come from existing contracts.

INTEGRATION OF THE ACQUIRED ASSETS

Alinta's operational strategy is to leverage off its existing experience in the energy industry, its demonstrated ability to successfully integrate operating staff from acquired businesses, the established nature of the technology employed in Duke Australia's businesses and the experience of existing Duke Australia staff. Alinta's key objectives in the operational integration of the Acquired Assets will include the following:

- ensure an effective transition to Alinta;
- maximise synergies across the broader organisation; and
- maintain appropriate operational contracts.

EXPECTED INTEGRATION COSTS

Alinta expects to incur one-off integration costs as a result of the Acquisition. These are expected to mainly comprise system integration expenses and one-off restructuring expenditure. It is estimated that these costs will be incurred over the next two to three years.

POTENTIAL SYNERGY BENEFITS

Alinta is targeting synergies as a result of the Acquisition. Most of these synergies are expected to be derived from the removal of duplicated administrative, systems and corporate functions.

GOODWILL AMORTISATION

Goodwill from the Acquisition is expected to be approximately $60 million The goodwill arising from the Acquisition will be amortised over 20 years, resulting in an additional amortisation charge of approximately $3 million per year. (The adoption of IFRS from 1 January 2005 is expected to remove the need for amortisation and instead is expected to require annual impairment testing).

IMPACT OF FUNDING ARRANGEMENTS

Alinta intends to fund the Acquisition through the Rights Issue, an Institutional Placement, working capital and debt. Alinta will incur additional interest expense in relation to the debt funding. Following completion of the Rights Issue and the Acquisition, Alinta's Gearing is expected to increase from 57.8% to 61.4% and Interest Cover is expected to decline from 7.4 times to 3.4 times. (These ratios will be affected by the adoption of IFRS from 1 January 2005 which will result in the reclassification of RePS from equity to debt).

COMPLETION OF THE ACQUISITION

Completion of the Acquisition is expected to occur in late April 2004 with the benefit of earnings from the Acquired Assets to accrue to Alinta from that date.

INSTITUTIONAL PLACEMENT

On 15 and 16 March 2004, Alinta conducted an Institutional Placement of 29 million Shares at an issue price of $6.75 per Share raising gross proceeds of $195.8 million.

Shares issued under the Institutional Placement are entitled to participate in the Rights Issue.

In addition, Alinta has agreed to procure renunciation in favour of allotees of Shares under the Institutional Placement (at no separate cost) of 0.532 Rights per Share, rounded down to the nearest Right, from the Rights to which its subsidiary WAGH is entitled under the Rights Issue by virtue of its holding of 36 million Shares.

CREDIT RATING

Standard & Poor's has assessed the impact of the proposed Rights Issue and Acquisition on Alinta's corporate credit rating and as at the date of this Prospectus, has affirmed that based on information provided to it, and subject to review of final documentation by Standard & Poor's, successful raising of equity, and completion of the transaction on the terms and conditions expected by Standard & Poor's, the ratings on Alinta would be affirmed at 'BBB/A-2' with a stable outlook.

The ratings assigned to Alinta are based on current information furnished to Standard & Poor's by or on behalf of Alinta or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any rating and may, on occasion, rely on unaudited financial information. **Any rating may be changed, suspended or withdrawn at any time as a result of changes in, or unavailability of, such information, or based on other circumstances. A rating by Standard & Poor's is a statement of opinion and is not a recommendation to buy, hold, or sell securities (including New Shares.)**

RePS

Currently, under the terms of the RePS, if the RePS are converted, each RePS will convert into a number of Shares calculated with reference to the average of the daily volume weighted average sale price of Shares traded on ASX during the 20 business days immediately preceding the exchange date. This calculation is subject to a conversion discount of 2.5%. Under the terms of the RePS, the number of Shares arising from conversion must not be less than the minimum conversion number. The minimum conversion number for RePS is currently 15.19, which provides holders of RePS with participation in Alinta's Share price above $6.75.

The terms of issue of the RePS provide for the adjustment of the minimum conversion number attaching to the RePS in various circumstances.

Adjustment for Capital Distribution

Section 3.11 of the terms of issue of the RePS provides for an adjustment to the minimum conversion number in the event that there is a "Capital Distribution" to holders of Shares.

Under the terms of the RePS, the amount by which the sum of all dividends per Share (grossed up to account for franking) in respect of FY2003 exceeds $0.45 constitutes a "Capital Distribution".

In respect of FY2003, Alinta has:

- declared and paid a fully franked interim dividend of 12 cents per Share; and
- declared a fully franked final dividend of 21 cents per Share, which is expected to be paid on 31 March 2004.

Following payment of the final dividend, the sum of all dividends per ordinary share (grossed up for franking) paid by Alinta in respect of FY2003 will be approximately $0.4714.

The minimum conversion number for RePS will be adjusted following the payment of the 2003 final dividend in accordance with Section 3.11. Alinta will notify holders of RePS of the adjusted minimum conversion number at that time.

Adjustment for Rights Issue

Section 3.9 of the terms of issue of the RePS provides for the adjustment of the minimum conversion number in the event of a bonus issue or rights issue to maintain the relativity in the values of RePS and Shares. The Rights Issue will constitute a rights offer for the purposes of Section 3.9 of the RePS terms of issue. The minimum conversion number for RePS will be adjusted following the allotment of New Shares under the Rights Issue in accordance with Section 3.9 of the RePS terms of issue. Alinta will notify holders of RePS of the adjusted minimum conversion number at that time.

RESTRUCTURING

In order to fully realise the potential benefits of the Acquisition, Alinta is considering a proposal to ask Shareholders to vote on a Restructuring which, if approved, will convert Alinta from a single company structure to a stapled security structure.

Alinta's long term strategy is to maintain a separation between asset ownership and asset management. The proposed Restructuring is consistent with this strategy and allows the Stapled Securities to be destapled in the future.

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FINANCIAL INFORMATION

7.1 OVERVIEW OF FINANCIAL INFORMATION

This Section presents the following pro forma financial information for Alinta:

(a) Alinta financial information:

- pro forma consolidated historical results for FY2003 and pro forma consolidated forecast results for FY2004 (Table 1),
- pro forma consolidated historical cashflows for FY2003 and pro forma consolidated forecast cashflows for FY2004 (Table 4), and
- pro forma consolidated statement of financial position as at 31 December 2003 (Table 5).

(b) Reconciliation of financial information:

- reconciliation of the audited profit before tax for Alinta and the audited EBITDA of the Acquired Assets for FY2003 to the abovementioned pro forma consolidated historical EBITDA of Alinta (Table 6), and
- reconciliation of the pro forma consolidated forecast EBITDA of Alinta for FY2004 to the expected reported EBITDA of Alinta for FY2004 (Table 7).

7.2 ALINTA – FINANCIAL INFORMATION

(a) Introduction

(i) Historical financial information

The pro forma historical financial information has been derived from the audited financial statements of each of Alinta and the Acquired Assets for FY2003, which have been adjusted to include:

- certain normalisations and pro forma changes detailed in Table 6; and
- a full year impact of Alinta's equity accounted share of profits from UED and Multinet.

The pro forma historical financial information has been prepared for illustrative purposes only for use in this Prospectus and should be read in conjunction with:

- the risks described in Section 10; and
- the Investigating Accountant's Report set out in Section 7.6,

in order to understand the bases, assumptions, and limitations underlying the historical financial information presented.

It is considered impractical to present pro forma financial information in respect of historical operating performance prior to 1 January 2003, because in addition to structural changes and acquisitions made in 2003, the new arrangements for the management of the various networks gave rise to significantly different revenue and cost structures to those experienced historically.

The pro forma historical results have been presented before depreciation and amortisation, borrowing costs, financing activities and income tax. The entities that comprise Alinta and the Acquired Assets have previously operated under different corporate structures with significantly different capital structures and income tax circumstances, and hence reporting depreciation and amortisation, net borrowing costs, financing activities and income tax is not considered to be meaningful or appropriate. Accordingly, this information has not been included in the pro forma historical financial information below.

(ii) Forecast financial information

The forecast financial information has been prepared for illustrative purposes only for use in this Prospectus. It is based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions, which, as at the date of this Prospectus, are expected to take place, including the key best estimate assumptions set out in Section 7.2(c)(v).

The forecast financial information should be read in conjunction with:
- the risks described in Section 10;
- the management discussion and analysis of the forecast financial information set out in Section 7.2(c);
- the Investigating Accountant's Report set out in Section 7.6; and
- the description of key best estimates assumptions underlying the forecast information, set out in Section 7.2(c)(v),

in order to understand the bases, assumptions and limitations underlying the forecast financial information presented.

Alinta has used due care and attention in the preparation of this forecast financial information and considers the assumptions to be reasonable when viewed as a whole. However, this information is not fact and readers are cautioned not to place undue reliance on the forecast financial information.

The assumptions set out in Section 7.2(c)(v) represent estimates of 2004 sales volumes and pricing, exchange rates, interest rates costs, taxation and general financial assumptions at the date of this Prospectus, having regard to contracted sales volumes and pricing, exchange rates, interest rates, taxation and general financial conditions in 2003, historical operating performance and Alinta's own industry knowledge. In addition, certain assumptions relating to gas throughputs for the Acquired Assets are supported by the Independent Expert's Report set out in Section 9.

Forecasts are, by their nature, subject to a variety of business, economic and competitive risks and uncertainties, many of which will be outside the control of Alinta and the Directors. Events and circumstances often do not occur as anticipated, and therefore actual results are likely to differ from the forecasts, and the differences may be material. Accordingly the Directors cannot and do not give any assurance that the forecasts will be achieved.

Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on the forecast financial information. The sensitivity analysis in Table 2 summarises the sensitivity of forecast EBT for FY2004 to changes in certain key assumptions.

The preparation of the forecast financial information and the Investigating Accountant's review thereof has been undertaken in accordance with Australian auditing standards and such information should not be relied upon by those unfamiliar with such standards.

(b) Pro forma consolidated historical results for FY2003

(i) Basis of preparation

Table 1 summarises the pro forma historical results of the businesses that comprise Alinta and the Acquired Assets for FY2003 as if Alinta had been operating the Alinta Network Services contract throughout 2003 and had owned the Acquired Assets and its share of UED (34%), Multinet (20.1%) and Uecomm (66.3%) throughout 2003. It also includes the pro forma forecast results for FY2004 which likewise assumes that Alinta had owned the Acquired Assets for the full year. The basis of preparation of the forecasts, assumptions adopted, management discussion and analysis and other important factors to consider are discussed in Sections 7.2(c) and 7.3(a).

(ii) Summary of the pro forma historical results of Alinta – FY2003

As described above, it is considered impractical to present pro forma financial information in respect of historical operating performance prior to 1 January 2003.

Consequently, the summary pro forma historical results are set out below without any management discussion and analysis of the pro forma historical results for FY2003 compared to FY2002.

TABLE 1 – Pro Forma Consolidated Results of Alinta ($ million)	Pro forma historical results FY2003	Pro forma forecast results(1) FY2004(2)
Sales revenue from operating activities		
Alinta – Energy Retail	394.6	388.4
Alinta – Energy Distribution	116.0	113.3
Alinta – Intercompany Haulage elimination(3)	(113.3)	(108.3)
Alinta – Asset Management Services	327.1	312.0
Alinta – Uecomm	58.0	75.0
Acquired Assets – Gas Business	133.0	157.2
Acquired Assets – Power Generation	133.9	138.9
Revenue from continuing operations	1,049.3	1,076.5
EBITDA		
Alinta – Energy Retail	69.9	56.8
Alinta – Energy Distribution	83.0	82.4
Alinta – Asset Management Services	25.9	27.4
Alinta – Uecomm	20.2	30.0
Alinta – Corporate and other	(5.3)	(2.8)
Acquired Assets – Gas Business	56.4	65.7
Acquired Assets – Power Generation	73.1	69.5
Acquired Assets – Corporate	(30.2)	(26.0)
Total EBITDA from continuing operations	293.0	303.0
Shares of net profits of associates(4)	11.6	9.5
Total EBITDA plus share of net profits of associates	304.6	312.5
Depreciation and amortisation(5)		(108.5)
EBIT from continuing operations		204.0
Interest income		25.9
Interest expense		(117.0)
EBT		112.9
Income tax benefit/(expense)		(33.9)
Profit from ordinary activities after related income tax expense		79.0
Outside equity interests(6)		(6.7)
Profit attributable to members of Alinta		72.3

(1) A description of the assumptions underlying the forecasts for Alinta is included in Section 7.2(c)(v). Table 1 excludes the impact, if any, of the tax consolidation legislation, refer Section 7.2(c)(vii).

(2) The pro forma forecast results for FY2004 have been prepared as if Alinta existed in its post Acquisition form from, and the pro forma transactions and events described in Section 7.2(c)(i) occurred on, 1 January 2004.
Alinta's forecast expected results for FY2004 will be different to the pro forma forecast results provided in this table as the effective accounting date of the Acquisition is expected to be 30 April 2004. Refer Table 7.

(3) Intercompany Haulage is charges made by the Alinta Energy Distribution business to the Alinta Energy Retail business.

(4) Alinta's share of equity associated profits from associates (34.0% of UED and 20.1% of Multinet).

(5) The pro forma forecast amortisation and depreciation assumes that the pro forma transactions and events described in Section 7.2(c)(i) occurred on 1 January 2004.

(6) Other equity interests relates to the minority interests in Uecomm and ANH.

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(c) Pro forma consolidated forecast results for FY2004

(i) Basis of preparation of pro forma forecast results

The pro forma forecast results set out above have been prepared in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of Alinta, which are consistent with the accounting policies outlined in the Alinta 2003 Annual Report.

The pro forma forecast results should be read in conjunction with the matters set out in Section 7.2(a)(ii) to understand the bases, assumptions, and limitations underlying the forecast financial information presented.

The pro forma forecast results have been presented to net profit after tax. The pro forma forecast results for FY2004 have been adjusted to:

- reflect the pro forma transactions and events described below, and
- exclude the impact of non-recurring items (see Table 3).

In order to present a meaningful full year comparison, the 2004 forecast results (and the pro forma 2004 forecast cashflows set out below) have been prepared as if the following pro forma transactions and events, which are to take place on or before the Acquisition Date, had occurred as at 1 January 2004:

(i) The placement of 29 million ordinary shares in Alinta at an issue price of $6.75 per share, raising $195.8 million.
(ii) Pursuant to this Prospectus, the issue of 84.5 million ordinary shares by way of a renounceable rights issue at a price of $5.50 per share to raise $465 million less issue costs of approximately $20 million.
(iii) The capitalisation of a loan between Alinta and Trust 2 of approximately $650 million.
(iv) The cancellation of 21.4% of the WAGH Shares.
(v) The purchase of the Acquired Assets for approximately $1.69 billion plus incidental costs of acquisition, including stamp duty.
(vi) Debt funding of $1.180 billion required for the purchase of the Acquired Assets.

The expected forecast results will differ from the pro forma forecast results for the reasons outlined in note (2) to Table 1 above and have been reconciled as set out in Section 7.3(b).

(ii) Management discussion and analysis of forecast results of Alinta – FY2004 compared to FY2003

PRO FORMA CONSOLIDATED RESULTS

Revenue: Pro forma sales revenue of $1.076 billion is forecast for Alinta for FY2004, compared with the pro forma 2003 revenue of $1.049 billion.

EBITDA: Pro forma EBITDA for Alinta for 2004 is forecast to be $303.0 million which is comparable with $293.0 million in 2003.

PRO FORMA RESULTS OF THE ALINTA ENERGY RETAIL BUSINESS SEGMENT

Revenue: The Alinta Energy Retail Business segment forecast revenue for 2004 is $388.4 million compared with $394.6 million in 2003.

Tariff sales are forecast to increase by $3.7 million (2%) to $191.6 million in 2004, comprising residential tariff sales of $162.7 million and business tariff sales of $28.9 million. The increase is due principally to price escalations as sales volumes are forecast to remain consistent with 2003.

Gas contract sales are forecast to decrease by $2.1 million to $120.8 million as a result of customer churn and the contract prices determined under each individual contract.

The Wesfarmers LPG sales are forecast to decrease by $7.2 million to $75.4 million. The lower Wesfarmers LPG sales revenue reflects the impact of the stronger Australian dollar, given the selling price is determined by the international LPG price which is dependent on US$ price per tonne of propane and butane and the A$/US$ exchange rate.

EBITDA: EBITDA is forecast to decrease to $56.8 million in 2004 from $69.9 million in 2003. The forecast EBITDA reflects a result comparable to 2002, following the reported 35% increase in 2003, which was impacted by a colder winter, reduced gas supply costs, buoyant new housing market, low customer churn and Wesfarmers LPG revenue up on a higher A$ LPG price.

The EBITDA decrease reflects the decrease of $6.2 million in revenue mostly as a result of decreased Wesfarmers LPG sales revenue and an increase in gas purchase costs from $138.0 million in 2003 ($141.6 million pro forma adjusted) to $144.5 million in 2004. The 2003 gas purchase costs were impacted by a $3.6 million prior year favourable price variance which was recognised in 2003 and has been adjusted in the pro forma results.

Other costs impacting EBITDA are the forecast increases in the gas transport and operating and material costs, including the introduction of Full Retail Contestability costs of $2.8 million.

The level of EBITDA contribution from the Alinta Energy Retail Business segment is dependent on the level of world LPG prices in Australian dollar terms. Table 2 demonstrates the impact of the variability in LPG sales price (US$) and the A$/US$ exchange rates on EBITDA.

Specific commercial risks associated with Wesfarmers LPG and gas transmission arrangements are noted in Section 10.4 of this Prospectus.

The Wesfarmers LPG interest income of $1.7 million in 2003 and 2004 has been removed from the pro forma results.

PRO FORMA FORECAST RESULTS OF THE ENERGY DISTRIBUTION BUSINESS SEGMENT

Revenue: The Energy Distribution Business segment forecast revenue for 2004 of $113.3 million is slightly lower than $116.0 million in 2003, which was achieved on the back of a strong housing market and colder winter in Western Australia.

EBITDA: The forecast EBITDA in 2004 is $82.4 million which is comparable with $83.0 million achieved in 2003.

PRO FORMA RESULTS OF THE ASSET MANAGEMENT SERVICES BUSINESS SEGMENT

Revenue: The total forecast revenue for the Asset Management Services business segment in 2004 is $312.0 million which is comparable to the pro forma sales revenue of $327.1 million in 2003, which has been adjusted as if the Alinta Network Services contract had been in place for the full 12 months and the ownership of National Power Services for the full 12 months of 2003.

EBITDA: EBITDA is forecast to increase to $27.4 million in 2004 from $25.9 million in 2003, which has been adjusted as if the Alinta Network Services contract had been in place for the full 12 months and the ownership of National Power Services for the full 12 months of 2003.

The improved forecast 2004 EBITDA compared to the pro forma 2003 EBITDA reflects the flow on impact of a number of initiatives including the UED head office close down and relocation of staff, voluntary reduction program, and system and processes improvements being completed or implemented.

PRO FORMA RESULTS OF UECOMM

Revenue: Uecomm's forecast revenue from operations is $75.0 million, which is the mid-point of ranges provided in recent announcements by Uecomm, and is up 29% on 2003 revenue of $58.0 million. Revenue from operations for 2004 includes approximately $50 million which is already contracted for. The remaining revenue is expected to be derived from new sales contracts, with a significant proportion coming from corporate and government customers.

EBITDA: The forecast EBITDA is $30.0 million, up from $20.2 million in 2003, due to strengthening gross margins as a result of increased revenue from improved network utilisation, being offset to some extent by the increased use of lower margin third party tails for access.

(iii) Management discussion and analysis of forecast results of the Acquired Assets: FY2004 compared to FY2003

PRO FORMA RESULTS OF THE ACQUIRED ASSETS GAS BUSINESS SEGMENT

Revenue: Revenue for the Acquired Assets Gas Business segment is forecast to increase by 18% to $157.2 million in 2004 from $133.0 million in 2003.

EGP revenues are forecast to increase by approximately $7 million, mainly due to increased volumes and tariff escalations under Esso/BHP Billiton and other take or pay contracts, as well as volume increases under other contracts.

There are increased volumes of approximately 6PJ forecast for the TGP, following the recent conversion of unit 2 of the Bell Bay power station from oil to natural gas and the commencement of sales to industrial customers.

EBITDA: In 2004, EBITDA is forecast to increase to $65.7 million from $56.4 million in 2003, primarily on the basis of the revenue growth discussed above.

PRO FORMA RESULTS OF THE ACQUIRED ASSETS POWER GENERATION BUSINESS SEGMENT

Revenue: Revenue for the Acquired Assets Power Generation Business segment in 2004 is forecast to increase to $138.9 million from $133.9 million in 2003.

PPA tariff increases for WAP and GPS are the predominant factors underlying this overall increase. There are no significant variances in demand volumes. Unexpected demand increases at WAP from BHP Billiton and from GPS in 2003 are not expected to be repeated in 2004.

EBITDA: EBITDA is forecast to decrease from $73.1 million in 2003 to $69.5 million in 2004.

WAP and GPS are expected to incur increased major and routine maintenance expenditure of approximately $5 million. The GPS maintenance schedule includes seven boiler surveys and two turbine overhauls. These expenditure increases have been partially offset by increases in net revenue for WAP. Cost of sales for Bairnsdale power station are forecast to increase in 2004 as a result of the increased run time forecast under the Network Support Agreement.

(v) Key best estimate assumptions underlying the consolidated Alinta pro forma forecasts

In forecasting earnings for FY04, the Directors have made the following assumptions.

Revenue Assumptions

In forecasting the sales revenue, the following sales volumes have been assumed:

Sales volume assumptions:

	Pro forma Forecast 2004
Energy Retail	
- gas contracts (TJ)	33,749
- tariff sales (TJ)	11,613
- Wesfarmers LPG (TJ)	18,516
Energy Distribution	
- gas volumes (PJ)	90.0
- electricity volumes (GWh)	7,373
Acquired Assets	
- gas business (PJ)	109.5
- power generation (GWh)	1,730.0

The gas volumes in the above table for the Acquired Assets gas business include capacity volumes only.

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Other revenue assumptions:

The Alinta Energy Retail Business residential tariff sales forecast has assumed an increase of 75% of CPI (2.5%) for coastal licence areas and full CPI for Kalgoorlie and Albany.

The Alinta Energy Retail Business new customer connections are based on Housing Industry Association forecasts and these reflect an easing in the Western Australian housing market.

The Alinta Energy Retail Business 2004 tariff sales assume a 1.5% growth, which is slower than in the residential tariff segment. Volume churn is expected to be 5% of total segment volume and margin losses are expected given increased competition.

Wesfarmers LPG Assumptions

The Wesfarmers LPG business segment results reflect an average effective A$/US$ exchange rate of 0.70 as a key parameter compared to a rate of 0.64 in 2003, and LPG prices are forecast to average US$262/tonne compared to US$294/tonne in 2003.

Synergies

Annualised synergies and other savings of $5 million are expected in relation to the Acquired Assets, most of which are derived from administrative, systems and corporate functions.

Borrowing Costs Assumptions

Interest rates on Alinta's $530 million senior debt facility are assumed to be an effective rate of 5.9% per annum and the senior debt is hedged at 80%. Interest on the unhedged portion has been based on the BBSY (6 month) rate.

Interest rates on debt raised in relation to the Acquired Assets will be fixed throughout 2004. For a summary of the Syndicated Finance Facility refer to Section 11.6 of this Prospectus.

Taxation Assumptions

Taxation assumptions reflect a forecast tax rate of 30% in FY2004. The forecast net tax expense includes the impact of permanent differences.

General Assumptions

The Directors have also made the following general assumptions for the Alinta forecasts in addition to those outlined above:

- an average increase in the CPI of 2.5% over the forecast period;
- an average Australian dollar/US dollar exchange rate of 0.70;
- an average NZ dollar/Australian dollar exchange rate of 1.12;
- no changes of a material nature to Alinta's accounting policies or to Australian Accounting Standards; Statements of Accounting Concepts or other mandatory professional reporting requirements including Urgent Issues Group and the Corporations Act which could have a material effect on Alinta's forecast financial results and cashflows;
- no significant changes in legislation, regulatory requirements or government policy, or to the political or economic environment in Australia in which Alinta operates;
- no significant industrial, contractual, competitive or political disturbances impacting Alinta and the continuity of its operations;
- no material environmental losses or material legal claims not previously recognised;
- no significant change to the competitive landscape of the energy industry in which Alinta will have an interest; and
- no change in taxation legislation which will have a material impact on Alinta's forecast financial results and cashflows.

(vi) Sensitivity analysis of Alinta's pro forma forecasts

The forecasts are sensitive to variations in a number of key assumptions. Table 2 highlights the impact of certain variations on pro forma forecast EBT for FY2004 as presented in Table 1.

Care should be taken in interpreting these sensitivities as they consider movements on an isolated basis. In some cases, changes in key assumptions are interdependent.

Further, in the normal course of business, management would be expected to respond to any adverse changes in these key variables to minimise the net effect on Alinta's financial performance.

TABLE 2 – Sensitivity Analysis

($ million)	Impact on pro forma Forecast EBT FY2004	
	$m	$m
Alinta business segments		
• A$/US$ exchange rate changing +/- $0.05	(4.4)	5.1
• Average LPG price increasing/decreasing 20%	13.1	(12.8)
• Interest rates changing +/- 1.0%, net of hedging (refer borrowing cost assumptions in Section 7.2(c)(v))	(1.9)	1.9
Acquired Assets business segments		
• Volume changes: increase/decrease of 5%	4.9	(5.0)
• A$/US$ exchange rate changing +/- $0.05	(0.6)	0.6

(vii) Non-recurring items impacting pro forma forecast results

The pro forma forecast results presented in Table 1 have been adjusted to exclude the impact of the non-recurring items set out in Table 3.

TABLE 3 Non-Recurring Items

($ million)	Pro forma Forecast FY2004
TGP freespan remedial expenditure in FY2004 (refer Section 10.3.1)	(3.3)
Integration Costs	(1.8)
Total non-recurring items	(5.1)

Alinta and its wholly-owned subsidiaries, and separately the entities comprising the Acquired Assets are considering whether to implement the tax consolidation legislation from 1 January 2004.

Should tax consolidation be implemented during 2004, Urgent Issues Group 52 Income Tax Accounting under the Tax Consolidation System will apply and the financial effect of the implementation of the legislation will be recognised in the Alinta financial statements for FY2004.

