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APA Group



Australian Pipeline Ltd
ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

ASX RELEASE

14 December 2011

The Manager

Company Announcements Office
Australian Securities Exchange
4th Floor, 20 Bridge Street
Sydney NSW 2000

Electronic Lodgement

Dear Sir or Madam

Company Announcement

I attach the following announcement for release to the market:

- APA announces takeover offer for Hastings Diversified Utilities Fund and Sale of 80 per cent of APA Gas Network (Allgas)

Yours sincerely

Mark Knapman
Company Secretary



ASX RELEASE

14 December 2011

APA announces takeover offer for Hastings Diversified Utilities Fund and sale of 80 per cent of APA Gas Network (Allgas)

APA Group (ASX:APA), Australia's largest natural gas infrastructure business, today announced an off-market takeover offer for Hastings Diversified Utilities Fund (ASX:HDF) (**Offer**) through APT Pipelines Limited, a wholly owned subsidiary within the APA Group. APA currently owns 20.7 per cent of HDF securities.

APA has also negotiated the sale of APA Gas Network, its Queensland gas distribution network (**Allgas**), into a new APA minority-owned investment vehicle for a price that represents a net enterprise value of \$526 million.

APA takeover Offer for Hastings Diversified Utilities Fund

The Offer is for all the HDF securities which APA does not already own. HDF is an investment vehicle managed by Hastings Funds Management Limited, whose assets include Epic Energy's three natural gas transmission pipeline systems – the Moomba to Adelaide Pipeline System, the South West Queensland Pipeline and the Pilbara Pipeline System. The Bidder's Statement will be lodged with ASIC, HDF and the ASX soon.

Offer consideration and Premium

Under the terms of the Offer, HDF securityholders will receive 0.326 APA securities and \$0.50 cash for each HDF security¹.

The Offer implies a value of \$2.00 for each HDF security based on the closing price of APA securities on 13 December 2011 of \$4.60.

The Offer represents a substantial premium of:

- 12.6% to the 5 day Volume Weighted Average Price (VWAP) of HDF securities on 13 December 2011 of \$1.78,
- 20.6% premium to the 3 month VWAP of HDF securities on 13 December 2011 of \$1.66.

The Offer implies an enterprise value of approximately \$1.8 billion² for HDF based on the implied value of the Offer per security and HDF's existing net debt.

¹ Apart from ineligible foreign securityholders whose APA securities will be sold by a nominee and the net proceeds paid to them.

² Based on the implied value of the Offer per security and the total number of HDF securities currently on issue of 530,001,072, together with the net debt of HDF as announced on 29 August 2011 (current as at 30 June 2011).



ASX RELEASE

14 December 2011

Benefits of the Offer

APA Group Chairman Len Bleasel said the Offer provides HDF securityholders with an opportunity to become an investor in a significantly larger entity offering the benefits of scale and diversity, while retaining exposure to the HDF assets.

“The pipeline assets held by HDF form a natural fit with APA’s infrastructure asset portfolio as they are able to be connected to one or more of APA’s pipelines,” Mr Bleasel said.

“The combined group of APA and HDF will form a unique asset footprint of infrastructure assets, and is expected to own and/or operate more than 15,000 km of gas transmission pipelines across mainland Australia. This transaction will create a bigger and broader energy infrastructure business, with a clear strategic focus on natural gas transmission.

“Consequently APA will be able to enhance its service offerings to customers, and make it easier for them to move gas across multiple pipelines and jurisdictions. This is a positive for customers, for the business, and ultimately for all securityholders of the combined group.”

The combined group is expected to have a market capitalisation of approximately \$3.6 billion³ which will place it between the 55th and 60th largest entity in the ASX All Ordinaries.

Mr Bleasel said APA will operate the combined APA and HDF assets in line with its self-managed and operated business model.

“APA has a self-managed and transparent structure, with our directors, management and employees all forming part of APA,” he said.

“There is no fee leakage to external managers, with APA securityholders benefiting from the full financial performance of the business. In contrast, HDF to date has paid more than \$80 million⁴ in fees to its externally owned manager since listing.

“We will extend APA’s industry skills and strong financial capability to manage and operate the combined group, maintaining our objective of delivering superior service to our customers and superior returns to our securityholders.”