The financial effect of any implementation, in particular any remeasurement of deferred tax asset and liabilities and the resulting impact on tax expense/credit, has not been reflected in the pro forma forecasts on the basis that the impact is non-recurring and currently cannot be reliably measured.

(d) Pro forma historical cashflows for FY2003 and pro forma forecast cashflows for FY2004 for Alinta

(i) Basis of preparation

Table 4 summarises the pro forma historical cashflows of the businesses that comprise Alinta for FY2003 as if Alinta had been operating the Alinta Network Services contract throughout 2003 and owned the Acquired Assets and its share of UED (34%), Multinet (20.1%) and Uecomm (66.3%) throughout 2003, and the pro forma forecast cashflows for FY2004.

In order to present a meaningful full year comparison, the 2004 forecast cashflows have been prepared as if the pro forma transactions identified in Section 7.2(c)(i) had occurred as at 1 January 2004.

(ii) Summary of historical and forecast pro forma cashflows

TABLE 4 – Pro forma Consolidated Cashflows of Alinta ($ million)	Pro forma Historical FY2003[1]	Pro forma Forecast FY2004[2][3]
Operating cashflows (including changes in working capital)	289.5	330.0
Less:		
- net interest payable	(100.3)[4]	(96.6)
- tax	(49.9)	(51.0)
- dividends received	1.0	4.5
Net operating cashflow	140.3	186.9
- capital expenditure (Co-generation)	(18.9)	(78.0)
- net capital expenditure (other)	(90.5)	(66.4)
Free operating cashflow	30.9	42.5

(1) The pro forma historical 2003 cashflows of Alinta include the following:

- *an additional seven months of Uecomm cashflows totalling $10.7 million*
- *an additional seven months of Alinta Network Services contract cashflows totalling $10.7 million*
- *an adjustment to recognise interest on UED cumulative redeemable preference shares for full year.*

(2) The pro forma forecast cashflows for FY2004 have been prepared as if Alinta had existed in its post-acquisition form from, and the pro forma transactions and events described in Section 7.2(c)(i) occurred on, 1 January 2004.

(3) The pro forma forecast 2004 cashflows exclude certain non-recurring cashflows to be incurred by Alinta including:

- *income tax of $11.9 million on significant items*
- *drawdowns from the Provision Reserve Account (PRA)*
- *settlement of claims and other contingent liabilities.*

(4) Includes actual borrowing costs for the Acquired Assets. Refer Table 6.

(iii) Management discussion and analysis of Alinta's forecast pro forma cashflows

Net operating cashflow: Pro forma forecast operating cashflow is forecast to increase to $330 million largely attributable to working capital movements, plus increased cashflow from the Acquired Assets and Uecomm, partially offset by lower expected returns under the Wesfarmers LPG contract.

Capital expenditure: Forecast capital expenditure in 2004 includes $78.0 million on the Alcoa Co-generation Project, a further $28.1 million is forecast to be spent in 2004 on Alinta Information Systems including approximately $11.0 million for Full Retail Contestability IT systems.

(e) Pro forma consolidated statement of financial position as at 31 December 2003

(i) Basis of preparation and statement of financial position

Set out in Table 5 is a summary pro forma consolidated statement of financial position for Alinta, which has been prepared based on the audited balance sheet of Alinta as at 31 December 2003. The pro forma statement of consolidated financial position has been prepared as if the following transactions and events, which are to take place on or before the Acquisition Date, had occurred as at 1 January 2004:

(i) The placement of 29 million ordinary shares in Alinta at an issue price of $6.75 per share, raising $195.8 million;
(ii) Pursuant to this Prospectus, the issue of 84.5 million ordinary shares by way of a renounceable rights issue at a price of $5.50 per share to raise $465 million less issue costs of approximately $20 million;
(iii) The capitalisation of a loan between Alinta and Trust 2 of approximately $650 million;
(iv) The cancellation of 21.4% of the WAGH Shares;
(v) The purchase of the Acquired Assets for approximately $1.69 billion plus incidental costs of acquisition, including stamp duty; and
(vi) Debt funding of $1.180 billion required for the purchase of the Acquired Assets.

TABLE 5 – Pro Forma Consolidated Statement of Financial Position of Alinta

(A$ million)	Reported net assets as at 31 December 2003 A	Capital raising B	Debt funding C	Purchase of the Acquired Assets D	Pro forma net assets as at 31 December 2003 E
Current assets					
Cash	117.7	640.8	1,153.1	(1,729.4)	182.2
Receivables	130.0	–	–	38.0	168.0
Inventories	2.7	–	–	21.8	24.5
Other	16.2	–	–	2.1	18.3
Total current assets	**266.6**	**640.8**	**1,153.1**	**(1,667.5)**	**393.0**
Non-current assets					
Receivables	140.3	–	–	–	140.3
Investments	53.3	–	–	–	53.3
Other financial assets	0.3	–	–	21.1	21.4
Property, plant and equipment	694.5	–	–	1,594.3[a]	2,288.8
Deferred tax assets	23.4	–	–	92.8	116.2
Intangible assets, including goodwill	103.4	–	27.0	146.8[a]	277.2
Total non-current assets	**1,015.2**	**–**	**27.0**	**1,855.0**	**2,897.2**
Total assets	**1,281.8**	**640.8**	**1,180.1**	**187.5**	**3,290.2**
Current liabilities					
Accounts payable	115.8	–	–	17.8	133.6
Interest bearing liabilities	3.8	–	–	–	3.8
Current tax liabilities	27.3	–	–	–	27.3
Other financial liabilities	–	–	–	20.1	20.1
Provisions	12.5	–	–	50.9	63.4
Other	10.9	–	–	11.0	21.9
Total current liabilities	**170.3**	**–**	**–**	**99.8**	**270.1**
Non-current liabilities					
Interest bearing liabilities	609.8	–	1,180.1	–	1,789.9
Deferred tax liabilities	15.1	–	–	87.7	102.8
Provisions	0.8	–	–	–	0.8
Other	7.9	–	–	–	7.9
Total non-current liabilities	**633.6**	**–**	**1,180.1**	**87.7**	**1,901.4**
Total liabilities	**803.9**	**–**	**1,180.1**	**187.5**	**2,171.5**
Net assets/equity	**477.9**	**640.8**	**–**	**–**	**1,118.7**

(a) A final allocation of fair values for the Acquired Assets between property, plant and equipment and intangibles will be undertaken post-acquisition, based on valuations for each asset at Acquisition Date.

(1) Column A represents Alinta's audited net assets as at 31 December 2003.

(2) Column B includes adjustments (i) and (ii) outlined at Section 7.2(e)(i).

(3) Column C includes adjustment (vi) outlined at Section 7.2(e)(i).

(4) Column D includes adjustment (v) outlined at Section 7.2(e)(i).

(f) Financial reporting implications of Alinta Restructure

The proposed Restructuring, including the stapling of Alinta and Alinta Infrastructure Trust securities will impact the financial reporting obligations of these entities, the full effect of which will be described to shareholders in documents which will be provided to shareholders in advance of any vote to approve such a Restructuring.

7.3 RECONCILIATIONS OF FINANCIAL INFORMATION

(a) Reconciliation of audited profit before tax for Alinta to the pro forma consolidated historical EBITDA

Alinta believes normalisation and pro forma adjustments enable a more meaningful analysis of Alinta's underlying financial performance.

The audited profit before tax for Alinta is reconciled to the pro forma consolidated historical EBITDA of Alinta for FY2003 in Table 6 below.

TABLE 6 – Reconciliation of audited profit before tax for Alinta to the pro forma consolidated historical EBITDA of Alinta

($ million)	Alinta FY2003 (audited)	Acquired Assets FY2003 (audited)	Pro forma Consolidated FY2003
Audited profit before tax	127.7	(24.0)	
Less: interest income	(11.4)	–	
Less: share of equity accounted profits	(7.2)	–	
Less: profit on disposal of non-current assets	(0.2)	–	
Less: profit on acquisition of NDA	(9.5)	–	
Add: depreciation and amortisation	30.3	64.4	
Add: borrowing costs	34.0	83.7	
Add: write-down of investment in associate	3.6	–	
EBITDA	167.3	124.1	291.4
Normalisation adjustments:			
Less: prior year favourable gas purchase price variance recognised in 2003	(3.6)	–	
Add: project costs written off	8.6	–	
Less: Acquired Assets normalisation items[1]	–	(17.8)	
Pro forma adjustments:			
Add: inclusion of Alinta Network Services contract for additional 7 months	10.7	–	
Add: inclusion of Uecomm for additional 7 months	10.7	–	
Corporate costs – insurance	–	(7.0)	
Pro forma consolidated EBITDA of Alinta from operations (Table 1)	193.7	99.3	293.0

(1) Normalisation adjustments applied to the reported EBITDA of the Acquired Assets include the removal of:

(a) $33.8 million foreign exchange gains predominantly relating to the application of Urgent Issues Group 46 after the migration of DEL from Bermuda to Australia on 15 December 2003;

(b) a $13.0 million non-recurring provision; and

(c) $3.0 million of other non-recurrent items. There is also an adjustment for estimated insurance costs of $7.0 million.

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(b) Reconciliation of the pro forma consolidated forecast results to the expected reported results for Alinta for FY2004

Alinta's expected reported results for FY2004 will be different to the pro forma consolidated forecast results provided in Table 1, as the effective accounting date of the acquisition of the Acquired Assets is expected to be 30 April 2004.

The pro forma consolidated forecast EBITDA of Alinta is reconciled to the expected reported EBITDA of Alinta for FY2004 in Table 7 below.

TABLE 7 – Reconciliation of pro forma consolidated forecast EBITDA of Alinta from continuing operations to expected reported EBITDA of Alinta

($ million)	Forecast FY2004
Pro forma consolidated forecast EBITDA of Alinta from operations (Table 1)	303.0
Less: Acquired Assets normalised EBITDA for the period from 1 January 2004 to 30 April 2004 pre-acquisition	(36.4)
Expected reported EBITDA of Alinta from operations	266.6

7.4 DIVIDENDS

Alinta's forecast earnings are set out in Section 7.2 (Table 1).

Alinta's dividend policy is a matter for consideration by the Directors after considering the actual results for 2004.

As noted in Section 10 of this Prospectus, if the proposed Restructuring as described in Section 8 is not approved, there is a risk that a portion of any dividend declared by the Directors will be unfranked.

7.5 INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the reporting periods beginning on or after 1 January 2005, Alinta must comply with IFRS as issued by the Australian Accounting Standards Board. The first financial year to which IFRS will be applicable to Alinta is FY2005, and hence, IFRS will not impact the forecasts for FY2004.

All financial information disclosed in this Prospectus has been prepared in accordance with Australian Generally Accepted Accounting Principles (Australian GAAP). The differences between Australian GAAP and IFRS identified by the Directors to date as potentially having a significant effect on the financial position and financial performance of Alinta are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

(a) Key impact areas for Alinta upon adoption of IFRS:

Alinta has not precisely quantified the effects of IFRS, however, based on a review of the financial statements, management believes the key potential implications of the conversion to IFRS are:

- Debt/Equity classification – it is anticipated that IFRS will require the RePS to be classified as debt, with payment made under these shares classified as an interest expense rather than dividends.
- Deferred tax balances – IFRS adopts a "balance sheet" approach to determining deferred tax balances which presents a fundamental change to the way that Alinta currently calculates its tax balances. Under IFRS, calculation of deferred tax balances are determined by comparing the statement of financial position with a notional tax balance sheet, with the yearly movement in deferred tax balances being allocated across current and deferred tax expense or revenue.
- Intangible assets – Currently intangible assets that are carried at cost are required to be amortised, unless the depreciable amount is nil (i.e. the residual value of the intangible equates to cost). Under proposed IFRS, where intangible assets can be said to have indefinite lives, then their amortisation would cease and they would be subject to a rigorous impairment test. The proposed impairment test is very specific and requires more detailed calculations than the present test.
- Goodwill – IFRS does not require goodwill to be amortised. Instead, the balance will be subject to a rigorous annual impairment test.
- Derivative financial instruments – Under IFRS, certain derivatives such as foreign exchange contracts and interest rate swaps must be carried at fair value. In addition, the criteria for the use of hedge accounting will be more restrictive, and the movements in the fair values of certain derivatives will, as a result, be included in Alinta's results.
- Share based payments – Australian GAAP does not currently require measurement of share based payments to employees, however IFRS proposes that such issuance of options to employees (including executives and directors) be recognised in the financial statements and an expense be recognised at that time.

7.6 INVESTIGATING ACCOUNTANT'S REPORT

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers Securities Ltd
ACN 003 311 617
ABN 54 003 311 617
Holder of Australian Financial Services licence Number 244572

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GPO Box 1331L
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DX 77 Melbourne
Australia
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Telephone +61 3 8603 1000
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The Directors
Alinta Limited
The Quadrant
1 William Street
PERTH WA 6000

17 March 2004

Investigating Accountant's Report (Report) on Historical and Forecast Financial Information

Dear Board Members

We have prepared this Report on historical and forecast financial information of Alinta Limited and controlled entities ("Alinta" or "the Company") for inclusion in a Prospectus dated on or about 17 March 2004 (the Prospectus) relating to the issue of fully paid ordinary shares in Alinta Limited by way of a renounceable rights issue to raise approximately $465 million. This Report takes into account the requirements of PS 170 "Prospective Financial Information".

Expressions defined in the Prospectus have the same meaning in this report.

The nature of this Report is such that it should be given by an entity which holds an Australian Financial Services licence under the Financial Services Reform Act 2001. PricewaterhouseCoopers Securities Ltd is wholly owned by PricewaterhouseCoopers and holds the appropriate Australian Financial Services licence.

Background

On 15 March 2004, Alinta announced that it had entered into a conditional agreement to purchase 100% of the shares of Duke Energy Limited (DEL) and Duke Energy New Zealand Limited (DENZL) from Duke Energy International Asia Pacific Ltd for $1,690 million.

To assist in the funding of this acquisition, Alinta is proposing to raise approximately $465 million by way of a renounceable rights issue pursuant to this Prospectus. The rights issue is to be underwritten by Macquarie Equity Capital Markets Limited. Eligible Shareholders will be offered three New Shares for every seven Shares they hold as at the Record Date, at an issue price of $5.50 per New Share. The balance of the acquisition cost is being funded by debt and a $195.8 million institutional placement of shares, which has already been conducted.

Scope

You have requested PricewaterhouseCoopers Securities Ltd to prepare a Report covering the following information:

Historical financial information

(a) the pro forma consolidated historical results and pro forma historical cash flows of the Company (Sections 7.2(b)(ii) and 7.2(d)(ii)) for the year ended 31 December 2003, and

(b) the historical statement of financial position of the Company (Section 7.2(e)(i)) as at 31 December 2003 and the pro forma consolidated statement of financial position as at 31 December 2003 which assumes completion of the contemplated transactions disclosed in Section 7.2(e)(i) of the Prospectus (the pro forma transactions).

(collectively, the Historical Financial Information).

Forecast financial information

(c) pro forma forecast financial performance and pro forma cash flows of the Company (Sections 7.2(b)(ii) and 7.2(d)(ii)) for the year ending 31 December 2004

(the Forecasts).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Historical Financial Information or the Forecasts to which it relates for any purposes other than for which it was prepared.

Scope of review of Historical Financial Information

The Historical Financial Information set out in Section 7.2 of the Prospectus has been extracted from:

(a) the audited financial statements of the Company, which were audited by KPMG, which firm issued an unqualified audit opinion on the financial statements; and

(b) the audited financial statements of Duke Energy Limited and Duke Energy New Zealand Limited, which were audited by Deloitte Touche Tohmatsu.

The Historical Financial Information incorporates such adjustments as the Directors considered necessary to reflect the operations of the Company going forward. The Directors are responsible for the preparation of the Historical Financial Information, including determination of the adjustments.

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Alinta Limited
17 March 2004

We have conducted our review of the Historical Financial Information in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". We made such inquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- an analytical review of the audited financial performance of the Company, DEL and DENZL for the relevant historical period
- a review of work papers, accounting records and other documents
- a review of the adjustments made to the historical financial performance
- a review of the assumptions used to compile the pro forma statement of financial position
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Alinta Financial Statements for the year ended 31 December 2003, and
- enquiry of directors, management and others.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Review statement on Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention which causes us to believe that:

- the pro forma statement of financial position has not been properly prepared on the basis of the pro forma transactions
- the pro forma transactions do not form a reasonable basis for the pro forma statement of financial position
- the Historical Financial Information, as set out in Section 7.2 of the Prospectus does not present fairly:

  (a) the proforma consolidated historical results and proforma historical cashflows of the Company for the year ended 31 December 2003, and
  (b) the historical and pro forma consolidated statement of financial position of the Company as at 31 December 2003

in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and accounting policies adopted by the Company disclosed in the Alinta Financial Statements for the year ended 31 December 2003.

(3)

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Alinta Limited
17 March 2004

Scope of review of Forecast financial information

The Directors are responsible for the preparation and presentation of the Forecasts, including the best estimate assumptions on which they are based and the pro forma adjustments made to compile the proforma forecast financial performance and cashflows for the year ending 31 December 2004.

Our review of the best estimate assumptions and proforma adjustment underlying the Forecasts was conducted in accordance with Australian Auditing Standard AUS 902 "Review of Financial Reports". Our procedures consisted primarily of enquiry and comparison and other such analytical review procedures we considered necessary so as to adequately evaluate whether the best estimate assumptions and proforma adjustments provide a reasonable basis for the Forecasts. These procedures included discussion with the Directors and management of the Company and have been undertaken to form an opinion whether anything has come to our attention which causes us to believe that the best estimate assumptions and proforma adjustments do not provide a reasonable basis for the preparation of the Forecasts and whether, in all material respects, the Forecasts are properly prepared on the basis of the best estimate assumptions and pro forma adjustments and are presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies of the Company disclosed in the Alinta Financial Statements for the year ended 31 December 2003 so as to present a view of the Company which is consistent with our understanding of the Company's past, current and future operations.

The Forecasts have been prepared by the Directors to provide investors with a guide to the Company's potential future financial performance based upon the achievement of certain economic, operating, development and trading assumptions about future events and actions that have not yet occurred and may not necessarily occur. There is a considerable degree of subjective judgment involved in the preparation of Forecasts. Actual results may vary materially from the Forecasts and the variation may be materially positive or negative. Accordingly, investors should have regard to the sensitivity analysis set out in Section 7.2(c)(vi) of the Prospectus.

Our review of the Forecasts that are based on best estimate assumptions is substantially less in scope than an audit examination conducted in accordance with Australian Auditing Standards. A review of this nature provides less assurance than an audit. We have not performed an audit and we do not express an audit opinion on the Forecasts included in the Prospectus.

Review statement on the Forecasts

Based on our review of the Forecasts, which is not an audit, and based on an investigation of the reasonableness of the best estimate assumptions giving rise to the Forecasts, nothing has come to our attention which causes us to believe that:

(4)

PRICEWATERHOUSECOOPERS

Alinta Limited
17 March 2004

(a) the best estimate assumptions and proforma adjustments set out in Section 7.2(c)(v) and 7.2(c)(i) of the Prospectus do not provide a reasonable basis for the preparation of the Forecasts, and
(b) the Forecasts are not properly prepared on the basis of the best estimate assumptions and proforma adjustments and presented fairly in accordance with the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia, and the accounting policies adopted by the Company disclosed in the Alinta Financial Statements for the year ended 31 December 2003
(c) the Forecasts are unreasonable.

The underlying assumptions are subject to significant uncertainties and contingencies often outside the control of the Company. If events do not occur as assumed, actual results and distributions achieved by the Company may vary significantly from the Forecasts. Accordingly, we do not confirm or guarantee the achievement of the Forecasts, as future events, by their very nature, are not capable of independent substantiation.

Subsequent events

Apart from the matters dealt with in this Report, and having regard to the scope of our Report, to the best of our knowledge and belief no material transactions or events outside of the ordinary business of the Company have come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of this rights issue other than the preparation of this Report and participation in due diligence procedures for which normal professional fees will be received.

Yours faithfully

Jock O'Callaghan
Authorised Representative of
PricewaterhouseCoopers Securities Ltd

(5)

8

PROPOSED RESTRUCTURING

The Directors are developing a proposal for reorganising Alinta's corporate structure to provide Alinta with the flexibility to further diversify and grow its asset base in the future and improve the efficiency of the Alinta ownership structure going forward.

8.1 WHAT IS BEING PROPOSED?

The Directors are proposing to ask holders of Shares and RePS to approve the Restructuring of Alinta.

8.1.1 CURRENT STRUCTURE

As discussed in Section 1.6 of this Prospectus, following the Acquisition and prior to the Restructuring, the corporate ownership structure of the Alinta Group will be as set out in the diagram below.

8.1.2 RESTRUCTURING

The Restructuring involves:

- A demerger of Alinta Infrastructure Trust being implemented through a capital reduction and Scheme, through which Alinta will procure an in-specie distribution of Units in the Alinta Infrastructure Trust to holders of Shares.
- Each Share being stapled to a Unit.
- Each Stapled Security being treated as one security. That is, each Share and Unit will be stapled together to form a Stapled Security and will be unable to be traded on ASX separately.

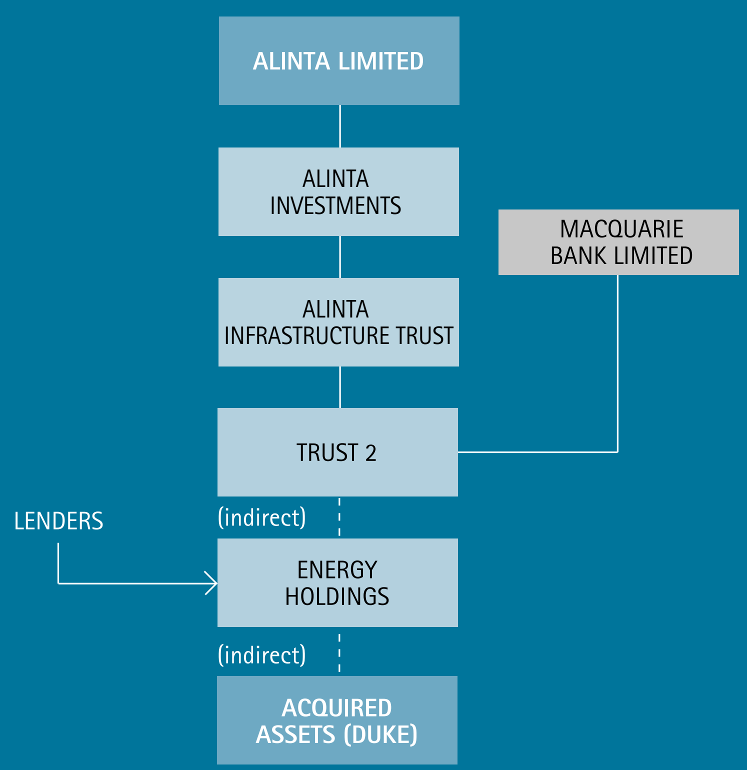
It is expected that the Restructuring, when implemented, will result in each Shareholder receiving one Unit in Alinta Infrastructure Trust for each Share held by them as at the relevant record date.

Alinta will retain or acquire B class units in Alinta Infrastructure Trust. The rights attaching to B class units will be identical to the rights attaching to Units except that B class units will not be stapled to Shares.

Under the resulting structure, Alinta's Shareholders will directly hold the majority of the equity in Alinta Infrastructure Trust with Alinta retaining 19.9% of equity in Alinta Infrastructure Trust through ownership of the B class units.

Various amendments will be made to the terms of the RePS so they reflect the Stapled Security structure including providing that, on conversion, holders of RePS will receive Stapled Securities rather than Shares, and also amending references to the market price (VWAP) of Shares to refer to Stapled Securities.

ACQUISITION STRUCTURE



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Under the terms of the Executive Option Plan, the Directors will determine that on exercise of an Option, an option holder will receive one Stapled Security rather than a Share.

8.1.3 NEW STRUCTURE

A diagram summarising the structure of Alinta following the Restructuring is set out below:

If the Restructuring is implemented Alinta will consist of two entities:
- Alinta; and
- Alinta Infrastructure Trust, which will be an Australian registered managed investment scheme.

AIL, the trustee of Alinta Infrastructure Trust, is a wholly-owned subsidiary of Alinta.

The directors of AIL will be the same as the Directors.

Following the Restructuring, Shareholders will hold the same number of Stapled Securities in the restructured vehicle as the number of Shares they held at the relevant record date (which will follow completion of the Rights Issue). Shares and Units will be unable to be traded on ASX separately.

8.2 WHAT IS THE RATIONALE FOR THE RESTRUCTURING?

The Restructuring is being proposed because the Directors believe that it will enhance Shareholder value by:
- enabling Alinta to pay distributions to holders of Stapled Securities in an efficient manner;
- allowing Alinta to continue to pay franked dividends to holders of RePS;
- enabling Alinta to leverage its core expertise in managing and operating energy infrastructure assets;
- ensuring that Alinta can maintain a strategic stake in the Acquired Assets and maximise the flexibility to destaple in the future; and
- providing Alinta with the flexibility to diversify and grow its asset base in the future.

The Restructuring will enable Alinta to make efficient distributions
Alinta currently holds all the units in Alinta Infrastructure Trust (via Alinta Investments).

If the Restructuring does not occur:
- Alinta may be required to consolidate the results of Alinta Infrastructure Trust and its subsidiaries for tax purposes. As the Acquired Assets are currently in tax loss and projected to generate further tax losses for a number of years into the future (due to the newness of the assets and resultant high depreciation costs), the tax profile of Alinta would be affected by the Acquisition. This would impact Alinta's ability to pay fully franked dividends to Shareholders; and
- Further, to the extent that Alinta has insufficient franking credits to pay franked dividends on RePS, Alinta may be required to "gross up" dividend payments on the RePS which would increase the total dividend payments by Alinta to RePS holders and reduce the cash available for distribution to Shareholders.

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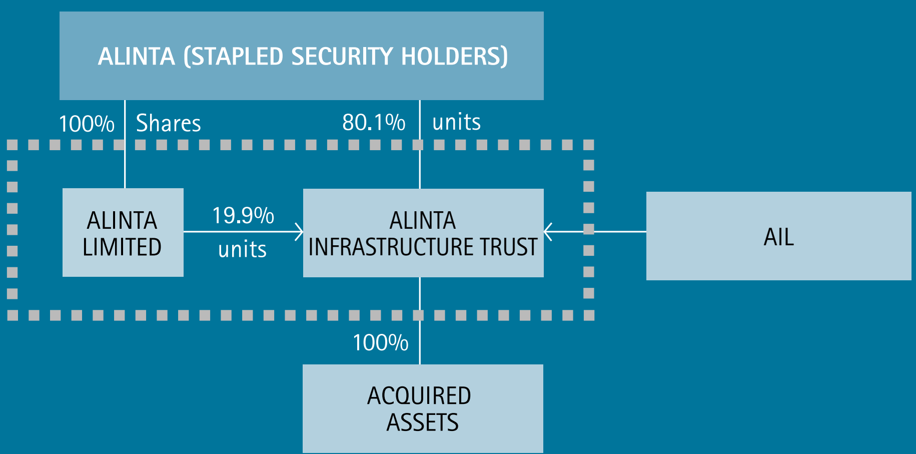
PROPOSED STRUCTURE FOLLOWING THE RESTRUCTURING



If the Restructuring occurs:

- Alinta will own 19.9% of units in Alinta Infrastructure Trust (being the B class units) and Shareholders will own the remaining units (being the Units);
- Alinta will not consolidate the results of Alinta Infrastructure Trust for tax purposes;
- Stapled Security holders will own Shares and Units;
- Stapled Security holders may receive distributions in the form of dividends paid by Alinta and distributions made by Alinta Infrastructure Trust; and
- Alinta expects that free cashflows in Alinta Infrastructure Trust will exceed reported accounting profit due to depreciation charges significantly exceeding maintenance capital expenditure requirements, which is typical for infrastructure assets. As a result, distributions made by Alinta Infrastructure Trust to Stapled Security holders may take the form of returns of capital. Depending on the individual circumstances of each holder of Stapled Securities, this may be more efficient than the receipt of trust distributions treated as unfranked dividends.

The Restructuring will enable Alinta to leverage its core expertise in managing and operating energy infrastructure assets while maintaining a strategic stake in those assets. It will also provide Alinta with the flexibility to destaple in the future.

Alinta's long term strategy is to maintain a separation between asset ownership and asset management. The proposed Restructuring is consistent with this strategy and allows Units to be destapled from Shares in the future if Shareholder value would be enhanced.

The destapling would allow Shares and Units to trade separately allowing the market to separately value Alinta and the Alinta Infrastructure Trust by reference to their respective assets and risk profiles.

The Restructuring will enable Alinta to diversify and grow its business

The Directors believe that the Restructuring will enhance Alinta's ability to grow its business.

If Alinta grows through the acquisition of additional assets this would be expected to result in an increase in market capitalisation and liquidity. This may result in:

- higher levels of interest from institutional investors and coverage by analysts;
- increased weighting in market indices; and
- improved access to debt and equity capital markets, at a potentially lower cost of capital.

New investments will also allow Alinta to further diversify its asset base and reduce its exposure to any particular market, regulatory regime or geographic area.

8.3 HOW WILL THE RESTRUCTURING BE EFFECTED?

8.3.1 KEY STEPS

In order to implement the Restructuring, the following steps will be taken:

- AIL, a wholly-owned subsidiary of Alinta, will apply for an Australian Financial Services Licence;
- Alinta Infrastructure Trust (and, if necessary, Trust 2 and Trust 3) will apply for registration by ASIC as a managed investment scheme under the Corporations Act;
- Alinta will seek a class ruling from the ATO confirming the CGT implications of the Restructuring for Alinta security holders, in particular that the in-specie distribution of Units to Shareholders is a distribution of capital and not a dividend;
- where required, Alinta will seek the consent of any counterparties to contracts having change of control clauses;
- Alinta will seek the approval of the holders of Shares and RePS to the proposed capital reduction;
- Alinta will seek the approval of the holders of Shares to amendments to Alinta's Constitution (including amendments preventing a transfer of Shares without a transfer of Units, to ensure that the boards of directors of AIL and Alinta are identical and to authorise the Board to exercise its powers as though Alinta and Alinta Infrastructure Trust are a single economic entity);
- Alinta will seek the approval of the holders of RePS to amendments to the terms of RePS, among other things, to enable RePS to be converted into Stapled Securities;

- the Board will resolve to offer Stapled Securities on the exercise of Options;
- Alinta will seek the approval of the holders of Shares and RePS to the Scheme at a Court convened meeting;
- if Alinta receives each licence, ruling, registration or approval referred to above, Alinta will request that the Court approve the Scheme;
- Alinta will apply for the Stapled Securities to be quoted on ASX and for quotation of existing Shares to be suspended; and
- following the Stapled Securities being quoted on ASX, the Scheme will take effect.

8.4 APPROVALS NECESSARY FOR THE RESTRUCTURING

8.4.1 CAPITAL REDUCTION

In order to effect the proposed reduction of Alinta's ordinary share capital, the holders of Shares and RePS will need to approve the reduction of capital by ordinary resolution.

8.4.2 AMENDMENT TO ALINTA'S CONSTITUTION

Alinta's Constitution needs to be amended to allow for the creation of the Stapled Securities. In order to amend Alinta's Constitution, the holders of Shares and RePS will need to approve the amendments by special resolution.

8.4.3 AMENDMENT TO REPS TERMS

In order to amend the terms of the RePS, the holders of RePS will need to pass a special resolution.

The resolution involves a variation of rights of the holders of RePS and, under the Corporations Act, holders of 10% of RePS may apply to the Court to set aside the variation. The Court may only make such an order if it is satisfied that the variation is unfairly prejudicial to the applicants. The variation takes effect (if no Court application is made) one month after the resolution is passed or (if a Court application is made) when the Court determines the matter or the application is withdrawn.

8.4.4 SCHEME OF ARRANGEMENT

In order for the proposed amendments to Alinta's Constitution in relation to the transfer of Shares to be effective, the Scheme will need to be approved by holders of Shares and RePS and the Court.

For the purposes of the Scheme, holders of Shares and RePS will be treated as separate classes.

Separate meetings of each class will need to be held and a resolution in favour of the Scheme will need to be passed by:

- a majority in number of members in that class, present and voting at the Scheme meeting (in person or by proxy);
- who together hold at least 75% of the votes cast on the resolution.

For the Scheme to be effected, both holders of Shares and RePS must approve the Scheme.

8.4.5 OTHER APPROVALS

The Restructuring will require Alinta Infrastructure Trust (and, if necessary, Trust 2 and Trust 3) to become a managed investment scheme registered under the Corporations Act. In order to become a registered managed investment scheme, the trustee of the relevant trust will need to obtain an Australian Financial Services Licence.

In addition, Alinta will need to obtain certain modifications and exemptions from ASIC and approvals and waivers from ASX.

8.5 INDEPENDENT EXPERT'S REPORT

The Directors intend to commission an independent expert to determine whether the Restructuring is in the best interest of holders of Shares and RePS.

8.6 TAX CONSEQUENCES

Prior to implementation of the Scheme, Alinta will need to obtain a class ruling from the ATO confirming the tax implications of the Restructuring for holders of Shares and RePS. The class ruling will address whether there are any CGT implications for Shareholders under the Restructuring, and whether the in-specie distribution to investors will be treated as a dividend or capital return.

8.7 TIMING OF RESTRUCTURING

The timing of implementation of the Restructuring will depend on a number of factors, including the timing of completion of the Acquisition and receipt of all necessary regulatory approvals for the Restructuring. Alinta expects to convene an extraordinary general meeting in the third quarter of 2004 to consider the various resolutions necessary to implement the Restructuring. If the approvals referred to in Section 8.4.5 and the ATO ruling referred to in Section 8.6 are received expeditiously, it is expected that the Restructuring could be implemented during 2004.

8.8 DESTAPLING

If the Restructuring is implemented, destapling of the Stapled Securities may occur if:

- resolutions are passed by the holders of Stapled Securities; and
- either Alinta or Alinta Infrastructure Trust ceases to be listed on ASX or the stapling is no longer permitted by the Listing Rules or law.

8.9 FOREIGN SHAREHOLDERS

Holders of Shares with registered addresses in Australia or New Zealand will be offered the opportunity to participate in the Restructuring. Alinta is considering whether it would be practicable and cost effective to offer participation in the Restructuring to Shareholders in other jurisdictions. If Alinta decides not to offer participation, the Scheme will provide for the Shares owned by such foreign Shareholders to be vested in a nominee. The nominee will receive Units under the Scheme on behalf of those foreign Shareholders, sell the Stapled Securities and remit the net proceeds (after deducting brokerage, commission and other expenses) to the foreign Shareholders.

8.10 WHAT ARE THE IMPLICATIONS FOR ALINTA SECURITY HOLDERS IF THE RESTRUCTURING GOES AHEAD?

If the Restructuring occurs, Shareholders will hold an equal number of Shares and Units, which will be stapled to form Stapled Securities.

The constitutions of Alinta and Alinta Infrastructure Trust will provide that an issue of Shares must be accompanied by an issue of an equal number of Units and a transfer of Shares can only be registered if it is accompanied by a transfer of an equal number of Units, and vice versa. Accordingly, Shareholders will not be able to trade any Shares or Units separately.

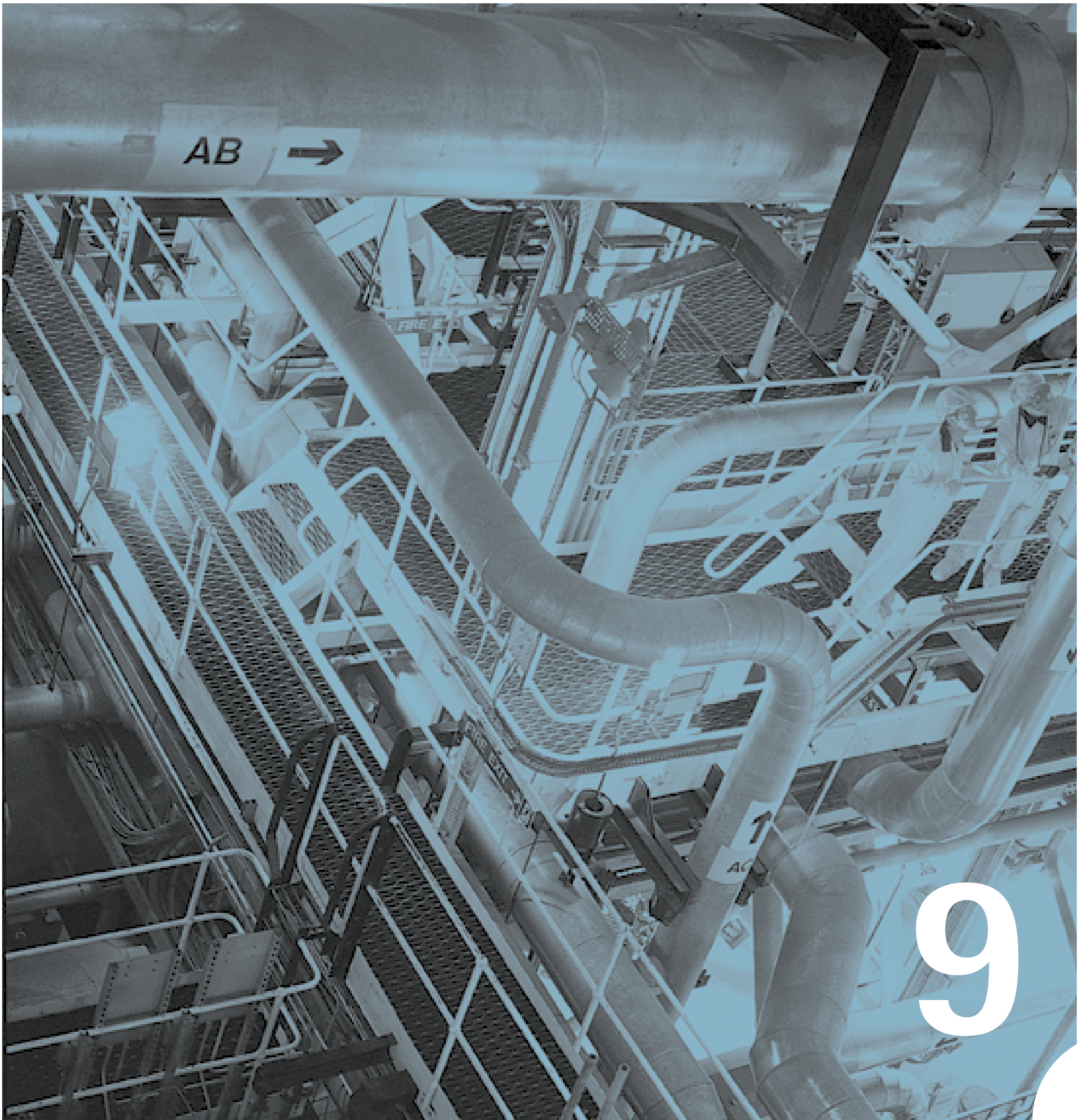
Alinta and Alinta Infrastructure Trust will be operated as a single economic entity. Alinta and AIL will enter into a Stapling Deed, under which the parties will agree to co-operate in the conduct of their affairs. The directors of AIL will be the same as the Directors. Holders of Stapled Securities will receive combined reports from Alinta and Alinta Infrastructure Trust and combined dividend and distribution payments.

8.11 WHAT ARE THE IMPLICATIONS FOR ALINTA SECURITY HOLDERS IF THE RESTRUCTURING DOES NOT GO AHEAD?

If the Restructuring does not go ahead, Shareholders will continue to hold Shares, and there will be no Stapled Securities on issue.

In addition:

- Alinta may be required to consolidate the results of Alinta Infrastructure Trust and its subsidiaries for tax purposes. As the Acquired Assets are currently in tax loss and projected to generate further tax losses for a number of years into the future (due to the newness of the assets and resultant high depreciation costs), the tax profile of Alinta would be affected by the Acquisition. This would impact Alinta's ability to pay fully franked dividends to Shareholders.
- To the extent that Alinta has insufficient franking credits to pay franked dividends on RePS, Alinta may be required to "gross up" dividend payments on the RePS which would increase the total dividend payments by Alinta to RePS holders and reduce the cash available for distribution to Shareholders.



9

INDEPENDENT EXPERT'S REPORT

9.1 INDEPENDENT EXPERT'S REVIEW OF GAS VOLUME FORECASTS

ACIL Tasman

Economics Policy Strategy

The Directors
Alinta Limited
Level 7, The Quadrant
1 William Street
Perth WA 6000

1 Introduction

ACIL Tasman has been asked to provide an opinion on the reasonableness of the Directors' gas transportation throughput forecasts to 2013 ("**Directors' Gas Throughput Forecasts"**) for the Eastern Gas Pipeline ("**EGP"**), the Queensland Gas Pipeline ("**QGP"**) and the Tasmanian Gas Pipeline ("**TGP"**) (together the "**Eastern Australia Pipelines"**) for inclusion in a Prospectus dated on or about 17 March 2004 in connection with the offering of ordinary shares in Alinta pursuant to a renounceable rights issue.

The Directors' Gas Throughput Forecasts, and the assumptions underlying those forecasts, are set out in Sections 5.5.1., 5.5.2 and 5.5.3 of the Prospectus.

References in this report have the same meaning as defined in the Glossary in the Prospectus.

1.1 Opinion

ACIL Tasman has independently verified the Directors' Gas Throughput Forecasts. In our opinion:

- The Directors' Gas Throughput Forecasts are reasonable;
- The assumptions underlying the Directors' Gas Throughput Forecasts are reasonable; and
- The Directors' Gas Throughput Forecasts have been properly prepared on the basis of the assumptions.

The Directors Gas Throughput Forecasts are for a period of ten years from 2004 to 2013. In our view this is an appropriate forecast period having regard to the information available to Alinta and inherent uncertainties in predicting future economic conditions and market behaviour. With due consideration of these uncertainties, we believe that projections of the following key parameters can be made with a reasonably high probability over a ten year period:

- Extent of continuation of gas consumption by existing users,

- Extent of utilisation of existing transportation contracts on the Eastern Australia Pipelines,
- Future transportation on the Eastern Australia Pipelines by gas buyers with existing gas purchase contracts,
- Ability of gas suppliers to continue producing gas at current levels and to achieve projected levels of production from current developments, and
- Gas utilisation by new industrial plants currently under construction.

Other key parameters have a higher degree of uncertainty but we believe currently available information with regard to the following provides a reasonable basis for prediction of throughputs on the Eastern Australia Pipelines over a ten year period:

- Gas utilisation by planned new industrial plants or expansions of existing plants,
- Electricity consumption, electricity market prices and likely requirements for gas for electricity generation,
- Ability of gas suppliers to extend reserves and production capacity,
- Gas price levels likely to be competitive in industrial, commercial and residential markets,
- Minimum field gas price levels likely to be acceptable to producers.

Beyond ten years, there is a considerably higher degree of uncertainty in all of the above areas.

1.2 Disclaimer

The professional analysis and advice in this report has been prepared by ACIL Tasman for the exclusive use of the party or parties to whom it is addressed (the addressee) and for the purposes specified in it. This report is supplied in good faith and reflects the knowledge, expertise and experience of the consultants involved. The report must not be published, quoted or disseminated to any other party without ACIL Tasman's prior written consent. ACIL Tasman accepts no responsibility whatsoever for any loss occasioned by any person acting or refraining from action as a result of reliance on the report, other than the addressee or any person where liability arises under the Corporations Act 2001 (Cth).

In conducting the analysis in this report ACIL Tasman has endeavoured to use what it considers is the best information available at the date of publication, including information supplied by the addressee. Unless stated otherwise, ACIL Tasman does not warrant the accuracy of any forecast or prediction in the report. Although ACIL Tasman exercises reasonable care when making forecasts or predictions, factors in the process, such as future market behaviour, are inherently uncertain and may be affected by inaccurate assumptions or by known or unknown risks, and therefore cannot be forecast or predicted reliably.

1.3 Declaration

ACIL Tasman is an independent economics, policy and strategy consultancy specialising in the analysis of competitive markets. Its involvement in the preparation of this Prospectus was limited solely to the preparation of this report.

2 Executive summary

2.1 Demand and Supply

The Directors' Gas Throughput Forecasts are based on a profile of overall potential demand for gas in Eastern Australia (excluding the Northern Territory) over the next ten years, growing from the present level of just under 600 PJ/a to about 825 PJ/a by 2013. The potential demand profile represents a most likely estimate of future demand that could eventuate if gas is available at prices that are competitive with alternate fuels. Individual known new industrial loads that are likely to start-up within the next five to ten years are explicitly represented in the demand profile. Smaller industrial, commercial and residential loads in the major demand centres are assumed to grow at rates consistent with general economic activity and population growth in those regions. Potential demand also includes a substantial component of new demand for base load gas-fired power generation.

The Directors' Gas Throughput Forecasts assume that only a modest portion of the potential demand for base load gas-fired power generation is actually satisfied. For the most part, delivered gas prices are too high to make gas fired power competitive.

The Directors' Gas Throughput Forecasts assume that gas supply comes only from the major basins that are currently in production. It is recognised that there is a possibility that new gas supply from more distant resources – the Timor Sea, Papua New Guinea, or Northwest Australia – could be introduced at some point in the future. However, the Directors' Gas Throughput Forecasts assume that this "northern gas" is not likely to enter the Eastern Australia market during the 10 year time frame of the forecast. Again, a key factor is the price required to make gas-fired power generation competitive. Our analysis indicates that northern gas would be priced in the vicinity of $3.00

per GJ at Moomba, consequently the delivered price in major markets would be above the threshold for base-load gas-fired power.

Available gas reserves represented in the Directors' Gas Throughput Forecasts include existing proved and probable reserves, plus an allowance for future reserves additions from extensions to existing fields and new discoveries. The allowance for reserves additions is consistent with ACIL Tasman's mid-range benchmark compiled from various published sources and adjusted for recent developments. Peak production capacity from the various producing basins is assumed to increase commensurate with the expansion of reserves.

2.2 Pipeline Throughput Forecasts

The pattern of gas flows on the EGP in the Directors' Gas Throughput Forecasts reflects our general expectation that throughput will increase during the next 10 years, until peak requirements approach the limits of fully compressed capacity. At that point forward haul annual throughput would be nearly double the current level of around 40 PJ/a. Throughput is expected to increase sharply in 2007 when the new AGL contracts for gas purchases from Gippsland and transportation on EGP take effect. Timing of later increases is more uncertain, but over time we expect Gippsland gas to be increasingly competitive in the Sydney area relative to gas from Moomba, due to increasing production costs in the Cooper/Eromanga Basin. Consequently, Gippsland gas is likely to displace Cooper/Eromanga gas to some degree in Sydney markets as well as capturing the lion's share of demand growth.

The Directors' Gas Throughput Forecasts for the QGP are consistent with our expectation that gas flows on the QGP will increase at a more rapid rate than on the EGP, due to the expected expansion of the metals processing industry in Gladstone. The new Comalco alumina refinery, expansion of the existing QAL refinery, and installation of gas-fired cogeneration at one or both refineries represent an increase totalling 27 PJ/a. We believe it is likely that the large majority of this increase will materialise during the next ten years. Most of the gas supply on the QGP will come from new Coal Seam Methane (CSM) production in the southern Bowen Basin, which will enter the QGP at Fairview. Because this is a new development, the ultimate extent of economic reserves and maximum economic production level are somewhat uncertain. However, early results are positive, and the market has demonstrated a high degree of confidence in the resource as buyers have already contracted for large volumes under long term contracts to be delivered beginning in 2005.

We also expect that the throughput volume on the TGP will increase rapidly over the next ten years. The majority of the increase will be in the power generation sector. Average availability of hydro electric generation in

Tasmania is now roughly equal to demand. As electricity demand grows, supplemental supplies will be needed. With the TGP and two thermal power stations with gas burning capability in place at Bell Bay we expect that the most attractive economic option for supplemental supply will be to use the local thermal generation. Once the Basslink interconnector is in place, Tasmania will buy low cost electricity from the NEM at night and export surplus hydro power during peak periods during the day. We expect that the net of exports and imports will be approximately zero, therefore all of the demand increase is likely to be supplied locally. Gas throughput on the TGP will increase accordingly. The gas distribution network now under development will open a smaller but still significant additional gas market.

2.3 Risks

In the next five years the throughput volumes on the EGP and QGP are relatively assured and predictable, given existing contracts and known developments on both the demand side and the supply side. ACIL Tasman is reasonably confident that the Directors' Gas Throughput Forecasts represent a most likely view for the next five to ten years, and that the range of uncertainty during that time is relatively narrow.

Near term demand side uncertainties relate primarily to general economic conditions, general growth in the energy markets, the progress of new industrial developments and the evolution of the electricity market. Metals industry growth is particularly significant for Queensland, and for the QGP. The actual pace and extent of metals industry development will depend heavily on market and investment conditions in the world metals businesses.

The electricity sector offers a larger upside growth opportunity. However, the future extent of penetration of gas into the power generation sector will be dependent on the competitiveness of gas with coal-fired generation.

Growth in other sectors is likely to be modest, generally continuing at a rate commensurate with population growth and overall economic growth.

Although a combination of strong conservation measures and sharp decline in industrial activity could lead to contraction of the Eastern Australia gas market, ACIL Tasman considers such a scenario to be highly unlikely.

In the near term, continued availability of gas supply at present levels is not a significant risk, and it is highly likely that total production capacity will increase as a result of new developments that are presently underway. However, in the medium term, the magnitude of increase that can be economically maintained is more uncertain. EGP and TGP are both heavily dependent on gas production from the Gippsland Basin. Indirectly, they are also dependent on

Otway Basin production, since new Otway production will supply a portion of the Victorian market, making more Gippsland gas available for New South Wales and Tasmania. If there were significant new discoveries in either Basin, we would expect production capacity to increase to a level that would be more than sufficient to fill the capacity of the TGP and support expansion of the EGP. On the other hand, if exploration is less successful, longer term throughput growth may be somewhat limited.

Although gas from the Cooper and Eromanga Basins can potentially continue to flow through the QGP to Gladstone, the future of the QGP will be increasingly dependent on the development of Coal Seam Methane (CSM), particularly from the South Bowen Basin, which is directly adjacent to the southern section of the QGP.

Development of a pipeline from the north may represent a downside risk for the EGP in the longer term. By bringing new, potentially more competitive supplies to Moomba, it could allow the Eastern Australia Pipeline, owned by the Australian Pipeline Trust, to compete more aggressively with the EGP. It is possible that the QGP could benefit from such a development, or be unaffected, depending on how the pipeline is configured and how tariffs are set. In any event, ACIL Tasman considers it highly unlikely that a northern pipeline will be completed within the next ten years.

In the near term, competition between suppliers and with other pipelines will be the more significant supply side issue for the EGP, which must compete with the Eastern Australia Pipeline (EAPL) for gas supply to Sydney. The competition occurs among the producers with access to the two pipelines as well as between the pipelines themselves. Future throughput levels may depend to some extent on the results of buyers' future negotiations with the producers and the pipelines.

3 Methodology

ACIL Tasman has used its proprietary *GasMark* model in the general analysis of the Eastern Australia gas market and in verifying the Directors' Gas Throughput Forecasts. *GasMark* includes representations of current and future gas supplies, gas markets, and pipelines. Supplier reserves, minimum acceptable prices, and production levels are defined as inputs. Markets are described in terms of annual volume and maximum acceptable price. The pipeline network connections are defined and individual pipelines are represented in terms of capacity and tariff. *GasMark* determines allocations of available supplies to markets on an annual basis using a proprietary procedure that awards contract sales to the supplier that can deliver the required volume to the customer at the lowest cost. If gas is not available at a given customer's maximum acceptable price, no sale is made.

A single base market case for Eastern Australia was used as the base case for the purpose of verifying the Directors' Gas Throughput Forecasts for all three of the Eastern Australia pipelines.

4 Overview of Market Opportunities and Risks

In broad terms, there are three major market related areas of opportunity and risk that will impact the throughput on any given Eastern Australian pipeline: market growth, supply availability, and supply side competition. These are discussed generally below.

4.1 Market Growth

Growth of the gas market in Eastern Australia will be driven by new development of metals industry processing facilities, general growth in the larger industrial sector, gas-fired power generation, and to some extent continued growth in the commercial and residential, or retail sectors.

Metals industry growth is particularly significant for Queensland, and for the QGP. The extent of metals industry development will depend heavily on market and investment conditions in the world metals businesses. The Queensland market is particularly well situated for metals industry growth. Gladstone is a world class aluminium production centre, being home to the Queensland Alumina, Ltd. (QAL) alumina refinery, the world's largest, and the Boyne Island smelter. Comalco is building a new refinery in Gladstone, which is scheduled to start operation in 2005, and another smelter is under consideration. The refineries in particular offer significant expansion opportunities that will require additional gas, and there is potential for utilisation of gas-fired cogeneration to provide process steam and electricity at these facilities.