APA has a proven track record of delivering securityholder value. On a total securityholder return⁵ basis, APA has outperformed both HDF and the broader market since December 2004,

3 Based on the closing price of APA securities on 13 December 2011 of \$4.60 and the total number of APA securities currently on issue of 639,334,265, together with the maximum number of APA securities to be issued under the Offer.

4 Consisting of management fees of approximately \$37 million and performance fees (historically paid in HDF securities at a price of \$2.56) of approximately \$43 million.

5 Sourced from IRESS. Total Securityholder Return (TSR) is the capital appreciation of the company’s security price, adjusted for capital management (such as security splits or consolidations) and assuming reinvestment of distributions at the declared distribution per security. The period analysed is from 10 December 2004 up to and including 13 December 2011.



ASX RELEASE

14 December 2011

when HDF listed on the ASX. Over that period APA has achieved total returns of 163 per cent compared with 51 per cent for HDF and 46 per cent for the S&P/ASX 200.

Offer conditions

The Offer is subject to a number of conditions, including a 90 per cent minimum acceptance condition, regulatory approvals and a number of disclosure requirements on HDF.

The full conditions of the Offer are attached to this announcement. The Offer will be open until 31 March 2012 unless extended or withdrawn.

Mr Bleasel said APA had notified the Australian Competition and Consumer Commission of the Offer and will be working with it to obtain the necessary approval in respect of the transaction.

Full details of the Offer will be set out in the Bidder's Statement which will be available on APA's website, www.apa.com.au, and on the ASX website.

Sale of 80 per cent of APA Gas Network

APA also announced today the sale of APA Gas Network (Allgas) into an APA minority-owned unlisted investment vehicle. APA will maintain a 20 per cent equity interest in the vehicle, with the remaining interest held by Marubeni Corporation and RREEF, each holding a 40 per cent interest. In line with its other joint venture investment vehicles, APA will continue to operate the assets under a long-term asset-management contract.

The net enterprise value (after transaction costs) of the new investment vehicle is \$526 million, with equity contributions totalling \$247 million and a new three and five-year, non-recourse project debt facility of \$310 million.

The net funds released from the sale, after transaction costs and APA's equity investment, total approximately \$477 million.

The value achieved is in line with APA's book value. On a pro-forma basis, the sale of the assets represents a FY11 EBITDA multiple of approximately 15 times.

Allgas is the third unlisted vehicle APA has established consistent with its energy infrastructure investment model. The secure revenue generated by the regulated gas distribution network attracted long term investment partners and a leading group of banks.

APA Managing Director Mick McCormack said: "We are pleased to be again co investing with Marubeni Corporation and look forward to working with RREEF as investment partners in this vehicle. APA will continue to benefit from the assets through its 20 per cent equity interest and as manager and operator of the network under a 10-year agreement."



ASX RELEASE

14 December 2011

Mr McCormack said "This transaction has enabled APA to leverage its core in-house industry skills and asset operating capabilities, while maintaining an interest in this stable and secure Queensland gas network business."

The agreed sale is subject to a number of conditions which APA expects will be met to allow the sale to complete before the end of 2011.

Financial impact on APA

The net funds of \$477 million released from the partial sale of Allgas will be used to repay current APA debt and will thereafter be available to support the Offer.

Consequently, APA's gearing is expected to remain at a level that reflects the Capital Management Policy advised to the market on 24 August 2011.

The sell down to 20 per cent ownership of Allgas does not affect APA's FY12 guidance with respect to EBITDA and distributions. APA maintains its current FY12 EBITDA guidance of \$530 million to \$540 million and reconfirms its guidance of total distributions per security for FY12 being at least equal to the total distributions for financial year 2011 (34.4 cents per security).

Analyst and investor presentation

APA Managing Director Mick McCormack will host an analyst briefing in respect of this announcement via teleconference and webcast.

Conference call:

Date: Wednesday, 14 December 2011

Time: 11.00 am AEST

Dial-in details:

Within Australia: 1800 558 698

International: +61 2 9007 3187

Conference ID: 725537

The webcast of this briefing will be available on APA's website www.apa.com.au.