The electricity sector offers a larger upside growth opportunity. Elsewhere in the developed world where large quantities of gas are available, gas is being used increasingly for power generation. This has not been the case in Eastern Australia because of the relatively low cost of coal here. Gas provides less than 10% of power generation fuel in Victoria, New South Wales and Queensland, much less than the 20% in the U.S. or 35% in the U.K.

The future extent of penetration of gas into the power generation sector in Australia will be dependent on the competitiveness of gas with coal-fired generation. Gas-fired power has certain inherent advantages relative to coal, including a much shorter time required to construct plants, lower unit capital cost, smaller economic plant size allowing closer fit to load growth with less unutilised capacity, and higher energy conversion efficiency. However, the lower level of carbon dioxide emissions per unit of generation is likely to be the most significant advantage in future years. As awareness of the greenhouse gas problem increases, governments are likely to come under increasing pressure to impose restrictions on coal-fired generation, or to offer incentives for cleaner technologies.

Growth in other sectors is likely to be modest, generally continuing at a rate commensurate with population growth and overall economic growth.

Although a combination of strong conservation measures and sharp decline in industrial activity could lead to contraction of the Eastern Australia gas market, ACIL Tasman considers such a scenario to be highly unlikely. At the very least, consumption should grow at a modest pace, driven by increasing population and associated industrial and commercial activity. However, penetration of gas into the power markets is not assured. Without policy driven incentives or the introduction of new lower cost gas supplies, it is unlikely that gas will make significant inroads into the base-load power generation sector.

4.2 Supply availability

Eastern Australia has ample reserves of natural gas to supply growing markets in the near to medium term. Total proved and probable reserves in the developed conventional gas fields amount to roughly 12,000 PJ, or about 20 years of supply at current production of around 580PJ/a. This, of course, does not mean that production can be supported at current levels by the existing reserves for 20 years, as production from conventional fields will typically begin to decline long before reserves are depleted.

However, considerable potential remains to develop new reserves that will support increased overall production. The Gippsland Basin producers have recently embarked on an exploration program and initial results have been promising. New discoveries in the Otway Basin are also encouraging. Furthermore, given the large coal resources in Eastern Australia, Coal Seam Methane (CSM) represents a promising new source of gas for the future. New developments are underway in Queensland and CSM production there has already reached a level of about 15 PJ/a. Given planned developments and supply contracts that are already in place, it is expected that CSM production in Queensland will ramp up quickly to at least 75 PJ over the next several years.

When local supplies eventually reach their limits, the much larger resources in Northwest Australia and/or the large fields in the Timor Sea or Papua New Guinea can be tapped. ACIL Tasman's analysis indicates that supplies from any of these resources could be delivered to the South East via Moomba in the Cooper Basin of South Australia at a price that would be competitive with existing supplies, assuming foundation markets are sufficient to provide the critical mass necessary to underpin the large investments involved in major field developments and large long distance pipelines.

Although supplies for the Eastern Australian markets are ample for the next ten years, individual pipelines do face supply related uncertainties. The ultimate levels of economic reserves and peak production that can be achieved from existing fields at competitive prices over the next ten years are somewhat uncertain. If and when production constraints are reached, available supplies will go to the most attractive markets, potentially taking supply away from pipelines that serve the less attractive markets. Production from the major conventional fields in South Australia and Southwest Queensland appears to be reaching its limits, so the pipelines that rely on those resources could be at risk of losing volume until new supplies from the north are connected. Gippsland Basin reserves and exploration potential are somewhat larger, and exploration there is more prospective, so significant increases in production should be achievable in the medium term. However, the ultimate extent of production increase is difficult to predict at this time.

Coal seam methane will make a significant contribution to the supply mix, but the CSM industry is still in the early stages of development, and the ultimate level of economic reserves and production capability is very uncertain.

4.3 Supply side competition

The balance of supply side competition could significantly change if a new pipeline were connected to the Eastern Australia markets. Introduction of a new pipeline can represent an opportunity for existing pipelines, particularly if the new line introduces gas into existing supply regions. A new pipeline from the north delivering gas to Moomba, for example, would be immediately beneficial to the pipelines that originate there, and in the longer term would provide new supplies to replenish flows throughout the pipeline network in Eastern Australia.

On the other hand, a new pipeline entering an existing market may take business away from existing pipelines, as the EGP now is in a position to do in the New South Wales market. A new northern pipeline could potentially have a similar negative effect on the EGP, in the years immediately following its introduction if it is able to deliver supplies to Moomba at competitive prices, as we believe is likely. However, ACIL Tasman considers it highly unlikely that northern gas will be introduced within the next ten years.

In the near term, competition between suppliers and with other pipelines will be the more significant supply side issue. This is particularly important for the EGP, which must compete with the Eastern Australia Pipeline (EAPL) for gas supply to Sydney. The competition occurs among the producers with access to the two pipelines as well as between the pipelines themselves.

AGL has taken advantage of the presence of the EGP to establish a new, more diversified gas supply portfolio for their markets in New South Wales. When their Cooper Basin gas purchase contracts expire in 2006, they will be replaced by new contracts for supply from the Gippsland, Cooper, and Bowen Basins. The minimum purchase levels in AGL's new suite of contracts are confidential, but we believe that AGL has retained a considerable degree of flexibility. Actual future purchases of gas from the three sources may depend to some extent on the results of future negotiations with the producers, consequently, gas throughput on the EGP may also depend on those negotiations.

Future pricing of pipeline tariffs is another uncertainty that may affect pipeline throughputs in a similar fashion. AGL and other buyers will seek the lowest possible delivered prices, which of course includes the pipeline tariffs as well as the field price paid to producers. EGP's future throughputs may thus depend to some extent on pricing offered to those buyers by the EAPL.

5 Eastern Australia Market Overview

5.1 Assumptions - Demand

The assumed overall potential demand for gas in Eastern Australia in the Directors' Gas Throughput Forecasts is shown in Figure 1 below.

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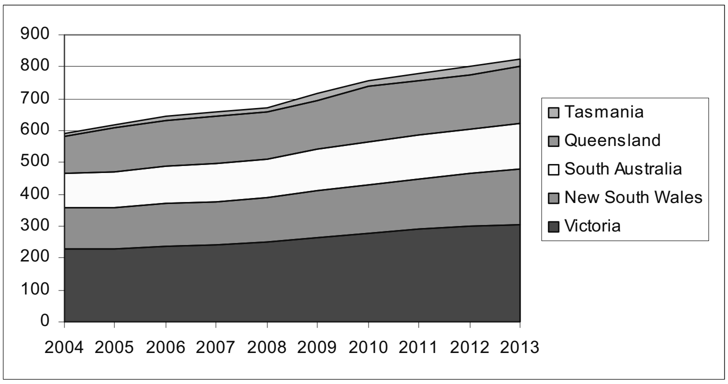
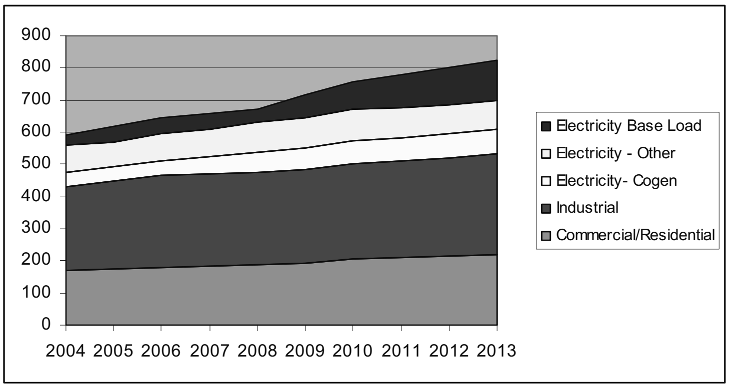
Figure 1 **Eastern Australia Base Case Potential Demand by State (PJ/a)**



During the next ten years, potential demand increases from just under 600 PJ to 825 PJ. Growth is expected in all sectors. Significant new demand in the industrial sector is expected in Queensland and to a lesser degree in New South Wales. The residential and commercial sector is a significant component of growth in Victoria.

Figure 2 shows potential demand by load type. Potential demand in the base load electricity generation sector increases by 95 PJ during the 10 year forecast period, more than 40% of the total potential demand growth. Another 40 PJ of the increase is in potential demand for cogeneration and peaking and intermediate power. This demand will be realised only if gas is available at prices that will permit gas-fired generators to be competitive in the electricity market.

Figure 2 **Potential Demand by Load Type, (PJ/a)**



5.2 Assumptions – Supply

A large majority of the gas supply to the Eastern States at present comes from two major producing regions – the Gippsland Basin offshore Victoria and the Cooper/Eromanga Basins in South Australia/Southwest Queensland. In the near term, it is likely that production capacity of the Gippsland Basin can be expanded to some degree, while Cooper/Eromanga production may decline.

New supplies from the Otway Basin and from new CSM developments are expected to be sufficient to supply at least a moderate rate of demand growth.

Table 1 below summarises current reserves and production along with expected reserves additions during the next 10 years and peak production for the major producing basins.

Table 1 **Reserves and Production**

Basin	Reserves, PJ	Current Production, PJ/a	Expected New Reserves, PJ	Maximum Production, PJ/a
Gippsland	6900	270	2000	370
Cooper/Eromanga	2860	210	700	210
Otway	1390	15	200	90
South Bowen CSM	1500	10	800	65

The availability of future gas supply to the Eastern States from these sources in the long term is somewhat uncertain. Reserves figures published by producers or state ministries responsible for natural resources generally provide a conservative indication of the quantity of gas likely to be available in the near to medium term. However, these figures may show only proved or proved and

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probable reserves, and they are subject to considerable change over time. The combination of proved and probable reserves is generally accepted in the industry to be a reasonable estimate of known resources in an existing field with a 50% or greater probability of recovery at any given time. Reserves estimation is not an exact science and reserves figures are subject to change over time as new reservoir information is obtained through delineation drilling or technical analysis, or changes in commercial conditions. In well developed producing areas, new reserves are typically added over the years, with step-outs into previously undelineated areas of existing reservoirs, or discovery of new reservoirs within existing fields. Such extensions are often sufficient to replace produced reserves for many years before economic resources are exhausted and reserves and production begin to decline.

Reserves figures of course do not take into account the possibility of new field discoveries and forecasts based on known reserves alone will be unrealistic. Although estimate of future discoveries must be considered speculative, given the nature of petroleum exploration, it is necessary to incorporate such estimates to produce a reasonable forecast. The estimates shown in the table represent ACIL Tasman's mid-range benchmark compiled from various published sources and adjusted for recent developments. Sources include Geoscience Australia, the Australian Geological Survey Organisation and the U.S. Geological Survey.

5.3 Assumptions – Pipelines

The Directors' Gas Throughput Forecasts assume that there are no major new pipelines built in Eastern Australia during the 10 year forecast period. Existing pipelines are assumed to expand as necessary to allow available supplies to reach markets, but the proposed major pipelines from PNG, Timor Sea, and North-western Australia are not represented in the base case. Tariffs are assumed to be at published reference tariff levels.

5.4 Eastern Australia Forecast

Total forecast Eastern Australia gas consumption by load type is shown in Figure 3, and gas supply is shown in Figure 4.

Figure 3 **Eastern Australia Base Case Gas Consumption, PJ/a**

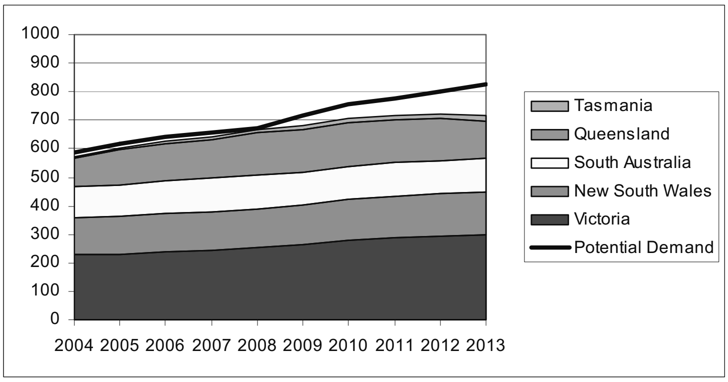
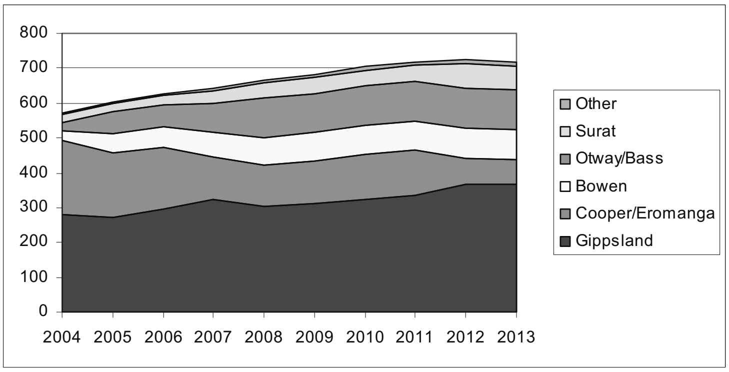


Figure 4 **Eastern Australia Base Case Supply, PJ/a**



In total, forecast gas consumption and supply continues to grow over the next 10 years, to about 720 PJ. This amounts to an average annual growth rate of 2.4%. Gas supply falls short of potential demand by about 100 PJ. With the reserves, production limits, and prices assumed in this case, there is not enough gas available to supply all of the potential demand. New base load electricity generation requirements that could represent new demand for gas during the 2009 to 2013 time frame are supplied primarily by coal-fired plants, as the available gas supply flows to higher value customers. Total production begins to reach its limits around 2011, and it remains essentially flat through 2013.

The Gippsland Basin currently supplies about half of current consumption and will continue to supply 45 to 50 percent through the 10 year forecast period. New supply will also come from the recent new discoveries in the Otway Basin

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and from CSM resources in the Bowen and Surat Basins. Cooper/Eromanga Basin production will contract for the next several years, as it is displaced by other more competitive supplies. Consequently, this gas will continue to be available in the later years.

6 Eastern Gas Pipeline

6.1 Summary of Assumptions

The key assumptions underlying the Directors' Gas Throughput Forecasts for EGP are set out below:

Demand assumptions

- Major industrial gas users continue to take quantities as currently contracted for the next 10 years
- The market for smaller industrial, commercial and residential users in NSW grows at 2.5% per year
- Coal continues to be the preferred fuel for base load power generation in NSW.

Supply assumptions

- Total Gippsland Basin reserves in 2010 decline from the present level of about 6,900 PJ. Approximately 2000 PJ of gas reserves are added through exploration and extensions to existing fields in the Gippsland Basin by 2010. During the same period, 3,170 PJ are produced.
- Gas production in the Gippsland Basin increases from the present level of about 270 PJ to 370 PJ in 2013.
- Gas reserves in the Otway Basin decrease from the present level of about 1,390 PJ. 200 PJ of new reserves are added through exploration and extensions to existing fields, while 675 PJ are produced.
- Annual Otway Basin production reaches 90 PJ in 2010, then declines gradually.

Contract Renewal assumptions

- Energex renews their contract in 2008 and continues to backhaul 11 PJ per year to Longford

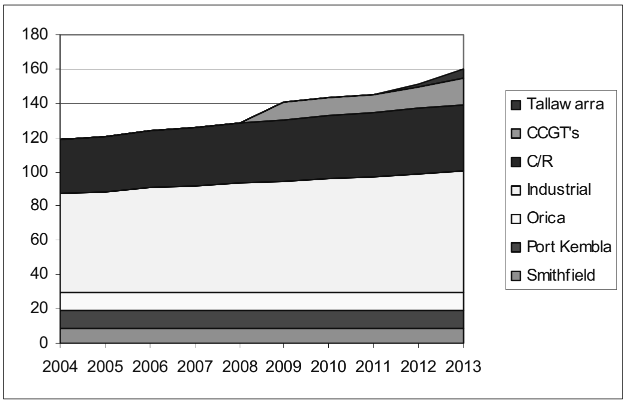
Capital expenditure assumptions

Significant capital expenditure will need to be incurred in 2006 to install compression to meet additional demand.

6.2 Demand

Potential demand in the Base Case for the Sydney-Wollongong-Newcastle area is shown in Figure 5.

Figure 5 **Base Case Sydney Region Potential Demand, PJ/a**



Excluding new power generation, market growth amounts to about 17 PJ over the first 10 years. All of this new demand offers a potential growth opportunity for the EGP. Larger increases in EGP deliveries to these markets could be achieved through displacement of supplies from Moomba.

As the figure shows, new gas-fired power generation could add a much larger increment of demand. New entrant generation represented here amounts to over 1000 MW of total new capacity from three plants. This includes the proposed Tallawarra power station in Wollongong, for which planning consent has already been granted by the state. However, to achieve even this relatively modest level of penetration, gas must be competitively priced.

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6.3 Supply

All of the gas supply to the EGP comes from the Gippsland Basin so the pipeline is heavily dependent on the reserves, production levels, and prices in the Gippsland area. Given the substantial volume of remaining reserves in Gippsland, and corresponding potential for increased production, this dependency poses little risk in the near to medium term. However, in the longer term, EGP flows will fall off when Gippsland production declines. It is possible that gas supplies from the north could eventually flow through the EGP in the reverse direction, replacing declining Gippsland supply. However, gas delivered to Victoria via the EGP from PNG, Timor, or Northwest Australia would be expensive, and volumes would be limited to those users with very high price tolerances.

Additional gas for Victoria will be supplied from the Otway and Bass Basins. To the extent that increasing Otway and Bass production enters the Victorian market, more Gippsland production becomes available for the New South Wales market. The Otway Basin in particular appears to offer potential for future discoveries, and therefore it is indirectly an additional source of gas supply for the EGP.

The Directors' Gas Throughput Forecasts assume that there will be some utilisation of backhaul capacity for delivery of gas produced in the Patricia, Baleen, and Sole fields, which are connected to the EGP at Orbost, to markets in Victoria and Tasmania. Arrangements for backhauls are likely to occur during periods when those fields have uncontracted capacity available and Gippsland supplies are fully committed.

6.4 Regulation

In a landmark decision in 2001, the Australian Competition Tribunal supported Duke's position that the EGP need not be covered by the Gas Code. In our view, the unregulated status of the EGP will not be changed in the near to medium term. The situation could be reviewed at some point in the future if the competitive environment were to change significantly to the detriment of effective competition, however, we believe that if anything, competitive pressures on the EGP will ultimately intensify rather than diminish in the longer term.

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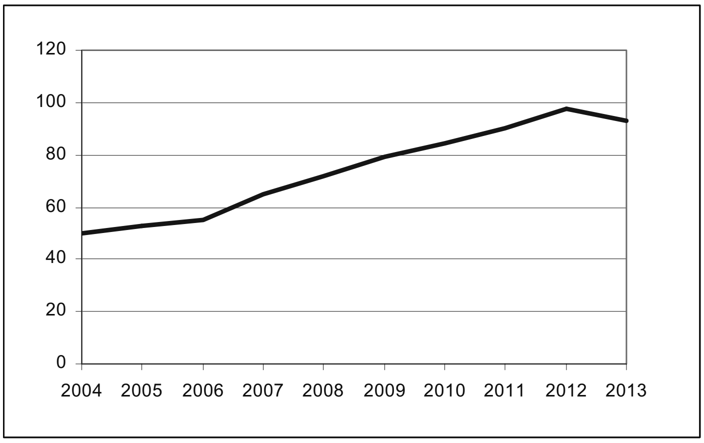
6.5 Directors' Gas Throughput Forecasts

The Directors' Gas Throughput Forecasts for the EGP are set out in Figure 6 below:

Figure 6 **EGP Total Throughput, PJ/a**



The chart shows combined forward haul and backhaul throughput.

Forward haul throughput increases from the current 40 PJ to over 50 PJ in 2007. The increase comes primarily from the start-up of the new AGL contract, which initially adds about 8 PJ in total annual throughput. This volume displaces gas supply to Sydney from Moomba. After 2007, the Directors' Gas Throughput Forecasts assume that AGL takes increasing volumes from Gippsland for the next several years, while reducing purchases from the Cooper Basin. Backhaul from Orbost is forecast to continue at 11 PJ per year throughout the forecast period, reflecting the assumption that Energex will continue to purchase and ship gas from Orbost into the Victorian market.

The Directors Gas Throughput Forecasts assume that none of the new gas-fired power stations in New South Wales are built during the forecast period. With the assumed \$2.80/GJ field price and pipeline transportation cost at \$.95/GJ at 100% load factor, gas delivered to the Sydney area does not meet the assumed maximum tolerable price for this application. At any given time, producers have higher value opportunities for their limited volumes of uncommitted gas, consequently potential power developers are unable to find supplies at acceptable prices.

ACIL Tasman

Economics Policy Strategy

7 Queensland Gas Pipeline

7.1 Summary of Assumptions

The key assumptions underlying the Directors' Gas Throughput Forecasts for the QGP are set out below:

Demand assumptions

- The new Comalco alumina refinery in Gladstone starts production in 2005. A second production stage is completed in 2009.
- The QAL refinery completes its planned expansion in 2008.
- A major new cogeneration facility is installed at one of the alumina refineries in 2007.
- Industrial plants currently consuming gas remain in operation for the next 10 years.

Supply assumptions

- CSM production in the Bowen Basin increases to 65 PJ by 2013. Reserves necessary to support this level of production are proved in the course of the development program.

Contract renewal assumptions

- The QAL gas transportation agreement is renewed in 2006.
- The Energex gas transportation agreement which supplies gas to the Boyne Island Smelter and Orica's ammonium nitrate plant are renewed in 2007 and 2006 respectively.
- The Origin gas transportation agreement which supplies gas for the Gladstone retail market is renewed in 2006.

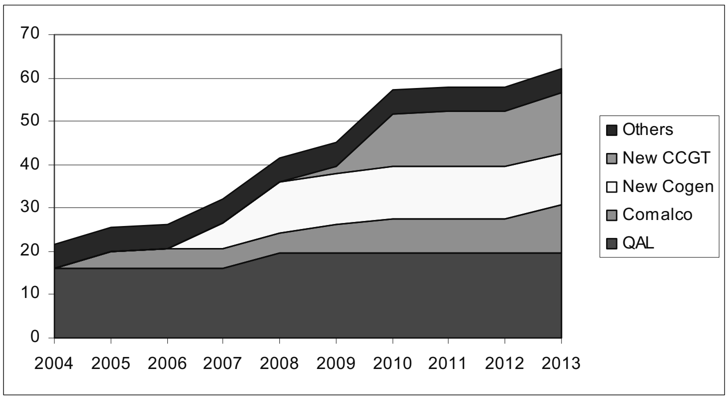
Capital expenditure assumptions

- Significant capital expenditure will be required in 2006 and 2009 to install additional compression to meet demand.

7.2 Demand

Assumed potential demand in Gladstone is shown in Figure 7.

Figure 7 **Gladstone Base Case Potential Demand, PJ/a**



The primary component of potential new demand in the near term is the Comalco aluminium refinery, expected to start production in 2005. Gas demand for the first 1.4 mtpa production unit will be 4.0 to 4.5 PJ. Two additional production units are included in our model, with similar gas requirements. We believe it is highly likely that Comalco will go forward with the second and third stages within 10 to 15 years after completion of stage 1. We expect that world demand for aluminium will continue to grow and new refining capacity will be needed. The return on the incremental investment for the brownfield expansions is significantly higher than the return on the stage 1 investment. A 1.4 mtpa refinery is relatively small by world standards and the expansion will provide economy of scale to make the Gladstone refinery more competitive. Comalco has the capacity within its own system to utilise all of the output from the fully developed refinery, and has had a longstanding strategic objective to become more self sufficient in alumina supply.

New gas-fired power generation in Gladstone is also represented. A base load plant with 380 MW representing a gas requirement of about 17 PJ, is included in the potential demand. A new 220 to 240 MW cogeneration facility at one of the alumina refineries, requiring 12 PJ/a of gas, is also included, as this may be an attractive option for supply of steam and electricity to the refinery, with surplus electricity sales to the grid.

The "Others" category includes the smaller existing or potential markets, including the Ticor Sodium Cyanide plant, Boyne Island, Orica, and Origin.

7.3 Supply

Gas supply to Gladstone at present comes primarily from Origin Energy's Denison Trough field and the existing CSM fields in the Bowen Basin. It is our understanding that some additional gas is purchased from the Eromanga Basin, including the Boyne Island supply. In November, 2003, Origin announced that its contract for supply to QAL will be extended, with new supplies coming from Origin's nearby CSM holdings in the Fairview/Durham/Spring Gully areas. Origin will be in a position to utilise Denison Trough gas to supplement the CSM supply. Once the CSM operations are established, it is likely that additional production CSM capacity in the Bowen Basin will be developed. However, the extent of this development remains highly uncertain, hence the CSM Bowen supply is a key variable in the scenarios.

7.4 Regulation

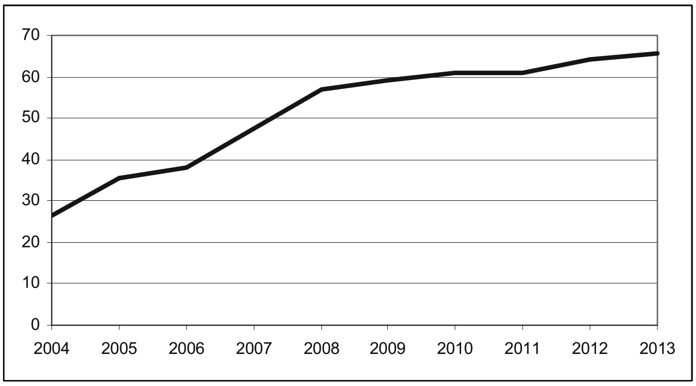
The QGP is regulated by the National Third Party Access Code. An access arrangement specifying terms for third party access has been approved by the ACCC but not yet certified. The application of the Code in Queensland has been modified by state law and there is a possibility that the Queensland regime will not be certified as an effective access regime. An application for certification has been pending since 1998, but it has not yet been approved, and the NCC has in fact recommended that the regime not be certified. Therefore, there is a strong possibility that the regime will not be certified, and the QGP will be subject to coverage under the Trade Practices Act. This could reopen the access arrangement and entitle the ACCC to arbitrate on any access disputes.

While this outcome could theoretically result in revisions to the access arrangement, ACIL Tasman believes that major changes to the established tariff are unlikely. Approval of the access arrangement by the ACCC is one indication of the acceptability of the arrangements. In our view, the QGP tariffs are defensible in consideration of regulatory principles in Australia. Nevertheless, there is some potential for negative impact if the access arrangement is reopened.

7.5 Directors' Gas Throughput Forecasts

The Directors' Gas Throughput Forecasts for the QGP are set out in Figure 8 below.

Figure 8 **QGP Throughput Forecast, PJ/a**



The chart shows combined forward haul and backhaul throughput.

Forward haul deliveries increase in 2005 and 2008 with the start of the Comalco refinery and the expansion of the QAL refinery. A more substantial increase occurs in 2007-2008, when the new cogeneration facility comes online. Deliveries to Gladstone reach 45 PJ in 2010, when the second stage of the Comalco refinery starts up and the new cogeneration plant and QAL expansion are also in place.

Backhaul to Wallumbilla increases significantly from 2005 to 2007, when the AGL contact with OCA is assumed to take effect. Assumed CSM volume under the AGL contracts ramps up from 10 PJ to about 15 PJ per year. Once production for the AGL contract is underway, flow on the Wallumbilla to Fairview section of the pipeline is permanently reversed.

Another increase in backhaul volumes occurs around 2011 – 2012. Bowen Basin gas displaces Cooper Basin, Southwest Queensland, and other fields for delivery to other markets, primarily South Australia. Total Bowen area CSM production reaches its assumed limit of 65 PJ in 2012.

8 Tasmanian Gas Pipeline

8.1 Summary of Key Assumptions

The key assumptions underlying the Directors' Gas Throughput Forecasts for TGP are set out below:

Demand assumptions

- Average hydro generation availability is 10,200 GWh per year.
- Electricity demand growth is 1 % per annum.
- Net electricity imports on Basslink are zero. (Sale of surplus hydro generation available during the day are balanced by imports of low cost electricity from the NEM at night).
- The two existing Bell Bay 120 MW units are operated in intermediate mode as needed.
- A new 120 MW unit is installed at Bell Bay in 2014.
- The gas distribution network is completed as currently planned, and commercial and residential utilisation of gas develops at a pace similar to that of Victoria when gas was introduced there, in proportion to population.
- Most industrial energy users presently using liquid fuels convert to gas within a few years once the reticulation network is completed.

Supply assumptions

- Total Gippsland Basin reserves in 2010 decline from the present level of about 6,900 PJ. Approximately 2000 PJ of gas reserves are added through exploration and extensions to existing fields in the Gippsland Basin by 2010. During the same period, 3,170 PJ are produced.
- Gas production in the Gippsland Basin increases from the present level of about 270 PJ to 370 PJ in 2013.
- Gas reserves in the Otway Basin decrease from the present level of about 1,390 PJ. 200 PJ of new reserves are added through exploration and extensions to existing fields, while 675 PJ are produced.
- Annual Otway Basin production reaches 90 PJ in 2010, then declines gradually.

Contract Renewal Assumptions

- The equivalent of 8 PJ of firm capacity is acquired in 2006 for supply of gas for Bell Bay Unit 2
- Gas transportation for the new Bell Bay unit is contracted on an as available basis.

Capital Expenditure Assumptions

- No significant capital expenditures will be required to meet demand.

8.2 Demand

Our estimate of maximum potential demand is shown in Figure 9. The vast majority of the potential demand in the medium to long term is in the power generation sector.

It is our understanding that the current annual electricity demand of around 10,200 Gwh is roughly equal to the average availability of hydro generation. In wet years, there is enough water to generate more than the state's internal requirement, while in dry years there is not enough. As demand grows during the next few years, supplemental generation from Bell Bay may be necessary even in an average hydro year. Although demand growth of only about 1% per year is expected, after 10 years new demand would be enough to consume the output of both of the Bell Bay units, operating about 50 % of the time.

With the TGP in operation and the connection to the NEM that will be in place with the completion of the Basslink interconnector in late 2005 or early 2006, Tasmania will have much greater flexibility to optimise the use of its generation resources and to utilise electricity supplies from the NEM. It is expected that the typical pattern will be for Tasmania to buy low cost electricity from the NEM at night, and export surplus hydro power at peak times during the day. If these imports and exports result in zero net exports and imports, then the demand growth will on average need to be provided by local thermal generation or additional purchases. The potential demand shown in Figure 9 assumes zero net Basslink imports, a 1.2 % growth rate and a moderately lower assumed level of average hydro availability.

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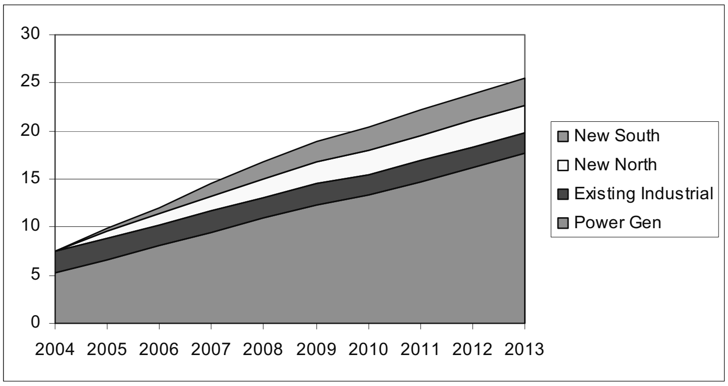
Figure 9 **Tasmania Potential Demand, PJ/a**



8.3 Supply

All of the gas supply for Tasmania comes from the Gippsland Basin. Because the volume delivered to Tasmania is very small relative to total Gippsland production, variations in the rate of increase in production capacity are not significant for Tasmania.

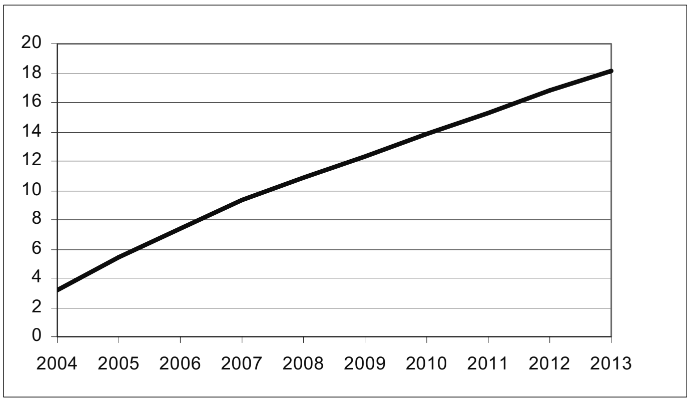
8.4 Regulation

The TGP is not presently covered under the Gas Code, and no third party has sought to have it regulated. We consider it unlikely that regulation will become an issue in the near to medium term, given the relationship between the Tasmanian state government and the pipeline. The government has made a long term commitment to capacity and provided a volume guarantee to underpin financing of the pipeline. In our view, this relationship will remain the dominant feature of the pipeline for many years to come and the agreed tariff arrangements will remain in place. At some point in the longer term, as with any pipeline that does not face competition in the market from another pipeline, circumstances could change so that regulation might be considered.

8.5 Gas Throughput Forecast

The Directors' Gas Throughput Forecasts for the TGP are set out in the chart below:

Figure 10 **TGP Throughput, PJ/a**



Since capital costs for the two 120 MW Bell Bay units are sunk, and the pipeline delivery capacity for both units is paid for the most part through the existing capacity reservation and the 6 PJ volume guarantee, the incremental cost of generation from these units will be lower than the cost of intermediate and peaking electricity purchased from the NEM.

Under these assumptions, forecast gas required for power generation grows steadily, to about 12 PJ in 2013.

The plants would operate with average capacity factors in the range of 30 to 50%.

9 Qualifications

ACIL Tasman is an independent consulting firm with extensive experience in analysis of Australian natural gas and electricity markets. ACIL Tasman has advised numerous clients in the energy sector in Australia on a wide variety of issues including market outlook advice for gas and electricity asset transactions.

The principal author of the report is Jon Ranney. Mr. Ranney has been an associate with ACIL Tasman since 2002. Previously he had 33 years experience in the energy industry, most recently with ChevronTexaco. He advises clients in the energy sector on a broad range of issues, with a primary focus on natural gas and LNG.

During his last 15 years with Chevron and ChevronTexaco, Mr. Ranney served in a variety of commercial and management roles in the international natural gas business. His responsibilities included development of strategic and marketing plans for natural gas and electricity, analysis of markets, assessment of government policies and political risk, evaluation of major upstream investments and acquisitions, commercial agreement negotiation, project financing evaluation, and development of new project concepts for consideration by management, governments, and joint venture partners.

Most recently, Mr. Ranney was LNG Marketing Manager for the Gorgon LNG project. Previous experience in Australia includes assignments as Asset Manager and Commercial Manager for the PNG gas project. During 1997 and 1998 Mr. Ranney resided in Doha, Qatar, leading a Chevron effort to identify and initiate new Middle East gas ventures based on Qatari resources. From 1995 to 1997 Mr. Ranney was based in London, where he led project teams investigating gas opportunities in the Middle East and new markets for Chevron's North Sea gas interests. Prior assignments in the natural gas area were in development of new gas business ventures in Indonesia and Latin America and a major strategic review of Chevron's LNG business. Mr. Ranney also served for five years as Manager, Planning, Gas Supply and Information Technology in Chevron's U.S. natural gas marketing business unit.

In his tenure with ACIL Tasman Mr. Ranney has had a number of consulting engagements in both the gas and electricity sectors, involving a variety of gas and electricity market scenario analyses for clients considering investment opportunities and gas supply strategies in Australia.

Mr. Ranney holds a BS degree in mathematics from the University of Oklahoma (1968) and an MS degree in operations research from Arizona State University (1970.)

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RISKS

Owning Shares in Alinta exposes Shareholders to a number of risks. The material risks associated with subscribing for New Shares can be broadly classified as general risks associated with any stock market investment, risks relating to the Acquisition and risks relating to an investment in Alinta. Eligible Shareholders should read this Prospectus in its entirety (including the ACIL Tasman report in Section 9) and consult their professional adviser before deciding whether to accept this offer of New Shares.

10.1 GENERAL RISKS ASSOCIATED WITH INVESTING IN NEW SHARES

There are risks associated with any stock market investment. Share prices and distributions may fall or rise and the price of Shares might trade below or above the Issue Price. Factors which may affect the market price of Shares include:

- general movements in local and international stock markets;
- investor sentiment;
- domestic and international economic conditions and outlook;
- changes in interest rates and the rate of inflation;
- changes in exchange rates;
- changes to government regulation and policies;
- announcement of new technologies;
- international hostilities; and
- acts of terrorism.

An investment in Alinta has risk attached to it and neither Alinta, its management, and related entities, nor any party associated with the preparation of this Prospectus guarantees that any specific objectives of Alinta will be achieved or that any particular performance of Shares, including those offered under this Prospectus, will be achieved.

10.2 RISKS RELATING TO THE ACQUISITION

INTEGRATION RISK

As a result of the Acquisition, Alinta will be required to integrate a number of new businesses with its existing operations. This exposes Alinta to integration risks which tend to fall into three general categories: systems and processes, people and contractors, and culture. If Alinta cannot successfully integrate the systems, processes, people and contractors identified for integration, the combined operation will bear additional costs and fail to realise the full potential synergies available, which could materially affect Alinta's earnings.

DOCUMENTATION RISK

The Acquisition is governed by a complex set of legal documents and contracts. As a result, there is a risk of disputes over interpretation and failure of parties to comply with their obligations under the documents and contracts.

GEARING

The Acquisition will be partly financed by senior bank debt which will increase Alinta's Gearing to approximately 61.4% upon Completion.

LITIGATION AND LEGAL RISK

The Duke Energy Group is currently involved in various litigation. The Duke Energy Group is defending these claims and to the extent that there is potential for liability to arise out of these claims, Alinta has made allowances in the Sale and Purchase Agreement which it considers appropriate. These claims include:

- **BHP Billiton HBI Plant Litigation** This action was commenced in 2002 in the Federal Court in Western Australia by DE WA Power and DE WA Holdings against BHPB Direct Reduced Iron and BHPB Minerals. BHPB Direct Reduced Iron has brought a cross claim against DE WA Power.

  DE WA Power seeks a declaration that it is not obliged to pay to BHPB Direct Reduced Iron liquidated damages. The liquidated damages in dispute total $11.25 million.

- **McConnell Dowell Litigation** In the Supreme Court of Victoria was brought by McConnell Dowell Constructions (Australia) Pty Ltd against DEITH and Duke Australia Operations. The dispute relates to a pipeline construction project in Tasmania. There are a number of aspects to the dispute.

  The claim by McConnell Dowell is for $33.6 million together with interest and costs. McConnell Dowell alleges it is entitled to a reasonable sum for certain work requested to the value of $33.6 million. The claim against Duke Australia Operations is for unspecified damages, interest and costs.

REGULATORY ENVIRONMENT

There is a risk that the unregulated status of some of the Acquired Assets will change in the future, which may adversely impact the financial performance of Alinta. For example, there is a risk that the EGP, VicHub and TGP could become subject to third party access regulation.

Equally, there is a risk that in the future, the ability of Alinta to negotiate contracts for the output of its power stations (other than Bairnsdale power station) on a commercial basis may be lost. If any of these changes were to occur, they would have the potential to adversely affect the financial performance of Alinta.

The QGP is regulated by the Gas Code. The terms of access by third parties are regulated by an access arrangement which has been approved by the ACCC. This access arrangement applies until 31 August 2016.

CHANGE OF LAW

Certain aspects of the Acquisition rely on the continued application of current law and the availability of statutory concessions. Changes in law or in the interpretation of law which occur after the date of this Prospectus may impact adversely on the Acquisition and/or increase the costs (including taxes and duties) associated with the Acquisition.

INSURANCE

Duke Australia's insurance program sits within Duke Energy Group's global captive until Completion. An entire new insurance program will be required to be placed upon Completion of the Acquisition. The ability to place all necessary insurances and the cost of that insurance has been assessed by Alinta's insurance broker but cannot be guaranteed.

CONDITIONS PRECEDENT

The Sale and Purchase Agreement is conditional on the satisfaction of various conditions precedent which include obtaining the consent of counterparties to various agreements containing change of control clauses (including agreements which require Ministerial consent in Queensland, Victoria and Tasmania). These consents may not be forthcoming within the timeframe required under the Sale and Purchase Agreement. If the Acquisition does not proceed, New Shares may not be issued under this Prospectus, in which case Alinta will return all Application Monies as soon as practicable without interest, and the Rights will cease to have any value.

ABILITY TO PAY FRANKED DIVIDENDS

If the Restructuring does not occur, there is a risk that Alinta's ability to pay fully franked dividends to holders of Shares and RePS may be adversely affected. To the extent that Alinta has insufficient franking credits to pay franked dividends on RePS, Alinta may be required to gross up dividend payments on the RePS which would increase the total dividend payments by Alinta to holders of RePS and reduce the cash available for distribution to Shareholders.

LAND TENURE RISKS

Rights of occupation in respect of HBI Turbines and the Newman Power Station are based on a licence from BHP Billiton with contractual rights to secure property rights by way of sub lease or Crown lease. Alinta proposes to address these arrangements following Completion.

RISKS OF INFORMATION PROVIDED BY OR ON BEHALF OF DUKE

The Duke Energy Group financial and other information contained in the Prospectus has been derived from information made available by the Duke Energy Group and its advisers during the due diligence process and from publicly available sources.

While Alinta has conducted customary due diligence on the Duke Energy Group and the Acquired Assets, no assurance can be given as to the accuracy or completeness of the information provided by or on behalf of Duke Energy Group as part of this due diligence. To the extent that this information is incorrect, inaccurate or misleading, there is a risk that the future profitability and prospects of the combined group may differ (including in an adverse way), from Alinta's expectations as reflected in this Prospectus.

10.3 SPECIFIC RISKS ASSOCIATED WITH THE ACQUIRED ASSETS

10.3.1 RISKS SPECIFIC TO GAS PIPELINE ASSETS

GAS DEMAND RISK

Gas pipeline volumes can be adversely affected by market demand dynamics in the regions they service. There is a risk that demand for gas in the markets served by the Duke Australia pipelines will be lower than expected. Potential risks to gas demand include a reduction in industry demand due to closure of manufacturing facilities without a replacement and a general increase in energy efficiency.

The gas demand forecasts are based on assumptions regarding the growth of natural gas consumption in the markets served by the pipelines, the volume of throughput capacity purchased by customers under existing gas transportation contracts, the renewal of certain gas transportation contracts and Alinta securing new gas transportation contracts which may or not be realised. Lower volumes could adversely affect Alinta's revenue.

GAS SUPPLY RISK

There is a risk regarding the level of future supply from the producing basins to which the pipelines have access. There is a risk that the pipelines being acquired by Alinta will be stranded by failure of their sources of supply. The risks in this case include reductions in reserve estimates for the Victorian fields, coupled with a high rate of drawdown, reducing gas available for supply into the EGP and TGP.

Availability of competitively priced gas supplies is essential for the ongoing use of gas infrastructure pipelines. The Directors have sought expert advice on the availability of competitively priced gas supplies including, reserves and potential production levels, and are confident on the basis of this advice that adequate supplies will be available in the medium to long term. However, the availability of competitively priced gas supplies is outside the control of Alinta. If there is a major shortage in the availability of competitively priced gas supplies, this could adversely affect Alinta's revenue.

BYPASS RISK

There is a risk that a new pipeline could offer competitive gas supply to the markets currently served by the Duke Australia pipelines or otherwise alter flow configurations to the detriment of these pipelines. Alinta's future revenue will be reduced if gas users or their suppliers install direct pipeline links to independently owned transmission systems.

For example, there is a risk that gas from PNG or the Timor Sea may be connected to the existing Australian gas pipeline network in a way which significantly reduces the volume of gas transported in the EGP and the QGP. In this circumstance, Alinta's future revenue may be significantly reduced.

GROUND AND SEABED STABILITY

Some sections of the EGP may be affected by subsidence resulting from mining activities. There is a risk that appropriate mitigatory works are not undertaken, or if undertaken that the impact is greater than expected, with the result that sections of the EGP are significantly impacted. The Directors propose to implement an appropriate monitoring and assessment program to minimise this risk.

There is ground instability in the Illawarra escarpment area through which the EGP passes and some potential exists for landslides as a consequence.

The term "freespans" is given to sections of a pipeline which no longer rest on the seabed as a result of seabed sand movements, but which touch the seabed at points commonly some tens of metres apart. This leads to a number of adverse load conditions on the pipeline in question. If left untreated, this can lead to a reduction in the useful life of the pipeline. A survey of the TGP has detected 98 "freespans" of greater than 30 metres in the subsea section of the TGP. Alinta has estimated a cost for remedial action in its asset valuation. However, there is a risk that the remedial cost involved will be higher than expected.

There is a risk that any current or future loss or damage arising as a result of the "freespan" issue will not be covered by insurance.

10.3.2 RISKS SPECIFIC TO POWER GENERATION ASSETS

BHP BILLITON BOODARIE IRON PLANT

The HBI Plant has historically experienced difficulties. Whilst the plant is currently cashflow positive, there is a risk that the HBI Plant will fail to be commercially sustainable and close.

NWIS TECHNICAL CONSTRAINTS

The NWIS is comprised primarily of a small number of resource company-owned transmission systems and generating plants as well as Western Power owned transmission systems. There is a risk that lack of investment in NWIS infrastructure will limit expansion opportunities and generally constrain development of a deeper and more robust NWIS electricity market. There is a risk that Alinta may be required to make further investments in transmission system infrastructure in the future to support additional generation/load on the NWIS.

NWIS stability constraints limit the operation, future expansion and future performance of Acquired Assets in the region. There is a risk that significant investment in network infrastructure may be required.

BHP BILLITON PPAs

There is a risk that BHP Billiton does not exercise the PPA extension terms at all locations at current volume levels. This may result, for example, in the entry of a new low-cost generator, or significant reductions in BHP Billiton load at either Port Hedland or Mt Newman. There is also a risk that BHP Billiton does not exercise the PPA extension and instead seeks to enter into new supply agreements on less favourable terms.

Specific risks in relation to the BHP Billiton PPAs include:

- **HBI Plant PPA – Liquidated Damages** The PPA for the HBI Plant includes a liquidated damages regime arising where there is a failure to supply by DE WA Power and DE WA Holdings and the HBI Plant is affected in the manner set out in the PPA. The liquidated damages are subject to an annual cap.
- **BHP Billiton PPA** There are certain obligations in the PPAs which, based on technical advice, may be difficult to fully comply with.

GLENBROOK POWER STATION – DEPENDENCY ON NZ STEEL

The Glenbrook power station is located adjacent to the steelworks on land leased from a related company of NZ Steel and from an engineering and operational perspective is dependent on the levels of production at the steelworks. The power station relies on the steelworks for the supply of fuel and a number of other services for its operation. The steelworks is currently the only customer for the electricity and steam produced by the power station. Any sales of electricity via the national grid are effected through NZ Steel and DENZL receives a tolling charge rather than a spot market price.

There is a risk that instead of renewing the existing contracts as the steelworks are connected to the New Zealand national grid NZ Steel may elect to obtain its electricity from the market or another supplier rather than renew the PPAs.

The risks for NZ Steel's steel works include demand for its products, both domestically and overseas, and security of supply and cost of the inputs of production.

The Glenbrook power station is not readily relocatable and would require significant engineering work to operate on a standalone basis.

BAIRNSDALE POWER GENERATION – NEM EXPOSURE

There is a risk that:

- demand for electricity; and
- pool prices earned from generation and revenue from electricity derivatives,

will be less than forecast.

BELL BAY POWER STATION

There is a risk that Alinta may incur losses arising from the operation of Bell Bay power station in the NEM from 1 January 2006.

Volumes of gas transported through the TGP for use at Bell Bay power station will vary due to fluctuations in wholesale market prices of electricity. There is a risk that low gas usage requirements at Bell Bay power station will reduce revenue on the TGP and in the gas marketing business.

LEGACY OCCUPATIONAL HEALTH AND SAFETY ISSUES

There is a risk that Alinta may be exposed to occupational and health and safety claims as a result of past practices relating to the Acquired Assets.

10.4 GENERAL RISKS RELATING TO ALINTA

Alinta's business activities and investments (present and future) are subject to risk factors, both specific to its business activities and of a general nature. Individually, or in combination, these might affect the future operating performance of Alinta. Many of these risk factors are outside the control of Alinta and cannot be mitigated.

REGULATORY AND OTHER PUBLIC POLICY CHANGES

The assets Alinta owns and has acquired through the Acquisition are subject to various degrees of regulation. There is a risk that a change in policy will adversely impact Alinta. Additionally, there are costs and risks for Alinta in meeting regulatory requirements.

OPERATIONAL RISK

The long term profitability of Alinta is dependent upon efficient operation and maintenance of its businesses. Alinta is exposed to a number of operational risks including equipment failures and other accidents, major plant breakdown, pipeline rupture or damage, electricity line damage or other disaster. Each asset is exposed to unplanned interruptions caused by a significant catastrophic event such as those listed under force majeure events.

Operational disruption, as well as supply disruption, could adversely impact Alinta's earnings. In addition, the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged supply interruption may result in permanent loss of customers, substantial litigation or penalties for regulatory or commercial non-compliance. Moreover, any loss from such events may not be recoverable under insurance policies.

A number of the assets Alinta owns and will acquire through the Acquisition derive their revenue from a small number of key customers. Loss of a key customer may have an adverse impact on Alinta's earnings.

Alinta's assets are exposed to the risk of accidents. Such events may result in injury or loss of human life, employee compensation claims, damage to infrastructure and short or long term closure of part or all of the facilities.

DEMAND RISK

Both the volume of gas transported through the various pipelines and the requirements for electricity generated at its power stations is dependent on end user demand. The volume of gas or electricity used is subject to a range of variables, including economic conditions, adverse competition, population growth, availability of adequate supplies of gas or electricity, availability of natural resources, government policy, weather and alternative fuels or energy sources. Unusual weather conditions can negatively affect the amount of electricity that needs to be generated, and the volumes of gas that move through the respective distribution networks.

CHANGE OF LAW/GOVERNMENT ACTION RISKS

There is a risk that a government agency will repeal, amend, enact, or promulgate a new law or regulation, or that a government authority will issue a new interpretation of a law or regulation, which may adversely impact Alinta. Alinta may also be affected by court decisions and action of government agencies.

GOVERNMENT TAXES AND CHARGES

There is a risk that Commonwealth or, where relevant, state or territory governments will alter tax regimes applying to Alinta. Such alterations could have the effect of reducing cash available for distributions to

Shareholders, or altering the tax treatment of distributions in the hands of Shareholders. It is possible that governments may also, through taxation incentives or subsidies, encourage the use of alternative energy sources. This may affect the volume of gas transported and electricity distributed through the networks and therefore Alinta's revenues.

ENVIRONMENTAL RISK

National and state environmental laws and regulations affect the operations of Alinta. These laws and regulations set various standards regarding certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards, and establish, in certain circumstances, obligations to remediate current facilities and locations where operations are, or were, previously conducted.

There is a risk that liability could be imposed on Alinta, its associated entities or subsidiaries for damages, clean up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by Alinta, its investments or subsidiaries, or non-compliance with environmental laws and regulations.

CHANGES IN ACCOUNTING STANDARDS

Accounting standards might change necessitating a change in accounting policies currently adopted by Alinta, its investments or its subsidiaries. While Alinta's financial statements are currently prepared using Australian Generally Accepted Accounting Principles, from 1 January 2005 all Australian companies are required to adopt International Accounting Standards. This may necessitate a change in accounting policies used by Alinta. Refer to Section 7.5.

CREDIT RISK

Alinta is a party to sales contracts with a number of energy retailers and customers. There is a risk that these parties may be unable to meet their financial obligations to Alinta which would adversely impact earnings.

RELIANCE ON KEY PERSONNEL

Alinta has a relatively stable workforce that has accumulated a significant number of years experience. In part, Alinta's operations rely on the continued performance, efforts, abilities and expertise of its key technical and management personnel and contractors. There are no guarantees that Alinta will be able to retain these employees or continue to engage the services of contractors on acceptable terms.

INTEREST RATE RISK

As Alinta is relatively highly geared, it is exposed to adverse interest rate movements where funds are borrowed at a floating interest rate and which are not effectively hedged. There is a risk that such adverse interest rate movements may affect Alinta's earnings.