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APA Group



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ACN 091 344 704

Australian Pipeline Trust
ARSN 091 678 778

APT Investment Trust
ARSN 115 585 441

ASX RELEASE

14 December 2011

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About APA Group (APA)

APA is Australia's largest natural gas infrastructure business, owning and/or operating more than \$8 billion of gas transmission and distribution assets. Its pipelines and assets span every state and territory on mainland Australia, delivering 50% of the nation's gas usage. Unique amongst its peers, APA has direct management and operational control over its assets and the majority of its investments. APA also holds minority interests in energy infrastructure enterprises including Envestra, SEA Gas Pipeline, Hastings Diversified Utilities Fund and Energy Infrastructure Investments.

For more information visit APA's website, www.apa.com.au

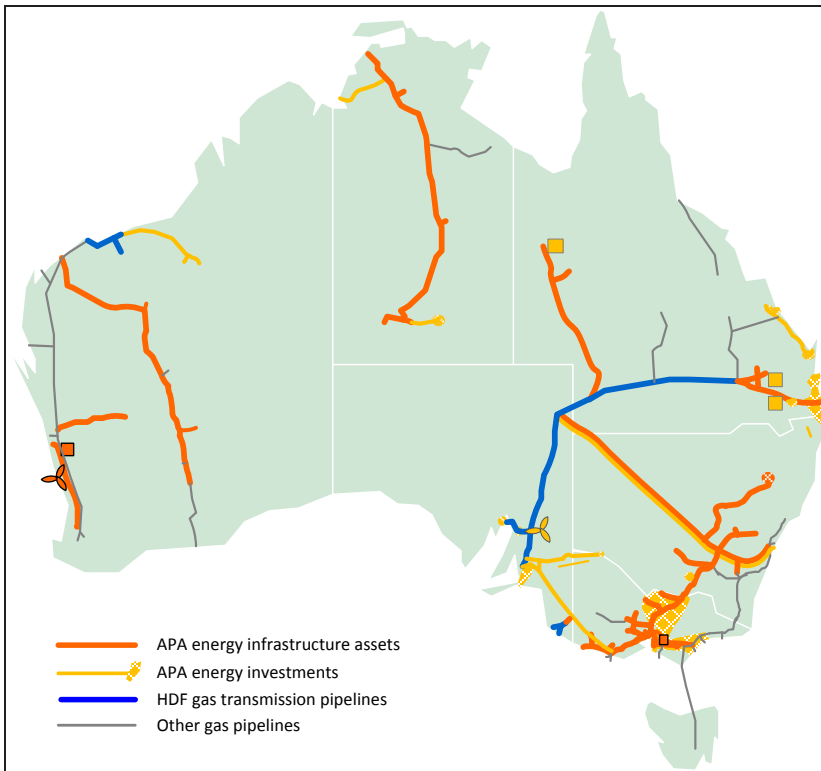


ASX RELEASE

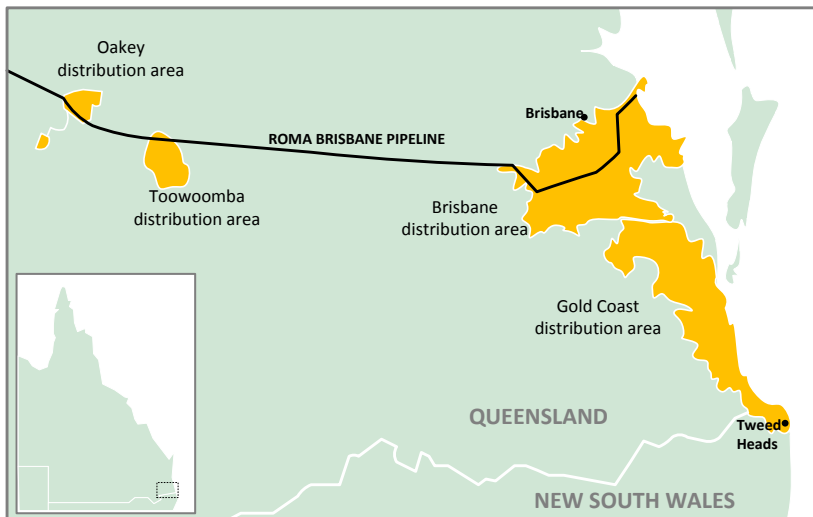
14 December 2011

ADDITIONAL INFORMATION

APA and HDF infrastructure assets



Allgas gas distribution network, Queensland





ASX RELEASE

14 December 2011

ATTACHMENT - SUMMARY OF OFFER CONDITIONS

Conditions of the Offer - APT Pipelines Limited

The Offer and any contracts resulting from acceptance of the Offer by APT Pipelines Limited is subject to fulfilment of the following conditions:

- (a) **(minimum ownership)** that during, or at the end of, the Offer Period, the number of HDUF Stapled Securities in which the Bidder and its associates together have relevant interests (disregarding any relevant interest that the Bidder has merely because of the operation of section 608(3) of the Corporations Act) is at least 90% of all the HDUF Stapled Securities;
- (b) **(Foreign Acquisitions and Takeovers Act)** that prior to the end of the Offer Period, the Treasurer does not object under the Foreign Investment Policy to the proposed acquisition by the Bidder of HDUF. The Treasurer is taken to have not objected if the Bidder receives written notification from or on behalf of the Treasurer to the effect that there are no objections to the acquisition of HDUF under the Foreign Investment Policy on an unconditional basis;
- (c) **(ACCC approval)** that before the end of the Offer Period, the Bidder has received written notification from the ACCC on an unconditional basis that it does not propose to take any action to intervene in the Offer;
- (d) **(other regulatory approvals)** that before the end of the Offer Period, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under applicable laws or regulations of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all regulatory obligations in any relevant jurisdiction having been complied with in each case in respect of the Offer or any matter arising from the proposed acquisition of HDUF by the Bidder;
- (e) **(no restraining orders)** that between the Announcement Date and the end of the Offer Period:
 - (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
 - (ii) no application is made to any Public Authority (other than by any APA Group Entity), or action or investigation is announced, threatened or commenced by a Public Authority,

in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:

- (iii) restrains or prohibits (or if granted could restrain or prohibit), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of the Bidder in respect of HDUF, HDUF Group or the HDUF Stapled Securities to be acquired under the Offer; or



ASX RELEASE

14 December 2011

- (iv) requires the divestiture by the Bidder of any HDUF Stapled Securities, or the divestiture of any assets of HDUF Group, APA Group or otherwise;
- (f) **(no material adverse effect)** that no specified event occurs that will or is reasonably likely to have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of HDUF Group, including as a result of making the Offer or the acquisition of HDUF Stapled Securities pursuant to the Offer. For these purposes, a “specified event” is:
 - (i) an event or occurrence that occurs during the Offer Period;
 - (ii) an event or occurrence that occurs prior to the Offer Period but is only announced by HDUF to the ASX or in relation to which the Bidder otherwise becomes aware during or after the Announcement Date; or
 - (iii) an event or occurrence that will or is likely to occur following the Offer Period and which has not been announced by HDUF to the ASX prior to the Announcement Date;
- (g) **(no material acquisitions, disposals or new commitments)** that except for any proposed transaction announced by HDUF to the ASX before the Announcement Date, none of the following events occurs during the period from the Announcement Date to the end of the Offer Period:
 - (i) any HDUF Group Entity acquires, offers to acquire or lease or agrees to acquire or lease one or more companies, entities, securities, businesses or assets (or any interest in one or more companies, entities, securities, businesses or assets) for an amount in aggregate greater than \$20 million, other than in the ordinary course of business, or makes an announcement in relation to such an acquisition, offer or agreement;
 - (ii) any HDUF Group Entity disposes of or leases, offers to dispose of or lease or agrees to dispose of or lease one or more companies, entities, securities, businesses or assets (or any interest in one or more companies, entities, securities, businesses or assets) for an amount, or in respect of which the book value (as recorded in HDUF Group’s statement of financial position as at 30 June 2011) is, in aggregate, more than \$20 million other than in the ordinary course of business, or makes an announcement in relation to such a disposition, offer or agreement;
 - (iii) any HDUF Group Entity enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, asset or profit sharing arrangement, management agreement, merger of businesses or of corporate entities or commitment which would require expenditure, or the foregoing of revenue, involving a commitment of or securities, assets or liabilities by any HDUF Group Entity of an amount which is, in aggregate, more than \$20 million, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement;
 - (iv) any HDUF Group Entity enters into any corporate transaction which would or would be likely to involve a material change in the manner in which any HDUF Group Entity conducts its business, the nature (including balance sheet classification),



ASX RELEASE

14 December 2011

extent or value of any HDUF Group Entity's assets, or the nature (including balance sheet classification), extent or value of the liabilities of HDUF Group;