LITIGATION

Litigation risks relating to Alinta include, but are not limited to, customer claims, native title claims, tenure disputes, environmental claims, occupational health and safety claims, legal action from special interest groups, as well as third party losses resulting from distribution network disruption.

FORCE MAJEURE RISK

Force majeure is the term generally used to refer to an event beyond the control of a party claiming that the event has occurred, including acts of God, fire, flood, earthquakes, bush fire, war and strikes. Some force majeure risks are uninsurable and, to the extent that such events occur, there may be adverse effects on the business.

CONSTRUCTION RISK

Investors in Alinta are likely to retain some residual risk of any construction projects being completed within budget, within the agreed time frame and to the agreed specification. During the construction phase, the major risks include a delay in the projected completion of the project and a resultant delay in the commencement of a cashflow, or the procurement of energy to serve contractual demand, an increase in the capital needed to complete construction and the insolvency of the head contractor, a major subcontractor and/or a key equipment supplier. It should be noted that this risk relates to construction and development projects undertaken by Alinta, their major customers, and suppliers.

LICENCES AND PERMITS

There is a risk that a project does not have, or might not obtain, permits necessary for the construction or operation of the project. Permits or special rulings may be required on taxation, financial and regulatory-related issues. Licences and permits have to be maintained over the project's life. Care must be taken to ensure that all of the requirements of these licences and permits are met on an ongoing basis. The cost of compliance may not be fully recoverable from customers.

INFLATION RISK

Depending on the cashflows for a business and their escalation factors, equity returns can be affected by changes in the rate of inflation.

INDUSTRIAL DISPUTES

Labour disputes may interrupt Alinta's ability to effectively use its assets and may adversely affect the supply of energy inputs and the demand for gas infrastructure and electricity generation.

COMPETITION FROM OTHER SOURCES OF ENERGY

New technologies and regulations may increase the attractiveness of alternative forms of energy, especially renewables, to the detriment of Alinta's existing businesses.

LIQUIDITY RISKS

Alinta invests in a number of assets and businesses, each of which face a range of financial and operational risks. There is a risk that the realisable value of an asset may be less than its book or quoted value. In this event, Shareholders may not be able to realise the value of their investment.

NATIVE TITLE IMPACT

The existence or declaration of native title in land on or in which Alinta's assets are located may affect the activities of Alinta. The *Native Title Act 1993* (Cth) provides for a series of procedures which Alinta may need to comply with if Alinta's activities affect native title. In certain circumstances, Alinta may be required to pay compensation to the native title holders.

GAS SUPPLY AVAILABILITY AND COSTS

Alinta may not be able to secure the required volume of gas at prices that will maintain its competitive position.

CAPITAL EXPENDITURE AND UNFORESEEN OPERATING EXPENDITURE

Alinta's forecasts are based on certain assumptions in relation to the level of capital expenditure required. If the level of capital expenditure is higher than expected or is required to be spent in a different period than expected, returns to Shareholders may be negatively affected. While Alinta is not aware of any expenses that may need to be incurred and that have not been taken into account, if such expenses were subsequently incurred, or the timing of expenditures identified is accelerated, returns to Shareholders may be negatively affected.

WESFARMERS LPG CONTRACT

Alinta is currently in discussions with a range of parties relating to the Wesfarmers LPG contract. Discussions are underway with gas producers regarding LPG content of gas delivered into the Dampier to Bunbury Natural Gas Pipeline, with Wesfarmers LPG regarding commercial arrangements and with Epic Energy (WA) regarding transportation.

Alinta is of the view that the earnings contribution from its LPG activities will fall post mid 2005, but the extent of the decline is difficult to predict until negotiations are completed.

EPIC LITIGATION

A dispute currently exists between Epic Energy (WA) and Alinta regarding the price of gas transmission.

Under section 20 of the *Dampier to Bunbury Pipeline Act 1987* (WA), Epic Energy (WA) is obliged to offer to shippers with existing transmission contracts a variation of those contracts to incorporate the "statutory price" for the relevant service.

The "statutory price" is the price a person could insist upon paying if entering, at that time, into a contract for the service concerned.

From 1 January 2000, Epic Energy (WA) has invoiced the consolidated entity (prior to 1 July 2000 the Gas Corporation trading as AlintaGas) at $1.18 per gigajoule (as escalated). The consolidated entity has disputed these invoices and has only processed for payment the undisputed portion of $1.00 per gigajoule (as escalated). The disputed portion of approximately $0.18 per gigajoule has been excluded from the consolidated entity's accounting records.

The maximum amount of contingent liability that may become payable as a result of the above as at 31 December 2003 is $40 million.

It is currently unresolved between the consolidated entity and Epic Energy (WA) whether an offer under section 20 has been made and accepted.

10.5 RISKS RELATING TO THE PROPOSED RESTRUCTURING

The risks relating to the proposed Scheme are as follows:

- Alinta does not receive a class ruling by the ATO confirming the CGT implications of the Restructuring for Alinta security holders and that the in-specie distribution of Units will be treated as a distribution of capital and not a dividend;
- AIL does not receive an Australian Financial Services Licence;
- Alinta Infrastructure Trust (or, if necessary, Trust 2 or Trust 3) is not registered as a managed investment scheme under the Corporations Act;
- the Restructuring Transaction Documents are not executed, or are terminated, before Court approval of the Scheme;
- a resolution of the holders of Shares or RePS which Alinta considers necessary for implementation of the Restructuring is not passed;
- Alinta does not receive all approvals or waivers from ASX which it considers necessary for implementation of the Restructuring;
- Alinta does not receive all relief from ASIC from the provisions of the Corporations Act which it considers necessary for implementation of the Restructuring;
- Alinta does not receive all approvals from third parties which it considers necessary for implementation of the Restructuring;
- a regulatory authority or judicial entity makes an adverse ruling which restrains implementation of the Restructuring or any transaction contemplated by the Restructuring on or before Court approval of the Scheme;
- the Court does not approve the Scheme; and
- the Shares and Units are not quoted by ASX as Stapled Securities.

10.6 OTHER RISKS

The above list of risk factors ought not to be taken as exhaustive of the risks faced by Alinta and its Shareholders and investors. The above risks, and others, not specifically referred to above, may in the future materially affect the financial performance of Alinta and the value of New Shares offered under this Prospectus. Therefore, no assurances or guarantees of future profitability, distributions, payment of dividends, return of capital or performance of Alinta or its securities can be provided by Alinta.

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MATERIAL CONTRACTS

11.1 SUMMARY OF UNDERWRITING AGREEMENT

Pursuant to the Underwriting Agreement, the Underwriter agreed to underwrite a placement by Alinta to investors and a rights offer to Alinta's Shareholders. The Institutional Placement is referred to in Section 2 of this Prospectus and was completed prior to the date of this Prospectus.

TERMS OF RIGHTS ISSUE

The Rights Issue must be made on the basis set out below and must continue to satisfy those requirements up to the date the New Shares are allotted:

(a) on the terms and conditions set out in the Underwriting Agreement and a prospectus approved by the Underwriter;

(b) on condition that Alinta complies with its obligations under the Underwriting Agreement and that all representations and warranties made by Alinta under the Underwriting Agreement are true and correct;

(c) in compliance with Alinta's Constitution and all applicable law;

(d) in compliance with the Listing Rules and any other requirements of ASX necessary to ensure that the securities offered will be quoted on ASX immediately following their allotment;

(e) in accordance with the timetable set out in Schedule 2 of the Underwriting Agreement;

(f) on condition that ASIC has not during all of the time periods set out in the timetable in Schedule 2 of the Underwriting Agreement:
   (i) made an order under section 739 of the Corporations Act;
   (ii) made an application for an order under Part 9.5 of the Corporations Act in relation to the Prospectus; or
   (iii) commenced any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001 (Cth)* in respect of the Prospectus;

(g) on condition that prior to the date the Shares are allotted, ASX:
   (i) has not made any official statement to any person, or indicated to Alinta or the Underwriter, that ASX approval will not be granted; and
   (ii) has granted ASX approval and that ASX approval has not been withdrawn, qualified or withheld;

(h) in a manner so that the Prospectus satisfies, during all of the time periods set out in the timetable, all of the requirements for a disclosure document for that type of offer under the Corporations Act, including that it is not misleading, deceptive or false in any way, whether by omission or inclusion; and

(i) at an offer price determined by the Underwriter, after consultation with Alinta, on or before the date which the Prospectus is lodged with ASIC and ASX.

TERMINATION EVENTS

The Underwriting Agreement provides that the Underwriter may terminate the Underwriting Agreement without liability on becoming aware of the happening of any of the following terminating events:

(a) between the date the Sale and Purchase Agreement is signed and the date the Shares are allotted, an adverse change occurs, in the assets, liabilities, financial position or performance, profits or losses of the consolidated DEL/DENZL Group Companies (as defined in the Underwriting Agreement) which is agreed by DEIAP and Alinta or, failing agreement by them, is assessed by a valuer appointed under clause 7.13(a)(iv) of the Sale and Purchase Agreement, to have an effect of reducing the enterprise value of the consolidated DEL/DENZL Group Companies by at least $250 million but not including:
   (i) events arising from the announcement or completion of the Acquisition;
   (ii) any change in law or any Australian statutory authority adopting a new policy;
   (iii) any change in general economic conditions (including exchange rates and interest rates);
   (iv) any industry wide or generic events which extend beyond the assets, liabilities, financial position or performance, profits or losses of the consolidated DEL/DENZL Group Companies;
   (v) supplier failure (other than by a DEL/DENZL Group Company) or damage to third party assets; and
   (vi) events arising after the date the Sale and Purchase Agreement is signed from matters which were fairly disclosed in the Disclosures (as that term is defined in the Sale and Purchase Agreement);

(b) between the date the Sale and Purchase Agreement is signed and the date the Shares are allotted:
   (i) there is a demonstrable event or a series of related demonstrable events which is agreed by DEIAP and Alinta or, failing agreement by them, is assessed by a valuer appointed under clause 7.13(a)(iv) of the Sale and Purchase Agreement, to have an effect of reducing the enterprise value of the consolidated DEL/DENZL Group Companies by less than $250 million (but not including:

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(A) events arising from the announcement or completion of the Acquisition;
(B) any change in law or any Australian statutory authority adopting a new policy;
(C) any change in general economic conditions (including exchange rates and interest rates);
(D) any industry wide or generic events which extend beyond the assets, liabilities, financial position or performance, profits or losses of the consolidated DEL/DENZL Group Companies;
(E) supplier failure (other than by a DEL/DENZL Group Company) or damage to third party assets; and
(F) events arising after the date the Sale and Purchase Agreement is signed from matters which were fairly disclosed in the Disclosures (as that term is defined in the Sale and Purchase Agreement)); and

(ii) DEIAP does not advance to Alinta a vendor loan as provided for, and on the terms set out, in clause 7.13(a) of the Sale and Purchase Agreement; or

(c) between the date the Prospectus is lodged with ASIC and the date the Shares are allotted, an adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of Alinta or the Group (as defined in the Underwriting Agreement), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Duke Energy Group from those respectively disclosed in this Prospectus or any public or other media statements made by or on behalf of Alinta in relation to the affairs of Alinta or the Rights Issue or Institutional Placement;
(d) there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of the Commonwealth of Australia or any State of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy, any of which does or is likely to prohibit or materially adversely affect the Rights Issue or Institutional Placement, capital issues or stock markets or materially adversely affect the taxation treatment of the New Shares and Shares issued under the Institutional Placement;
(e) either of the following occurs:
   (i) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom, is declared by the relevant central banking authority in any of these countries, or there is a material disruption in commercial banking or security settlements or clearance services in any of those countries; or
   (ii) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for two days on which that exchange is open for trading;

   and the effect of that occurrence is such as to make it, in the reasonable judgment of the Underwriter, impractical to promote or complete the Rights Issue or Institutional Placement or to enforce contracts to issue and allot New Shares or Shares issued under the Institutional Placement:
(f) a provider of debt or other financial accommodation to Alinta pursuant to the Debt Documentation (as defined in the Underwriting Agreement) terminates or cancels its commitment to provide that financial accommodation, or the availability period of that financial accommodation expires without it being provided, or a condition precedent to drawdown of any part of that financial accommodation is not satisfied or waived or becomes incapable of being satisfied, in each case on or prior to the settlement of the Acquisition; or
(g) between 12 March 2003 and the date the Shares are allotted, the Sale and Purchase Agreement is amended without the prior written consent of the Underwriter.

If an event referred to in paragraph (c) occurs, the Underwriter may not terminate the Underwriting Agreement unless it has reasonable and bona fide grounds to believe and does believe that the event:
(a) has or is likely to have a materially adverse effect on the outcome of the Rights Issue or Institutional Placement; or
(b) could give rise to a material liability of the Underwriter under any law or regulation.

SHORTFALL

If the amount underwritten is not fully subscribed for on or before the Rights Offer Shortfall Notification Date (as defined in the Underwriting Agreement) and the Underwriting Agreement has not been terminated, Alinta must notify the Underwriter in writing of the shortfall on the Rights Offer Shortfall Notification Date. The Underwriter must then, within two business days after receipt of the notification, lodge or cause to be lodged with Alinta Valid Applications (as defined in the Underwriting Agreement) for the full number of Shares in Alinta as will make up for the shortfall between the number of Shares underwritten by the Underwriter and the number of Shares for which valid Applications have been made by the Closing Date.

FEES AND COSTS

The Underwriter will receive from Alinta, an underwriting commission of 1.9% of the relevant offer price per Security of all of the Securities offered under the Rights Issue and the Placement. In addition, the Underwriter will be reimbursed by Alinta for:

(a) all legal costs that are incurred by the Underwriter in respect of the Rights Issue and Institutional Placement (up to $30,000); and

(b) all costs, expenses and outgoings reasonably incurred by the Underwriter in connection with the Rights Issue and the Institutional Placement (up to $20,000).

INDEMNITY

Alinta indemnifies the Underwriter and its related bodies corporate and their officers, employees and advisers (**the Indemnified Parties**) against each claim, judgment, damage, loss, expense (including without limitation, all reasonable legal costs and disbursements of lawyers) or liability incurred or suffered by or brought or made or recovered against the Indemnified Parties in connection with or resulting from:

(a) any misleading or deceptive statement in or any omission from any document issued or published by or on behalf of Alinta in respect of the Rights Issue or the Institutional Placement (including without limitation, misleading representations within the meaning of section 728(2));

(b) any of the representations and warranties by Alinta contained in the Underwriting Agreement not being true and correct;

(c) the distribution of the documents issued or published by or on behalf of Alinta in respect of the Rights Issue and the Institutional Placement and the making of the Rights Issue and the Institutional Placement; and

(d) any advertising or publicity of the Rights Issue or Institutional Placement issued with the knowledge and consent of Alinta.

The indemnity does not extend to and is not to be taken to be an indemnity against any claims, demands, damages, losses, costs, expenses and liabilities of an Indemnified Party if those claims, demands, damages, losses, costs, expenses and liabilities are judicially determined to result primarily from any fraud, recklessness, willful misconduct or negligence of that Indemnified Party.

UNDERTAKINGS AND WARRANTIES

Alinta has given certain undertakings to do and not to do things prior to the completion of the Rights Issue, and has given various warranties including in relation to its ability to enter into and perform the Underwriting Agreement and its compliance with law and the Listing Rules, in terms customarily found in underwriting agreements.

UNDERWRITER'S LIMITATION OF LIABILITY

The liability of the Underwriter and its related bodies corporate under or in relation to the Underwriting Agreement and any other agreement in relation to the Rights Issue and Placement, on any account, however arising, is limited to $550 million in total. This limitation applies to the Underwriter's obligations in relation to the subscription or purchase of the Shares offered under the Rights Issue or Institutional Placement and any other obligation of the Underwriter or its related bodies corporate under the Underwriting Agreement and any other agreement in relation to the Offer.

11.2 SALE AND PURCHASE AGREEMENT

On 15 March 2004, DEIAP, Energy Holdings, Alinta, Gas Trust and Power Trust entered into the Sale and Purchase Agreement under which Energy Holdings agreed to purchase all the issued share capital of DEL and Power Trust agreed to purchase all the issued share capital of DENZL from DEIAP for a total price of $1,690 million (which is subject to certain post completion adjustments including that DEIAP is to be credited with any cash on hand at Completion).

Part of the purchase price will be applied to satisfaction of all intra group and external debt of DEL, DENZL and their subsidiaries, so that those companies are purchased on a debt-free basis.

The Sale and Purchase Agreement is conditional on the satisfaction of various conditions precedent which include obtaining the consent of counterparties to various agreements containing change of control clauses (including agreements and authorisations which require Ministerial consent in Queensland, Victoria and Tasmania).

On signing the Sale and Purchase Agreement, Energy Holdings was required to provide a letter of credit/cash in respect of a deposit of $225 million. The deposit will be forfeited if Energy Holdings elects to terminate the Sale and Purchase Agreement because a material adverse change occurs in relation to the Alinta Group.

Completion is scheduled to occur in late April.

Either party may terminate the Sale and Purchase Agreement if the conditions precedent are not satisfied by a specified end date, or if completion does not occur by reason of the other party's default or the other party's material breach of the Sale and Purchase Agreement. In certain circumstances, Energy Holdings may also terminate the Sale and Purchase Agreement if a material adverse change occurs in relation to the Alinta Group or the assets to be acquired.

If the Sale and Purchase Agreement is terminated by DEIAP by reason of Energy Holdings' default, Energy Holdings is liable for all of DEIAP's losses arising from the breach (which may be more or less than the deposit of $225 million).

The Sale and Purchase Agreement contains various warranties given by DEIAP. These warranties are limited in quantum and time. The Sale and Purchase Agreement also contains the usual restrictions on DEL, DENZL and their subsidiaries' activities between signing and Completion.

Alinta has guaranteed the performance of Energy Holdings, Gas Trust and Power Trust's obligations up to and including Completion (and, in limited cases, the guarantee extends beyond Completion).

Duke Energy International LLC has guaranteed the performance of DEIAP's obligations under the Sale and Purchase Agreement.

Under the Sale and Purchase Agreement, the parties agree to enter into a transition services agreement to enable certain services to be provided by the Duke Energy Group to DEL and its subsidiaries for an agreed period after Completion.

11.3 OPERATING SERVICES AGREEMENT

The Operating Services Agreement sets out the terms and conditions under which APS will provide all services required by Alinta Infrastructure Trust to manage the business of Alinta Infrastructure Trust and to operate, maintain, market and construct the Pipeline Assets and the Power Assets on behalf of Alinta Infrastructure Trust. APS will be appointed exclusively to provide those services in accordance with the standards described below. The agreement continues until terminated by breach, force majeure or agreement between the parties.

The services to be provided by APS include:

- all services required to operate and manage the Pipeline Assets;
- all services required to operate and manage the Power Assets;
- business development services; and
- corporate services.

In performing these services APS must meet certain service standards including good industry practice, compliance with laws and approved asset management, environmental and other plans. APS must also materially comply with all material contracts and provide the services in a timely and commercial manner.

The agreement will provide for the development of strategic plans, asset management plans and operating and capital works budgets which will be updated each year and subject to approval by AIL.

Alinta will be reimbursed for its reasonable and verifiable costs in providing these services, a management fee equivalent to 3% of the total revenue for that year and an incentive fee equal to 30% of any reduction in controllable costs for that year.

Alinta Infrastructure Trust must make available to APS all Pipeline Assets and Power Assets and comply with all laws.

APS and Alinta Infrastructure Trust will indemnify each other in respect of liability to third parties subject to a cap. Liability for liquidated damages under the PPA will be excluded.

11.4 KEY GAS BUSINESS CONTRACTS

11.4.1 GAS TRANSPORTATION AGREEMENT

DEATM (which will become a subsidiary of Alinta) will enter into gas transportation agreements with each of DEITH and DEIEGP for transportation services under the TGP and EGP respectively.

Services to be provided under these agreements for the TGP and EGP will each include firm forward haulage, long term firm forward haulage, short term firm forward haulage, as available forward haulage, as available backhaul, as available park and lend and as available measurement service.

The terms and conditions of these agreements will generally be based upon the published standard terms and conditions by DEITH and DEIEGP and the tariffs will not be materially different from the current published tariffs for the EGP and TGP.

The term of the agreements will be for 15 years from Completion. The agreements will contain the usual provisions relating to delivery points, MDQ, contract tolerance and allocation of a priority number. In respect of the TGP, the GTA will also contain a capacity reservation reflecting DEATM's obligations to Hydro Tasmania.

11.4.2 REVENUE CONTRACTS

QGP

The gas transport agreements for the QGP incorporate the gas transportation general terms and conditions that are attached to the indicative tariff for the QGP. Duke's principal obligation is to transport gas, that has been delivered to it at a specified receipt point, to a specified delivery point.

Three types of services are offered, listed in order of priority.

1. **Firm Forward Service**

   A firm transportation service is a physical, forward-haul service offered by Duke at all times that it determines that firm capacity is available on the QGP. This service is not subject to curtailment or interruption except as provided in the transportation general terms and conditions.

   The minimum term for each firm transportation service agreement is 10 years.

   These agreements are take-or-pay contracts in that the counterparty is required to pay the aggregate of the following even if no gas is delivered to Duke Energy Group at the receipt point for transportation:
   - the capacity reservation rate multiplied by maximum daily quantity; and
   - the distance reservation rate multiplied by the product of the distance in pipeline kilometres from the point of receipt to the point of delivery and the maximum daily quantity.

2. **Backhaul Service**

   Duke Energy Group offers a backhaul transportation service at all times that it determines that capacity is available on the QGP. This service is subject to curtailment or interruption.

   These agreements are take-or-pay contracts in that the counterparty is required to pay the backhaul rate for the applicable maximum daily quantity even if no gas is delivered to Duke Energy Group at the receipt point for transportation.

3. **As Available Service**

   Again, Duke Energy Group QGP only offers this service when it determines that capacity is available on the QGP. The service may be curtailed and interrupted.

   The counterparty is only responsible for paying the as available rate for actual quantities of gas delivered.

   Duke Energy Group's customers for the QGP include Queensland Alumina.

EGP
DEIEGP have entered into gas transportation contracts with shippers of gas. The foundation contract is with Esso Resources and BHPB Petroleum.

Generally, DEIEGP enters into transportation agreements on the basis of its standard terms and conditions, although in some instances they have been amended. Duke Energy Group's principal obligation is to transport gas, that has been delivered to it at a specified receipt point, to a specified delivery point.

The services covered by the standard terms and conditions comprise firm forward haulage, as available forward haulage and as available backhaul haulage services. Take-or-pay provisions may be included in such agreements.

TGP
Duke's involvement in the TGP includes a variety of roles including contracting with Tasmanian gas purchasers to reserve pipeline capacity and supplying gas to Tasmanian purchasers.

A Pipeline Capacity Agreement has been entered into between DEATM and Hydro Tasmania. The agreement has a term of 15 years. Hydro Tasmania is also a foundation customer of the TGP as a result of its purchase of gas for the Bell Bay power station.

11.4.3 COSTS CONTRACTS

BHPB/ESSO GAS PURCHASE AGREEMENT
BHPB Petroleum and Esso Resources sell gas to DEATM under a take or pay gas purchase agreement.

11.5 KEY POWER BUSINESS CONTRACTS

11.5.1 TOLLING AGREEMENT

DEI Vic Power, DE Bairnsdale Power and AET will enter into a Tolling Agreement under which AET will have the right to control the dispatch of the Bairnsdale power station and receive all revenue resulting from generation into the NEM and in exchange AET will pay the owners a tolling charge, reimburse gas costs and an operating profile adjustment.

The term of the agreement will be 10 years with two renewal periods of five years each. The tolling charge for the first 10 years will be based on an agreed NEM pool price forecast consistent with an assumed operating profile for that period and will be set out in the agreement. The operating profile adjustment is to compensate the owner for additional operating costs (or reimburse AET for savings and operating costs) where the actual operation of the Bairnsdale power station diverges from an assumed operating profile.

The rights of AET under this agreement will be subject to compliance with the TXU Network Support Agreement.

11.5.2 PORT HEDLAND AND NEWMAN POWER STATIONS

DE WA Power and DE WA Holdings have entered into PPA's for the supply of electricity as follows:

- the HBI Plant PPA which is a contract for the supply of electricity from the Port Hedland power station (comprising the Hedland Turbines and HBI Turbines) to BHP Billiton Direct Reduced Iron of up to 70MW;
- to BHP Billiton's Nelson Point of up to 35MW from the Port Hedland power station to BHP Billiton Iron Ore as manager and agent for the Newman Unincorporated Joint Venture;
- 23MW from the Port Hedland power station to BHP Billiton Iron Ore as manager and agent for the Mount Goldsworthy Mining Associates from the Port Hedland power station; and
- up to 44MW from the Newman power station to BHP Billiton Iron Ore as manager and agent for the Newman Unincorporated Joint Venture.

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The HBI Plant PPA includes a liquidated damages regime arising where there is a failure to supply by DE WA Power and DE WA Holdings and the HBI Plant is affected in the manner set out in the PPA. The liquidated damages are subject to an annual cap.

11.5.3 GLENBROOK POWER STATION

DENZL supplies electricity to NZ Steel from Kilns CoGen plant up to 46MW and electricity up to 18MW and steam up to 30 tonnes per hour (from the multi-hearth furnace).

11.5.4 BAIRNSDALE POWER STATION

TXU Electricity and DE Bairnsdale Operations are parties to a NSA under which DE Bairnsdale Operations provides network support services to TXU Electricity's distribution network. DE Bairnsdale Operations is required to operate during defined periods when requested by TXU Electricity.

11.6 FINANCIAL DOCUMENTS

11.6.1 SENIOR FACILITIES AGREEMENT

On 15 March 2004, Energy Holdings and the Guarantors, entered into the Senior Facility with the Financiers.

The Senior Facility is split into two tranches: tranche A, which is for an aggregate amount of up to A$480 million and tranche B, which is for an aggregate amount of up to A$720 million. Both tranches are to be used to complete the transaction contemplated under the Sale and Purchase Agreement and to pay the costs associated with that transaction. Where Energy Holdings has prepaid amounts under tranche B of the Senior Facility, it is entitled to redraw amounts up to an aggregate amount of $150 million to be used for general corporate purposes.

Tranche A of the Senior Facility is to be repaid in full on the date which is three years after Financial Close (as defined in the Senior Facility). Tranche B is to be repaid in full on the date which is five years after Financial Close (as defined in the Senior Facility).

Drawdown under the Senior Facility is conditional on the satisfaction of various conditions precedent which include:

(a) Gearing is no greater than 72.5%;
(b) sufficient equity has been contributed which, together with the funds drawn under the Senior Facility, will enable the cash payments required to complete the Sale and Purchase Agreement to be made; and
(c) Completion has occurred.