- (v) any HDUF Group Entity incurs, commits to, or brings forward the time for incurring or committing, or grants to another person a right the exercise of which would involve any HDUF Group Entity member incurring or committing to any capital expenditure or liability, or foregoing any revenue, for one or more related items or amounts of in aggregate more than \$20 million, except for the incurrence of any capital expenditure in accordance with the day to day operating activities of HDUF Group as conducted prior to the Announcement Date;
- (vi) any HDUF Group Entity waives any material third party default or accepts as a settlement or compromise of a material matter less than the full compensation due to any HDUF Group Entity; or
- (vii) any HDUF Group Entity enters, agrees to enter into or renews any contract of service or varies or agrees to vary any existing contract of service with any current or proposed responsible entity, director or manager or makes or agrees to make any substantial change to the basis or amount of remuneration except as required to satisfy the condition set out in section (s);
- (h) **(remuneration payment)** that after the Announcement Date and before the end of the Offer Period, no HDUF Group Entity pays or agrees to pay any retirement benefit or allowance to any responsible entity, current or proposed director, executive officer, manager or other employee, or makes or agrees to make any substantial change to the basis or amount of remuneration or the terms of redundancy or other employee entitlements of any current or proposed director, executive officer, manager or other employee (except as required by law or provided under any superannuation, provident or retirement scheme in effect on the Announcement Date or except as required to satisfy the condition set out in section (s));
- (i) **(HDUF announcement re security constraints in financing arrangements)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement to the ASX that each:
 - (i) financing agreement or instrument, money borrowing or raising arrangement or other financing arrangement, liability, encumbrance or other security, guarantee, indemnity or other credit support arrangement; or
 - (ii) derivative or treasury transaction, agreement or arrangement,
 - (iii) (in each case regardless of form and including any similar arrangement) ("Financial Arrangement") to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, may be repaid, terminated or otherwise closed-out in full with a complete release and discharge of all obligations and property of all HDUF Group Entities at any time by the relevant HDUF Group Entity with an aggregate repayment premium, break cost or close-out payment for all such Financial Arrangements of no more than \$50 million and, from such repayment, termination or close-out, there would be no material impediment to every HDUF Group Entity being able to:



ASX RELEASE

14 December 2011

- (iv) provide guarantees to the providers of Financial Arrangements and to entities of APA Group if the Bidder acquires all of HDUF;
- (v) enter into a deed of cross guarantee with some or all of the entities of APA Group if the Bidder acquires all of HDUF; or
- (vi) form or be a member of a different tax consolidated group or enter into a tax sharing agreement or similar arrangement with respect to such a tax consolidated group;
- (j) **(HDUF announcement re change of control in financing arrangements)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX that no person may exercise or purport to exercise, or has stated an intention to exercise, any rights (whether subject to conditions or not) under any provision of any Financial Arrangement to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result in:
 - (i) any monies borrowed or raised by or any other monetary obligations of any HDUF Group Entity being or becoming payable or repayable or being capable of being declared payable or repayable immediately or earlier than the payment date stated in such Financial Arrangement or otherwise accelerated or any transaction being closed out or becoming capable of being closed out before the maturity date stated in such Financial Arrangement; or
 - (ii) the terms of any such Financial Arrangement being varied, modified, denied or terminated or operating in a manner that is adverse to the commercial interests of HDUF Group,
 - (iii) as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;
- (k) **(change of control in financing arrangements)** that after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, has stated an intention to exercise, or has any rights (whether subject to conditions or not) under any provision of any Financial Arrangement to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result in:
 - (i) any monies borrowed or raised by or any other monetary obligations of any HDUF Group Entity being or becoming payable or repayable or being capable of being declared payable or repayable immediately or earlier than the payment date stated in such Financial Arrangement or otherwise accelerated or any transaction being closed out or becoming capable of being closed out before the maturity date stated in such Financial Arrangement; or
 - (ii) the terms of any such Financial Arrangement being varied, modified, denied or terminated or operating in a manner that is adverse to the commercial interests of HDUF Group,