The Senior Facility contains various representations and warranties given by Energy Holdings, and where appropriate, the Guarantors, which are usual in a facility of this nature.

The Senior Facility also contains various events of default including breach or termination of certain documents which are regarded by the Financiers as key to the business, and where such breach or termination has a "Material Adverse Effect" on the business, or on the ability of Energy Holdings and/or any of the Guarantors to perform their obligations under the Senior Facility.

Under the Senior Facility, the Financiers are entitled to review their participation in the Senior Facility where either:

(a) Alinta or an entity held by Alinta ceases to hold at least 15% of the voting rights in Energy Holdings or a Guarantor;
(b) Alinta or one of its subsidiaries ceases to be the counterparty to certain agreements which relate to the provision of services to Energy Holdings and the Guarantors; or
(c) there is a change of control of Energy Holdings or the Alinta Infrastructure Trust. Following a review event, Energy Holdings and the relevant Financiers are required to negotiate in good faith to remedy the review event. If this is not possible, or not completed within the requisite time frame, then there is provision for the relevant Financier to be repaid early or for that Financier to be replaced.

The Senior Facility is unsecured.

11.6.2 CAPITAL EXPENDITURE FACILITY AGREEMENT

On 15 March 2004, Energy Holdings entered into the Capital Expenditure Facility with the Capital Expenditure Financiers.

The Capital Expenditure Facility is unsecured. However, the Capital Expenditure Financiers are part of the Senior Facility and therefore take the benefit of the guarantee given by the Guarantors under the Senior Facility.

The Capital Expenditure Facility is to be applied by the Borrower to fund capital expenditure which is an expansion of the business and which is provided for in a capital works budget or asset management plan, both of which are prepared on an annual basis in accordance with the terms of the Operating Services Agreement.

The Capital Expenditure Facility is for an aggregate amount of $135 million, although there is a cap on drawings in the first three years following Financial Close (as defined in the Capital Expenditure Facility) of $100 million. The Capital Expenditure Facility is repayable in full on the date which is five years after Financial Close (as defined in the Capital Expenditure Facility).

The Capital Expenditure Facility is on similar terms to the Senior Facility.

11.6.3 WORKING CAPITAL FACILITY AGREEMENT

On 15 March 2004, Energy Holdings entered into a Working Capital Facility with the Working Capital Provider.

The Working Capital Facility is unsecured. However, Citibank, N.A. is a party to the Senior Facility in its capacity as Working Capital Provider and therefore takes the benefit of the guarantee given by the Guarantors under the Senior Facility.

The Working Capital Facility is to be used by Energy Holdings for general corporate purposes.

The Working Capital Facility is available for a period of 364 days from Financial Close, although the Working Capital Facility contains provisions which enable Energy Holdings and the Working Capital Provider to agree to extend the availability of the Working Capital Facility for periods of not more than 364 days.

The Working Capital Facility is on similar terms to the Senior Facility.

11.6.4 LETTER OF CREDIT FACILITY AGREEMENT

On 15 March 2004, Energy Holdings entered into a Letter of Credit Facility with the Letter of Credit Provider.

The Letter of Credit Facility is unsecured. However, Citibank, N.A. is a party to the Senior Facility in its capacity as Letter of Credit Provider and therefore takes the benefit of the guarantee given by the Guarantors under the Senior Facility.

The bank guarantees and letters of credit which may be issued by the Letter of Credit Provider under the Letter of Credit Facility are to be issued to support the obligations of Energy Holdings, or other companies in the group, under certain contracts which are specified in a schedule to the Senior Facility.

The Letter of Credit Facility is available for a period of 364 days from Financial Close, although the Letter of Credit Facility contains provisions which enable Energy Holdings and the Letter of Credit Provider to agree to extend the availability of the Letter of Credit Facility for periods of not more than 364 days.

The Letter of Credit Facility is on similar terms to the Senior Facility.

11.7 RESTRUCTURING TRANSACTION DOCUMENTS

11.7.1 IMPLEMENTATION AGREEMENT

The Implementation Agreement will be between Alinta, Alinta Investments and AIL and will set out the terms and conditions under which the stapling of Shares and Units will occur. It will:

- set out the conditions precedent to be satisfied or waived before the stapling of Shares to Units;
- provide that Alinta will procure Alinta Investments to distribute will issue or transfer to each Shareholder one Unit for each Share;
- set out the steps for implementation of the Stapled Security structure;
- set out the representations and warranties in relation to capacity given by each party;
- provide for the payment of costs, stamp duty and GST in relation to the Implementation Agreement and the Stapled Security proposal; and
- provide for approval of proposed announcements by the parties.

11.7.2 SCHEME

The Scheme will provide for the consent of the Shareholders to the proposed amendments to the Alinta Constitution which will impose additional restrictions on the transfer of Shares. It will also:

- set out the conditions precedent to be satisfied or waived before the stapling of Shares to Units;
- provide for the issue or transfer of Units to Shareholders and the stapling of those Units to Shares;

- set out the entitlement of Shareholders to participate in the Scheme, including arrangements in relation to foreign Shareholders; and
- provide that Alinta will apply for the official quotation of the Stapled Securities on ASX.

11.7.3 STAPLING DEED

The Stapling Deed will be between Alinta and AIL and will set out the terms and conditions governing the relationship between Alinta and the AIL in respect of Stapled Securities. It will provide for:

- co-operation and consultation of AIL and Alinta in preparing accounts, providing information to investors, holding meetings, issuing Units and Shares, declaring dividends and distributions, acquiring or disposing of assets, financing and transferring or issuing securities;
- the allocation of the Issue Price of each Stapled Security between Alinta Infrastructure Trust and Alinta; and
- the maintenance of a register of holders of Stapled Securities.

11.7.4 AMENDMENTS TO ALINTA'S CONSTITUTION

Alinta's Constitution will need to be amended to include, among other things, provisions:

- preventing a transfer of Shares without a transfer of Units;
- ensuring that the boards of Alinta and AIL are identical;
- authorising the Alinta Board to exercise its powers as though Alinta and AIL are a single economic entity; and
- to permit a capital reduction to be satisfied by a distribution in specie of securities.

11.7.5 AMENDMENTS TO THE TERMS OF REPS

The terms of issue of the RePS will need to be amended to, among other things:

- enable the RePS to be converted into Stapled Securities;
- exclude the capital reduction involved in the Restructuring from the formula for conversion of RePS; and
- amend references to market price (VWAP) of Shares to refer to Stapled Securities.

11.7.6 CONSTITUTION OF ALINTA INFRASTRUCTURE TRUST

The Alinta Infrastructure Trust constitution will set out the powers of AIL and the terms and conditions governing the relationship between holders of Units and the AIL. It will provide, among other things, that:

- an issue of Units must be accompanied by an issue of an equal number of Shares and a transfer of Units can only be registered if it is accompanied by a transfer of an equal number of Shares; and
- Alinta and Alinta Infrastructure Trust must operate as a single economic entity.

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ADDITIONAL INFORMATION

12.1 NATURE OF PROSPECTUS

This Prospectus is issued pursuant to section 713 of the Corporations Act using the special prospectus content rules for continuously quoted securities.

Section 713 permits the use of a "transaction-specific" prospectus in relation to an offer of securities where those securities are in a class which has been continuously quoted for 12 months before the date of the prospectus.

As the Shares are continuously quoted securities, Alinta may issue this Prospectus in accordance with the special prospectus content rules in section 713.

12.2 DISCLOSING ENTITY

Alinta is a disclosing entity for the purposes of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules which require it to notify ASX of information about specified matters and events as they arise for the purpose of ASX making that information available to the stock market conducted by ASX. In particular, Alinta has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is or becomes aware concerning Alinta which a reasonable person would expect to have a material effect on the price or value of Alinta securities. That information is available on public file at ASX.

12.3 COPIES OF DOCUMENTS AVAILABLE FROM ALINTA

Copies of documents lodged by Alinta with ASIC (other than documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the registered office of Alinta or an office of ASIC.

Alinta will provide a copy of the following documents free of charge to any person who requests them during the period in which the Rights Issue remains open:

- the annual financial report for the year ended 31 December 2003 (being the most recent annual financial report lodged with ASIC); and
- all continuous disclosure notices given by Alinta to ASX since the lodgement of the annual financial report referred to above and before the lodgement of this Prospectus with ASIC, being the following documents:

Date Lodged	Document Description
27 February 2004	Results Presentation
27 February 2004	Open Briefing by Alinta CEO on Profit and Outlook
27 February 2004	Finalisation of Co-generation Project Finance
9 March 2004	Alinta Go-ahead for 90MW Wind Farm
12 March 2004	Retains Uecomm shareholding
15 March 2004	Acquires Duke Energy Portfolio
15 March 2004	Trading Halt
15 March 2004	Change of Director's Interest Notice (x 5)
16 March 2004	Duke Acquisition – Investor Presentation
17 March 2004	Duke Acquisition – Updated Investor Presentation
17 March 2004	Alinta announces successful placement of Shares for Duke Acquisition
17 March 2004	Adjustment of Minimum Conversion Number for Alinta RePS

All requests for copies of the above documents should be addressed to:

Postal Address	Street Address
Murray King Company Secretary Alinta Limited GPO Box W2030 Perth WA 6846 murray.king@alinta.net.au	Murray King Company Secretary Alinta Limited Level 7, The Quadrant 1 William Street Perth WA 6000 Tel: (08) 9486 3000 Fax: (08) 9486 3065

12.4 RIGHTS AND LIABILITIES ATTACHING TO SHARES

From their date of issue, the New Shares will rank equally with existing Shares.

The rights attaching to Shares are set out in Alinta's Constitution and, in certain circumstances, are regulated by the Corporations Act, the ASX Listing Rules and general law.

The following is a summary of the principal rights and liabilities attaching to Shares. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities attaching to Shares.

(a) General Meeting and Notices
Each Shareholder is entitled to receive notice of, and to attend and vote at, general meetings of Alinta and to receive all notices, accounts and other documents required to be sent to Shareholders under Alinta's Constitution, the Corporations Act or the ASX Listing Rules.

(b) Voting Rights
Subject to the Corporations Act, the ASX Listing Rules and to any rights or restrictions for the time being attached to any class or classes of shares (such as RePS), at a general meeting of Alinta:

- every Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- on a show of hands, every Shareholder present in person or by proxy, attorney or representative has one vote; and
- on a poll, every Shareholder present in person or by proxy, attorney or representative has one vote for every fully paid ordinary share and a fraction of a vote for every partly paid ordinary share.

In the case of joint holders of a share, only one holder is entitled to vote at a general meeting either in person or by proxy, attorney or representative. If more than one joint holder is present at a general meeting either personally or by proxy, attorney or representative, the vote of the holder whose name stands first in the share register will be accepted.

(c) Future Issues
Subject to the Corporations Act, Alinta's Constitution, the ASX Listing Rules and any rights previously conferred on the holders of existing shares:

- the shares are under the control of the Directors;
- the Directors may allot, grant options over, or otherwise dispose of shares to persons on such terms and conditions and with such preferred, deferred or other rights attaching to the shares, and at such times, as the Directors think fit; but

Alinta will not issue any share with a voting right more advantageous than that available to any shares previously issued by Alinta and which share does not carry voting rights which, in the opinion of ASX, are appropriate and confer equitable representation on the Shareholder.

(d) Variation of Rights
At present, Alinta has on issue two classes of shares, namely Shares and RePS.

Unless otherwise provided by the terms of issue of shares of a certain class, the rights attached to shares of that class may, whether or not Alinta is being wound up, be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of the relevant class, or with the sanction of a special resolution passed at a meeting of the holders of the shares of that class.

(e) Transfer of Shares
Shareholders are generally able to sell or transfer shares without restriction while they are quoted on ASX. This is subject to Alinta's ability to refuse to register a transfer in limited circumstances set out in Alinta's Constitution and permitted by the ASX Listing Rules.

(f) Dividends
The Directors may from time to time declare a dividend to be paid to the Shareholders entitled to a dividend and may fix the time for payment of that dividend as well as the method of payment. Subject to the rights of persons holding shares with special dividend rights (such as holders of RePS), all holders of fully paid ordinary shares on which any dividend is declared or paid are entitled to participate in the dividend in proportion to the number of fully paid ordinary shares held. Holders of partly paid ordinary shares are entitled to participate in proportion to the amount paid on those partly paid ordinary shares.

(g) Winding-up
Subject to the rights of holders of shares with special rights in a winding-up (such as holders of RePS), on a winding-up of Alinta, all assets that may be legally distributed among the Shareholders will be distributed in proportion to the shares held by them irrespective of the amount paid up or credited as paid up on the shares. This right is subject to the discretion of the liquidator of Alinta, with the sanction of a special resolution, to divide the assets in kind and determine how the division will be carried out between Shareholders or different classes of Shareholders.

12.5 OPTIONS

Subject to the Corporations Act, Alinta's Constitution and the ASX Listing Rules, Alinta may implement an employee option scheme on such terms as it thinks fit.

Under the Executive Option Plan, options were issued to senior executives of Alinta on 6 March 2002, 5 March 2003, 8 May 2003 and 17 September 2003, details of which are set out below:

Options			
Issue Date	Number on Issue	Exercise Price	Expiry Date
6 March 2002	1,054,250	$4.0454	5 March 2012
5 March 2003	1,127,000	$4.2650	4 March 2013
8 May 2003	300,000	$4.9182	7 May 2013
18 September 2003	100,000	$6.1614	17 September 2013

Pursuant to the Alinta Executive Option Plan, Alinta offered 1,952,000 options to senior executives on 5 March 2004 with an issue date of 26 March 2004. In accordance with the terms of the Alinta Executive Option Plan, the exercise price of the options will be calculated using the weighted average price of Shares during the 5 business days up to and including the date of issue. The options have an expiry date of 25 March 2014.

Alinta proposes to issue 200,000 options to Bob Browning pursuant to the Alinta Executive Option Plan. The options are proposed to be issued in May 2004 with a term of 10 years. In accordance with the terms of the Alinta Executive Option Plan, the exercise price of the options will be calculated using the weighted average price of Shares during the 5 business days up to and including the date of issue. The issue of options to Bob Browning will be subject to Shareholder approval.

12.6 RePS

On 23 July 2003, Alinta issued 1,300,000 RePS, which were subsequently admitted to quotation on ASX. The RePS provide for a fully franked preferred (but not cumulative) dividend. The initial dividend rate is 5.755%, which is fixed until the first reset date of 30 September 2006. The first dividend payment date is 31 March 2004.

Currently, under the terms of the RePS, if the RePS are converted, each RePS will convert into a number of ordinary shares calculated by reference to the average of the daily volume weighted average sale price of ordinary shares traded on ASX during the 20 business days immediately preceding the exchange date. This calculation is subject to a conversion discount of 2.5%. Under the terms of RePS, the number of ordinary shares arising from conversion must not be less than the minimum conversion number. The minimum conversion number for RePS is currently 15.19, which provides holders of RePS with participation in Alinta's ordinary share price above $6.75.

ADJUSTMENT FOR CAPITAL DISTRIBUTION

Section 3.11 of the terms of issue of the RePS provides for an adjustment to the minimum conversion number in the event that there is a "Capital Distribution" to holders of Shares.

Under the terms of the RePS, the amount by which the sum of all dividends per Share (grossed up to account for franking) in respect of FY2003 exceeds $0.45 constitutes a "Capital Distribution".

In respect of FY2003, Alinta has:

- declared and paid a fully franked interim dividend of 12 cents per Share; and
- declared a fully franked final dividend of 21 cents per Share, which is expected to be paid on 31 March 2004.

Following payment of the final dividend, the sum of all dividends per Share (grossed up for franking) paid by Alinta in respect of FY2003 will be approximately $0.4714.

The minimum conversion number for RePS will be adjusted following the payment of the 2003 final dividend in accordance with Section 3.11. Alinta will notify holders of RePS of the adjusted minimum conversion number at that time.

ADJUSTMENT FOR RIGHTS ISSUE

The terms of issue of the RePS provides for the adjustment of the minimum conversion number attaching to the RePS in various circumstances. Section 3.9 of the terms of issue of the RePS provides for the adjustment of the minimum conversion number in the event of a bonus issue or rights issue, to maintain the relativity in the values of REPS and Shares. The Rights offer will constitute a rights offer for the purposes of Section 3.9 of the RePS terms of issue. The minimum conversion number for RePS will be adjusted following the allotment of New Shares under the Rights Issue in accordance with Section 3.9. Alinta will notify holders of RePS of the adjusted minimum conversion number at that time.

12.7 WAGH

WAGH, a wholly-owned subsidiary of Alinta, holds 36 million WAGH Shares. Alinta gained control of WAGH at the same time as it acquired the other non-distribution assets of UEL. In accordance with its previous public announcements and the Shareholder approval obtained on 15 July 2003, Alinta proposes to buy back and cancel the WAGH Shares. The buy back will occur after completion of the Rights Issue. As at the Record Date, the WAGH Shares will still be on issue and WAGH will be an Eligible Shareholder. WAGH will renounce all of its Rights in favour of allottees of Shares under the Institutional Placement (at no additional cost to those allottees).

12.8 DIRECTORS' INTERESTS

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the promotion or formation of Alinta;
- property acquired or proposed to be acquired by Alinta in connection with its promotion or formation or the Rights Issue; or
- the Rights Issue,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- to induce him or her to become, or to qualify him or her as, a Director; or
- for services rendered by him or her in connection with the formation or promotion of Alinta or the Rights Issue.

On Completion, Fiona Harris and Tina McMeckan, both non-executive Directors, will receive payments of $10,000 and $5,000 respectively in addition to their annual Director's fees for additional services rendered by them in connection with the Rights Issue as members of the prospectus due diligence committee.

12.8.1 SECURITY HOLDERS

As at the date of this Prospectus, the Directors' interests in the securities of Alinta are as follows:

Name of Director	Number of Shares	Number of RePS	Number of Options over Shares
AJ Howarth	41,425	Nil	Nil
RB Browning	2,273	Nil	300,000*
FE Harris	5,420	Nil	Nil
TC Healey	420	32	Nil
JH Poynton	24,100	200	Nil
TR McMeckan	420	Nil	Nil

* *Refer to Section 12.5.*

12.8.2 DIRECTORS' FEES

Directors' fees not exceeding an aggregate of $600,000 per annum have been approved by Alinta in general meeting. The level of these may be varied by Alinta in general meeting in accordance with Alinta's Constitution.

12.8.3 EXECUTIVE DIRECTOR REMUNERATION

The remuneration of an executive Director may from time to time be fixed by the Directors.

12.8.4 ADDITIONAL SERVICES

A Director may be paid additional remuneration for any extra services undertaken by him or her.

12.8.5 DIRECTORS' EXPENSES

Alinta may pay the Directors their travelling and other expenses incurred in connection with their attendance at Board meetings and otherwise in the execution of their duties as Directors.

12.8.6 DIRECTORS' INDEMNITIES

To the extent specified in Alinta's Constitution, Alinta indemnifies each Director against any liability incurred by the Director in or arising out of the conduct of the business of Alinta or in or arising out of the discharge of the duties of the Director unless the liability was incurred by the Director through his or her own dishonesty, negligence, lack of good faith or breach of duty.

Each of the Directors has a deed of indemnity, insurance and access with Alinta. These deeds contain the standard terms and conditions usually found in directors' deeds.

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12.9 TRANSACTION EXPENSES

Alinta will incur expenses relating to the Rights Issue, including advisory, legal, accounting and tax and administrative fees, as well as printing, advertising and other expenses relating to this Prospectus, including expenses incurred by Macquarie Equity Capital Markets as the Underwriter of the Rights Issue. The transaction costs (including expenses of the Rights Issue and the Acquisition) are currently estimated to be approximately $84 million.

INTEREST OF ADVISERS

Macquarie Equity Capital Markets has acted as Lead Manager and Underwriter for the Rights Issue and will receive the fees and commissions described in the summary of the Underwriting Agreement in Section 11.1 of this Prospectus.

Blake Dawson Waldron have acted as Australian legal advisers in relation to the Rights Issue and the Acquisition and have performed work in relation to the Acquisition due diligence and the due diligence and verification program for the Rights Issue. In respect of the work, Alinta will pay approximately $2.69 million to Blake Dawson Waldron for work up to the date of this Prospectus. Further amounts may be paid to Blake Dawson Waldron in accordance with their normal time-based charges.

Patersons Securities Limited and Hartleys Limited have each agreed to act as a Co-Manager to the Rights Issue. They will each be paid $75,000 plus the handling fees described in Section 2.8 of this Prospectus. All of the amounts payable to the Co-Managers are payable by the Lead Manager out of the fees payable to the Lead Manager by Alinta.

PricewaterhouseCoopers Securities Limited have acted as Investigating Accountants in relation to the Rights Issue and the Acquisition and have performed work in relation to the Acquisition due diligence and have prepared the Investigating Accountants Report in Section 7. In respect of this work, Alinta will pay PricewaterhouseCoopers Securities Limited approximately $1.978 million. Further amounts may be paid to PricewaterhouseCoopers Securities Limited in accordance with their normal time-based charges.

ACIL Tasman has acted as independent expert in relation to the Rights Issue and the Acquisition and has performed work in relation to the Acquisition due diligence and has prepared the Independent Expert's Report that forms Section 9 of this Prospectus. In respect of this work, Alinta will pay ACIL Tasman approximately $210,000.

Other than as set out elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, promoter or stockbroker to Alinta or the Underwriter has, or had within two years before lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of Alinta
- any property acquired or proposed to be acquired by Alinta in connection with its formation or promotion or in connection with the Rights Issue; or
- the Rights Issue,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him or her in connection with the formation or promotion of Alinta or the Rights Issue.

12.10 CONSENTS

Each of the parties named below:

(a) has not made any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than as specified below;

(b) subject to paragraph (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified below (including any statement(s) based on such statement(s) and/or report(s)) and included in this Prospectus with the consent of that party;

(c) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent:
- to be named in this Prospectus in the form and context in which it is named; and
- to the inclusion in this Prospectus of the statement(s) and/or report(s) (including any statement(s) based on such statement(s) and/or report(s)) (if any) by that person in the form and context in which they appear in this Prospectus; and

(d) in the case of Deloitte Touche Tohmatsu, as auditors of DEL, its controlled entities and DENZL, have given and have not, before the lodgement of this Prospectus with ASIC, withdrawn their consent to the inclusion in the Prospectus of the statements set out below in the form and context in which they appear in the Prospectus. The audits of DEL, its controlled entities and DENZL, were not conducted in connection with the Prospectus or the offer by Alinta under the Prospectus. Deloitte Touche Tohmatsu, to the maximum extent permitted by law, expressly disclaim all liability in respect of, make no representation regarding, and take no responsibility for, any part of this Prospectus other than the statements specified below, which are included in this Prospectus with their consent.

Name of Party	Role	Statement/Report
Macquarie Equity Capital Markets	Lead Manager and Underwriter	N/A
Hartleys Limited Patersons Securities Limited	Co-Managers	N/A
Blake Dawson Waldron	Legal Adviser	N/A
PricewaterhouseCoopers Securities Limited	Investigating Accountants	7 – Investigating Accountant's Report
KPMG	Auditors	References to the audited financial statements of Alinta and its controlled entities for the year ended 31 December 2003 and statements based on those references
ACIL Tasman	Independent Expert	9 – Independent Expert's Report
Computershare Investor Services Pty Limited	Registrar	N/A
Deloitte Touche Tohmatsu	–	References to the audited consolidated financial statements of DEL and its controlled entities, and the audited financial statements of DENZL, for FY2003

12.11 ASX WAIVERS

Alinta has obtained waivers from the following Listing Rules from ASX in connection with the Rights Issue and this Prospectus.

ASX has granted Alinta a waiver from ASX Listing Rule 7.40 to allow the Rights Issue to be undertaken on a timetable different to that prescribed by Appendix 7A paragraph 4 to the Listing Rules on condition that completion of dispatch of the Prospectus occurs with 8 business days of the date of lodgement of the Prospectus.

In addition, ASX granted Alinta a waiver from Listing Rule 7.1 to allow Alinta to calculate the number of Shares it could issue under the Institutional Placement by reference to the expanded issued capital of Alinta following the Rights Issue.

12.12 ASIC RELIEF

Alinta has obtained minor and technical relief from ASIC in a form similar to Class Order 02/225 to enable Alinta to provide a copy of this Prospectus free of charge to a person who requests it provided that the person is not a person in a jurisdiction where it is not lawful or practicable to make the Offer, in the reasonable opinion of the Directors. Relief has been obtained to use rights renunciation forms which vary from those contained in Forms 5, 6, 7 and 8 of Schedule 2A of the Corporations Regulations 2001.

Alinta has obtained ASIC relief in respect of the operation of section 716(2) of the Corporations Act to allow Alinta to include in this Prospectus a statement by Standard & Poor's concerning the credit worthiness of Alinta following completion of the Rights Issue and the Acquisition without the consent of Standard & Poor's to that statement in the form and context in which it is included. Accordingly, Standard & Poor's is not liable for that statement under section 729 of the Corporations Act.

12.13 DIRECTORS' CONSENT

This Prospectus is signed by Tony Howarth on behalf of the Directors, each of whom has consented to the signature, lodgement and issue of this Prospectus.

Tony Howarth AO
Chairman

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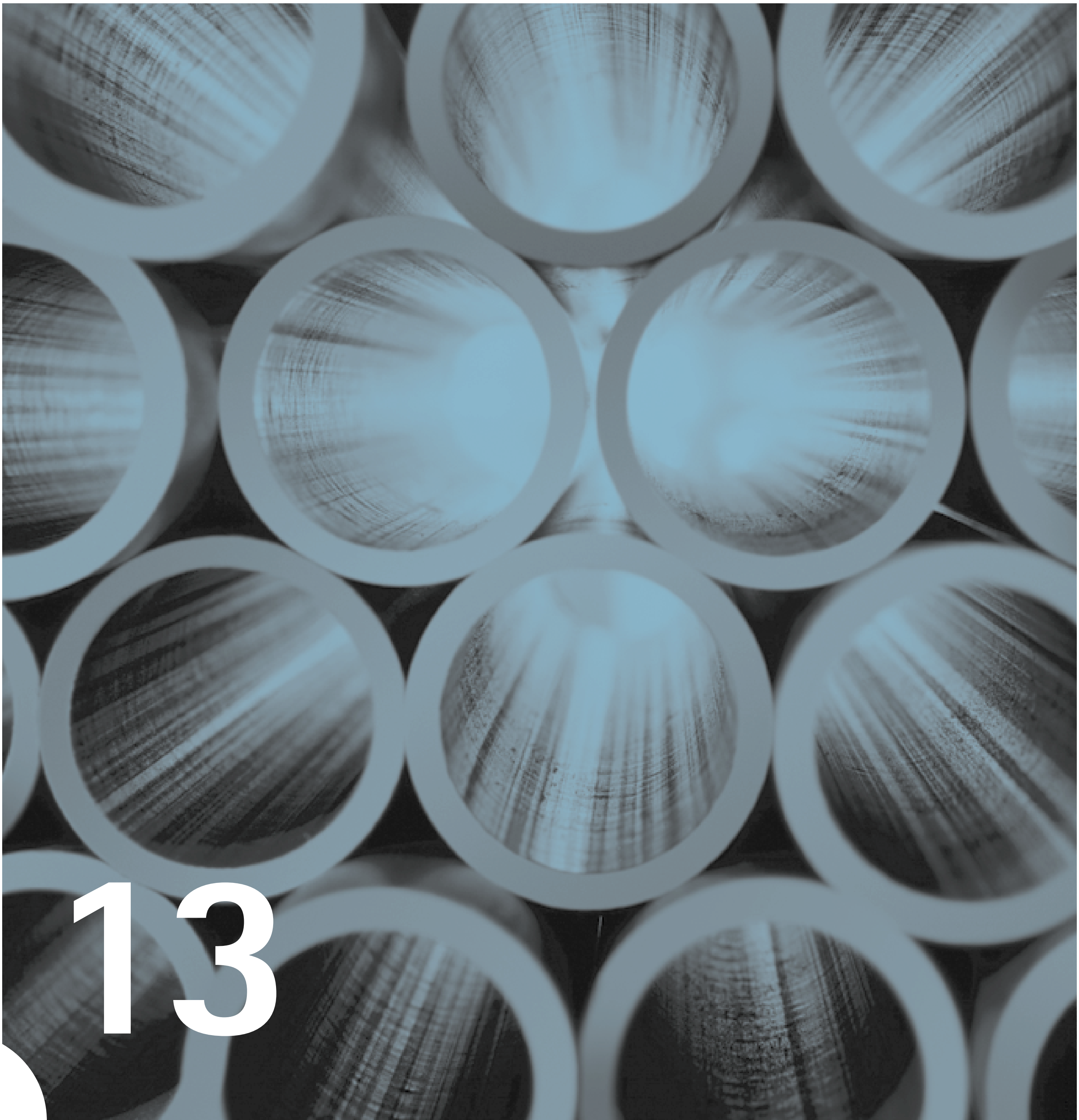

GLOSSARY

$, cents and **A$**	Australian currency
ABARE	Australian Bureau of Agricultural and Resource Economics
ACCC	Australian Competition and Consumer Commission
ACIL Tasman	ACIL Tasman Pty Ltd (ACN 102 652 148)
Acquired Assets	The assets to be acquired by the Alinta Group from the Duke Group
Acquisition	Alinta Group's acquisition of the Acquired Assets of Duke Australia
Adjusted Cashflow per Share	The cash generated from Alinta's operating activities per Share after the Acquisition
AET	Alinta Electricity Trading Pty Ltd (ACN 102 848 046)
AGL	The Australian Gas Light Company (ACN 052 167 405)
AIL	Alinta Infrastructure Limited (ACN 109 311 253) who will apply for an Australian Financial Services Licence in order to act as the responsible entity of the Alinta Infrastructure Trust
Alcoa	Alcoa of Australia Limited (ACN 004 879 298)
Alcoa Co-generation Project	Co-generation unit to be installed by Alinta at Alcoa's Pinjarra alumina refinery
Alinta	Alinta Limited (ACN 40 087 857 001)
Alinta Asset Management Service	Alinta Network Services and National Power Services operation
Alinta's Constitution	The constitution of Alinta
Alinta Energy Retail Business	Alinta's energy retail sales and Wesfarmers LPG business operation
Alinta Group	Alinta, Alinta Infrastructure Trust and their controlled entities
Alinta Information Systems	Information Technology in the Alinta Group
Alinta Infrastructure Trust	Alinta Infrastructure Trust constituted by deed poll dated 12 March 2004, executed by AIL
Alinta Infrastructure Trust Constitution	The constitution of Alinta Infrastructure Trust
Alinta Investments	Alinta Investments Pty Ltd (ACN 108 311 100)
Alinta Network Services	Alinta Network Services Pty Ltd (ACN 104 352 650)
AlintaGas Networks	AlintaGas Networks Pty Ltd (ACN 089 531 975)
Allotment Date	Date of allotment of New Shares
ANH	Alinta Network Holdings Pty Ltd (ACN 104 788 123)
Application	Application for New Shares
Application Monies	Monies received by the company in respect of applications for New Shares
APS	Alinta Power Services
APT	Australian Pipeline Trust (ARSN 091 678 778)
ASIC	Australian Securities and Investments Commission
Asset Management Services	The asset management service which consists of Alinta Network Services and National Power Service
ASX	Australian Stock Exchange Limited (ACN 008 624 691)
ASX Business Rules	The Business Rules of ASX
ATO	Australian Tax Office
Australian Accounting Standards or **Accounting Standards**	Professional Standards showing the acceptable method(s) of measuring and recording financial transactions and the level of disclosure required in financial statements maintained by the Australian Accounting Standards Board
Australian Accounting Standards Board	Body that has the responsibility for the development of accounting standards for application by companies and other entities in the private sector
Australian Financial Services Licence	An Australian financial services licence issued by the ASIC pursuant to the Corporations Act
Australian Generally Accepted Accounting Principles	Generally accepted accounting principles in Australia, including but not limited to applicable Australian Accounting Standards. The accounts provision of the Corporations Act, Urgent Issues Group Consensus Views and authoritative pronouncements of The Australian Accounting Standards Board

AWST	Australian Western Standard Time
Basslink	Proposed interconnector of electricity between Victoria and Tasmania (construction is expected to complete in late 2005)
BHP Billiton	BHP Billiton Limited (ACN 004 028 077)
BHP Billiton Iron Ore	BHP Billiton Iron Ore Pty Ltd (ACN 008 700 981)
BHPB Direct Reduced Iron	BHP Billiton Direct Reduced Iron Pty Ltd (ACN 058 025 960)
BHPB Minerals	BHP Billiton Minerals Pty Ltd (ACN 008 694 782)
BHPB Petroleum	BHP Billiton Petroleum Pty Ltd (ACN 006 918 832)
Bluescope Steel	Bluescope Steel Limited (ACN 000 011 058)
Board	Board of directors of Alinta
Capital Expenditure Facility	The Capital Expenditure Facility Agreement between Energy Holdings and the Capital Expenditure Financiers
Capital Expenditure Financiers	Barclays Capital, BNP Paribas and Citibank N.A.
CGT	Capital Gains Tax as defined in the *Income Tax Assessment Act 1997* (Cth)
CHESS	Clearing House Electronic Sub-Register System operated by the ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532)
CI Minerals Australia	CI Minerals Australia Pty Ltd (ACN 009 256 259)
Class Order	An instrument issued by ASIC that: • exempts a class of persons from certain provisions of the Corporations Act or other Acts administered by ASIC; or • modifies or clarifies the operation of certain provisions for a class of persons
Closing Date	14 April 2004
CMD	Contracted maximum demand
CMS	CMS Gas Transmission of Australia (ARBN 078 902 397)
Co-Managers	Hartleys Limited (ACN 104 195 057) and Patersons Securities Limited (ABN 69 008 896 311)
Comalco	Comalco Limited (ACN 004 502 694)
Completion	The completion of the Acquisition
Computershare Investor Services Pty Ltd	Computershare Investor Services Pty Limited (ACN 078 279 277)
Corporations Act	*Corporations Act 2001* (Cth)
Country Energy	Country Energy Gas Pty Ltd (ACN 083 199 839)
Court	Supreme Court of Western Australia
CPI	Consumer Price Index
CSM	Coal Seam Methane
DEATM	Duke Energy Australia Trading and Marketing Pty Ltd (ACN 083 050 168)
DE Bairnsdale Operations	Duke Energy Bairnsdale Operations Pty Ltd (ACN 079 246 423)
DE Bairnsdale Power	Duke Energy Bairnsdale Power Pty Ltd (ACN 075 067 702)
DEIEGP	Duke Eastern Gas Pipeline Pty Ltd (ACN 066 919 115) and DEI Eastern Gas Pipeline Pty Ltd (ACN 068 570 847)
DEI Vic Power	DEI Victoria Power Pty Ltd (ACN 083 051 978)
DEIAP	Duke Energy International Asia Pacific Limited, a company incorporated in Bermuda
DEITH	DEI Tasmania Holdings Pty Ltd (ACN 083 052 019)
DEL	Duke Energy Limited (ACN 107 188 090)
DENZL	Duke Energy New Zealand Limited, a company incorporated in Bermuda
DE WA Holdings	Duke Energy WA Holdings Pty Ltd (ACN 083 051 950)
DE WA Power	Duke Energy WA Power Pty Ltd (ACN 058 070 689)
Director	Director of Alinta
Duke Australia	Duke Energy Australia Pty Ltd (ACN 083 353 495)
Duke Australia Operations	Duke Australia Operations Pty Ltd (ACN 083 050 319)
Duke Energy Corporation	Duke Energy Corporation incorporated in the United States

Duke Energy Group	Duke Energy Corporation and its controlled entities
Duke US	Duke Energy Corporation and its subsidiaries, which are incorporated in the United States
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBT	Earnings before tax
EGP	Eastern Gas Pipeline
Eligible Shareholders	A holder of Shares registered at 7.00 pm AWST on the Record Date, excluding Non-Qualifying Foreign Shareholders
Energex	Energex Retail Pty Ltd (ACN 078 848 549)
Energy Australia	Energy Australia Pty Ltd (ACN 070 374 293)
Energy Distribution Business	AlintaGas Networks business operation
Energy Holdings	Alinta Energy Holdings Pty Ltd (ACN 108 311 440)
Entitlement and Acceptance Form	Personalised entitlement and acceptance form accompanying this Prospectus
Epic Energy	Epic Energy Pty Ltd (ACN 069 799 533)
Epic Energy (WA)	Epic Energy (WA) Transmission Pty Ltd (ACN 081 609 190)
EPS	Earnings per share
Esso Resources	Esso Australia Resources Pty Ltd (ACN 091 829 819)
Executive Option Plan	Alinta's Executive Share Option Plan
Financiers	Barclays Capital, BNP Paribas and Citibank N.A. as the initial financier and a mandated lead manager and underwriter
Full Retail Contestability or FRC	Policy whereby all electricity and gas customers are able to choose their retailers in a fully deregulated energy market
FY	Financial year
Gas Business	DEL/DENZL's gas business segment
Gas Code	National third party access code for pipeline systems
GasNet	GasNet Pty Ltd (ACN 074 362 842)
Gas Trust	Alinta Gas Trust, constituted by a deed poll dated 12 March 2004, executed by AlintaGas Transmission Pty Ltd (ACN 108 311 422)
Gearing	Value of net debt divided by value of net debt plus equity
GGTP	Goldfields Gas Transmission Pipeline
GJ	Gigajoule
GPS	Glenbrook Power Station
GST	The Australian goods and services tax as defined in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth)
GTA	A Gas Transport Agreement to be executed by DEATM and DEITH
Guarantors	Alinta Infrastructure Trust, Gas Trust, Power Trust and their subsidiaries
GWh	Gigawatt hours
Hamersley Iron	Hamersley Iron Pty Ltd (ACN 004 558 276)
HBI	Hot briquetted iron
HBI Plant	A HBI plant in the Pilbara region operated by BHPB Direct Reduced Iron
HBI Turbines	Part of the Port Hedland power station being a 2 x 35MW facility located at the HBI Plant
Hedland Turbines	Part of the Port Hedland power station being a 3 x 35MW facility located 12km South-West of Port Hedland
Hydro Tasmania	a business owned by the Tasmanian State Government (TAS BN01274727)
IFRS	International Financial Reporting Standards
Implementation Agreement	Implementation Agreement to be executed by Alinta, Alinta Investments and AIL
Indemnified Parties	The Underwriter and its related bodies corporate, officers, employees and advisers
Infoline	Alinta Rights Issue Infoline on 1800 023 726
Interest Cover	Multiple of EBITDA over interest expense

Institutional Placement	Placement of approximately 29 million Shares to institutional investors by way of a bookbuild process conducted on 15 March and 16 March 2004
International Accounting Standards	Professional standards showing the acceptable method(s) of measuring and recording financial transactions and the level of disclosure required in financial statements maintained by The International Accounting Standards Board
Investigating Accountant	PricewaterhouseCoopers Securities Pty Ltd (ACN 003 311 617)
Investigating Accountant Report	Report of the Investigating Accountant contained in Section 7.6
Issue Price or **Rights Issue Price**	$5.50 per New Share
Issue Proceeds	The gross funds raised by Alinta from the issue of New Shares under this Prospectus
Kilns CoGen	A 72MW co-generation plant commissioned in 1997 at the Glenbrook power station
km	Kilometre
KV	Kilovolts
Lead Manager	Macquarie Equity Capital Markets Limited (ACN 001 374 572)
Letter of Credit Provider	Citibank N.A.
Listing Rules or **ASX Listing Rules**	The Official Listing Rules of ASX
Lodgement Date	17 March 2004
LPG	Liquid petroleum gas
Macquarie Bank	Macquarie Bank Limited (ACN 008 583 542)
Macquarie Equity Capital Markets	Macquarie Equity Capital Markets Limited (ACN 001 374 572)
McConnell Dowell	McConnell Dowell Construction (Australia) Pty Ltd (ACN 002 929 017)
MGJV	Mount Goldsworthy Mining Associates Joint Venture between BHPB Minerals, Mitsui Iron Ore Corporation and CI Minerals Australia
MHF Co-Gen	A 36MW co-generation plant based on a multi-hearth furnace commissioned in 1987 at the Glenbrook power station
Mitsui Iron Ore Corporation	Mitsui Iron Ore Corporation Pty Ltd (ACN 050 157 456)
Mitsui-Itochu Iron	Mitsui-Itochu Iron Pty Ltd (ACN 008 702 761)
Moody's	The Moody's rating agency
Mount Goldsworthy Mining Associates	Joint venture between BHPB Minerals, Mitsui Iron Ore Corporation and CI Minerals, covering mining at Nimingarra and Yame, the Goldsworthy to Port Hedland Railway and port operations at Finucane Island with BHP Billiton Iron Ore acting as agent and manager
MNJV	Mount Newman Joint Venture between BHP Billiton Iron Ore, Mitsui-Itochu Iron and CI Minerals Australia
Multinet	The Multinet gas distribution partnership between Multinet Gas (DB No.1) Pty Ltd (ACN 086 026 986) and Multinet Gas (DB No.2) Pty Ltd (ACN 086 230 122)
MW	Megawatt
National Power Services	National Power Services Pty Ltd (ACN 073 613 733)
NDA	Alinta's non-distribution assets
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Limited (ACN 072 010 327)
Net Rights Price	Any premium paid over the issue price of New Shares, net of brokerage and expenses
Network Support Agreement	The Network Support Agreement between TXU Electricity and DE Bairnsdale Operations
Newman Power Station	A power station located in the Pilbara region of Western Australia
New Shares	Shares issued pursuant to the Rights Issue
Newman Unincorporated Joint Venture	Joint venture between BHPB Minerals, Mitsui-Itochu Iron and CI Minerals Australia covering mining at Mount Whaleback, Orebodies 23, 25 and 29, the Newman to Nelson Point Railway and Nelson Point facility, with BHP Billiton Iron Ore acting as manager and agent
New Zealand GST	The New Zealand goods and services tax as defined in *Goods and Services Tax Act (1985)* NZ

Non-Qualifying Foreign Shareholders	A holder of Shares registered at 7.00 pm AWST on the Record Date with a registered address outside of Australia or New Zealand
North West Shelf Gas	North West Shelf Gas Pty Ltd (ACN 069 763 342)
NSA	Network Services Agreement
NSW Greenhouse Gas Abatement Scheme	The New South Wales greenhouse gas abatement scheme established under the *Electricity Supply Act 1995* (NSW)
NWIS	North Western Interconnected System, an electricity grid located in Western Australia owned by Western Power
NZ Steel	New Zealand Steel Limited registered in New Zealand (Company Number 68953)
Operating Services Agreement	The Operating Services Agreement to be executed by Alinta Infrastructure Trust and APS
Option	Option issued by Alinta pursuant to the Executive Option Plan
Origin Energy Retail	Origin Energy Retail Limited (ACN 078 868 425)
Pilbara Gas	Pilbara Gas Pty Ltd (ACN 008 446 606)
Pipeline Assets	Pipeline assets to be acquired from DEL
Pipeline Capacity Agreement	The Pipeline Capacity Agreement between DEATM and Hydro Tasmania
PJ	Petajoule
PNG	Papua New Guinea
Power Assets	Power assets to be acquired from DEL and DENZL
Powerco	Powerco Tasmania Pty Ltd (ACN 104 499 569)
Power Generation Business	DEL/DENZL'S power generation business segment
Power Trust	Alinta Power Trust, constituted by deed poll dated 12 March 2004, executed by Alinta Power Pty Ltd
PPA	A power purchase agreement
Privacy Act	*Privacy Act 1988* (Cth)
Prospectus	This document including the accompanying Entitlement and Acceptance Form
QGP	Queensland Gas Pipeline
Queensland Alumina	Queensland Alumina Limited (ACN 009 725 044)
Queensland Magnesia	Queensland Magnesia Pty Ltd (ACN 010 823 588)
Record Date	25 March 2004
Registrar	Computershare Investor Services Pty Limited (ACN 078 279 277)
Renunciation Form	Form allowing Eligible Shareholders to transfer all or part of their Rights to another person other than on ASX
RePS	Reset preference shares issued by Alinta in July 2003
Restructuring	The restructuring of the Alinta Group described in Section 8
Restructuring Transaction Documents	Documents listed in Section 11.7
Rights	Rights of Eligible Shareholders to subscribe for New Shares under the Rights Issue
Rights Issue	Pro rata renounceable rights issue of New Shares at the Issue Price under this Prospectus
Robe River	Robe River Limited (ACN 008 478 493)
Sale and Purchase Agreement	Share Sale Agreement between DEIAP, Alinta Energy, Alinta, Gas Trust and Power Trust dated 15 March 2004
Scheme	Scheme of arrangement between Alinta and its members in relation to the Restructuring Chapter of this Prospectus
Section	Chapter of this Prospectus
Securities	Shares and RePS
Senior Facility	Senior Facility Agreement between Energy Holdings, the Guarantors and the Financiers dated 15 March 2004
Share	Fully paid ordinary share in the capital of Alinta
Share Register	Compushare Investor Services Pty Ltd (ACN 078 279 277)

Shareholders	Registered holders of Shares
SSA Date	15 March 2004
Standard & Poor's	Standard & Poor's (Australia) Pty Ltd (ACN 007 324 852)
Stapled Security	Security comprising one Share stapled to one Unit
Stapling Deed	Stapling Deed to be executed by Alinta and AIL
Statement of Accounting Concepts	Statement which enunciates the conceptual framework for general purpose financial reporting developed by the AASB
Syndicated Finance Facility	Debt facilities provided to Alinta set out in Section 11.6 of this Prospectus
Tax Act	*Income Tax Assessment Act 1936* (Cth) and *Income Tax Assessment Act 1997* (Cth)
Tax Consolidation System	Regime contained in the Tax Act for tax consolidation for groups of related companies
TGP	Tasmanian Gas Pipeline
TJ	Terajoule
Tolling Agreement	The Tolling Agreement to be executed by DEI Vic Power, DE Bairnsdale Power and AET
Trust 2	Alinta Energy Trust 2, consolidated by deed poll dated 12 March 2004, executed by Alinta Energy 2 Pty Ltd
Trust 3	Alinta Energy Trust 3, constituted by deed poll dated 12 March 2004, executed by Alinta Energy 3 Pty Ltd
TXU Electricity	TXU Electricity Limited (ACN 064 651 118)
TXU Network Support Agreement	Network Support Agreement between Alinta and TXU Electricity
Uecomm	Uecomm Limited (ACN 079 083 195)
UED	United Energy Distribution Pty Limited (ACN 064 651 029)
UEL	United Energy Limited (now called UED)
Underwriter	Macquarie Equity Capital Markets
Underwriting Agreement	Agreement between Alinta and the Underwriter for the underwriting of the Institutional Placement and the Rights Issue
Unit	A class unit issued by Alinta Infrastructure Trust
United Energy	United Energy Distribution Pty Ltd (ACN 001 374 572)
Urgent Issues Group	A body that interprets accounting standards and provides guidance on narrow issues of uncertainty
Urgent Issues Group Consensus Views	Standards published by the Urgent Issues Group
Urgent Issues Group 46	Urgent Issues Group 46 - Initial Foreign Currency Translation for Redomiciling Entities
US$	Currency of the United States of America
VicHub	A gas transmission interconnect facility, allowing gas to flow between the EGP, TGP and the Victorian market
VWAP	The average daily volume weighted average sale price of Shares sold on ASX during the relevant period or on the relevant days but does not include any transaction defined in the ASX Business Rules as "special", crossings prior to the commencement of normal trading, crossings during the after hours adjust phase nor any overseas trades or the exercise of options over Shares
WAGH	WA Gas Holdings Pty Limited (ABN 47 093 370 739)
WAGH Shares	Alinta Shares held by WAGH
Wesfarmers LPG	Wesfarmers LPG Pty Limited (ACN 009 214 831)
Western Power	A WA power corporation owned and operated by the Western Australian Government (WA 0124360E)
WLPG	Wesfarmers LPG Pty Limited (ACN 009 214 831)
Working Capital Provider	Citibank, N.A.

CORPORATE DIRECTORY

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Phone: (08) 9486 3000
Fax: (08) 9486 3065

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Robert Browning
Fiona Harris
Timothy Healey
Tina McMeckan
John Poynton

Company Secretary
Murray King

Lead Manager and Underwriter
Macquarie Equity Capital Markets Limited
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Co-Managers
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Patersons Securities Limited
Level 23, Exchange Plaza
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Perth WA 6000

Legal Advisers
Blake Dawson Waldron
Level 19, Forrest Centre
221 St Georges Terrace
Perth WA 6000

Auditors
KPMG
152-158 St Georges Terrace
Perth WA 6000

Investigating Accountants
PricewaterhouseCoopers Securities Limited
333 Collins Street
Melbourne VIC 3000

Registrar
Computershare Investor Services Pty Limited
Level 2, 45 St Georges Terrace
Perth WA 6000
Phone: (08) 9323 2000

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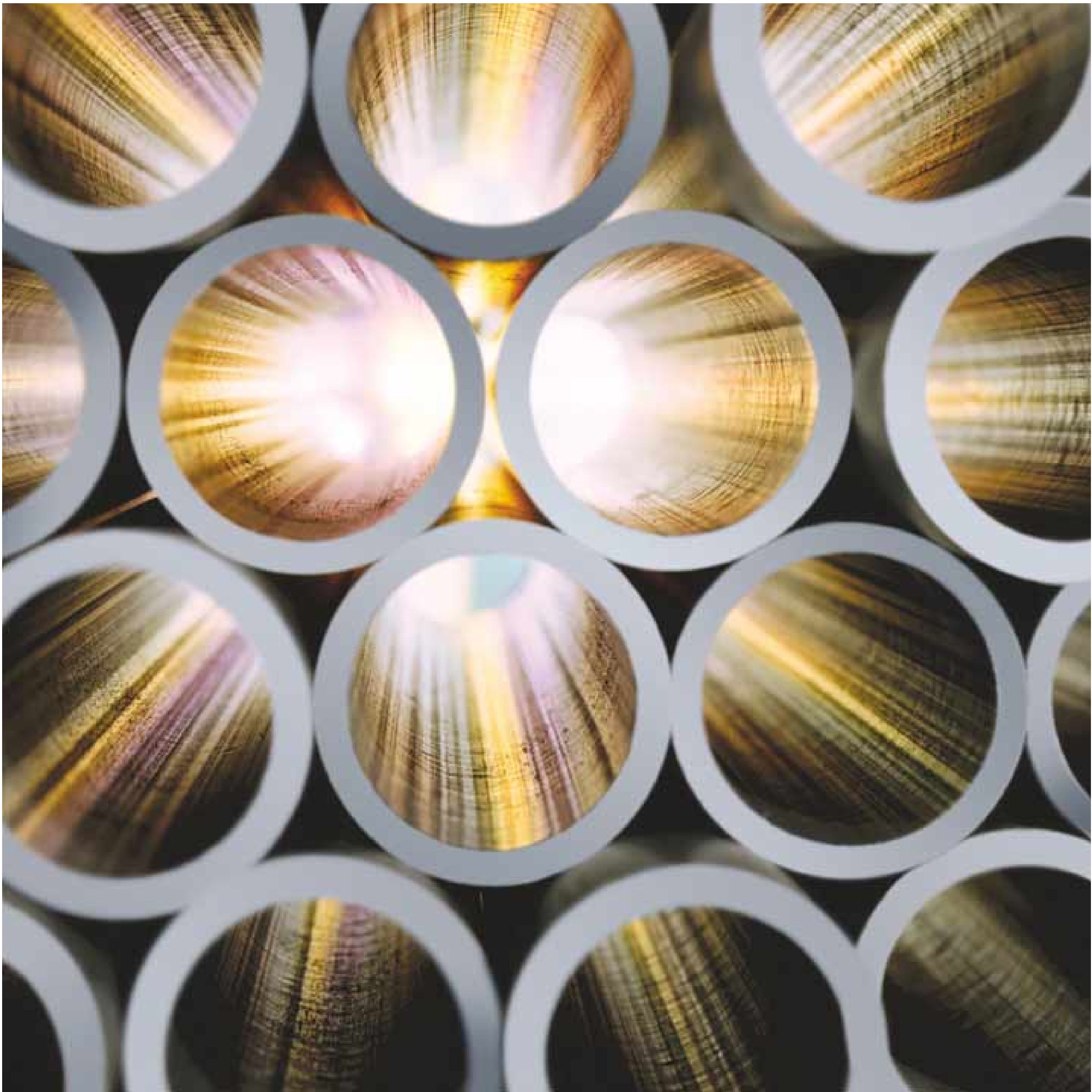

Alinta