ASX RELEASE

14 December 2011

- (iii) as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;
- (l) **(HDUF announcement re change of control)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX that no person may exercise or purport to exercise, or has stated an intention to exercise, any rights (whether subject to conditions or not) under any provision of any agreement or other instrument, including an agreement for transportation of gas, to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result, to an extent which is material in the context of HDUF Group taken as a whole, in:
 - (i) any such agreement or other instrument being terminated, varied or modified or any action being taken or arising thereunder;
 - (ii) the interest of any HDUF Group Entity in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated, varied or modified; or
 - (iii) the business of any HDUF Group Entity with any other person being adversely affected,
 - (iv) as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;
- (m) **(change of control)** that after the Announcement Date and before the end of the Offer Period, no person exercises or purports to exercise, has stated an intention to exercise, or has any rights (whether subject to conditions or not) under any provision of any agreement or other instrument, including an agreement for transportation of gas, to which any HDUF Group Entity is a party, or by or to which any HDUF Group Entity or any of its assets may be bound or be subject, which could result, to an extent which is material in the context of HDUF Group taken as a whole, in:
 - (i) any such agreement or other instrument being terminated, varied or modified or any action being taken or arising thereunder;
 - (ii) the interest of any HDUF Group Entity in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated, varied or modified; or
 - (iii) the business of any HDUF Group Entity with any other person being adversely affected,
 - (iv) as a result of the Offer, the acquisition of HDUF Stapled Securities by the Bidder, the HDUF Responsible Entity ceasing to be the responsible entity of HDUF, or the appointment of APL or another entity as the new responsible entity of HDUF;
- (n) **(HDUF announcement re contractual milestones)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX to the



ASX RELEASE

14 December 2011

effect that expansion of the SWQ Pipeline is progressing on time and on budget in line with statements previously announced by HDUF to the ASX on 29 August 2011 and is likely to meet or has met January 2012 contractual gas commitments as announced by HDUF to the ASX on 15 December 2009;

- (o) **(HDUF announcement re commencement of AGL gas transportation agreement)** that no later than three Business Days before the Defeating Conditions Date, HDUF makes an announcement on the ASX to the effect that the gas transportation agreement entered into between Epic and AGL described in the HDUF announcement to the ASX on 13 July 2007 is expected to commence no later than January 2013 in line with HDUF's announcement to ASX on 17 December 2007;
- (p) **(index decline)** that between the Announcement Date and the end of the Offer Period, the S&P ASX 200 Index does not fall to 3,800 or below and remain at or below that 3,800 level for at least 3 consecutive Business Days or until the Business Day immediately prior to the end of the Offer Period;
- (q) **(Other Occurrences)** that during the period beginning on the Announcement Date and ending at the end of the Offer Period, none of the following events occur:
 - (i) HDUF converts all or any of the HDUF Units into a larger or smaller number of HDUF Units;
 - (ii) HDUF or any other member of HDUF Group resolves to reduce its capital in any way or reclassifies, combines, splits, redeems or repurchases directly or indirectly any securities;
 - (iii) any HDUF Group Entity:
 - (A) enters into a withdrawal offer or buy-back agreement; or
 - (B) resolves to approve the terms of a withdrawal offer under the Corporations Act or the terms of a buy-back agreement under sections 257C(1) or 257D(1) of the Corporations Act;
 - (iv) any HDUF Group Entity issues HDUF Units or other securities other than the issue of HDUF Units to the HDUF Responsible Entity in respect of any Performance Fee payable to the HDUF Responsible Entity, or grants an option over HDUF Units or other securities, or agrees to make such an issue or grant such an option;
 - (v) any HDUF Group Entity issues, or agrees to issue, convertible notes or convertible units;
 - (vi) any HDUF Group Entity disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) any HDUF Group Entity charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) any HDUF Group Entity resolves to be wound up;



ASX RELEASE

14 December 2011

- (ix) a liquidator or provisional liquidator of any HDUF Group Entity is appointed;
- (x) a court makes an order for the winding up of any HDUF Group Entity;
- (xi) an administrator of any HDUF Group Entity is appointed under sections 436A, 436B or 436C of the Corporations Act (or its equivalent under any foreign law);
- (xii) any HDUF Group Entity executes a deed of company arrangement (or its equivalent under any foreign law);
- (xiii) a receiver or a receiver and manager (or their equivalents under any foreign law) is appointed in relation to the whole, or a substantial part, of the property of any HDUF Group Entity;
- (xiv) any HDUF Group Entity makes any change to its constitution or other constituent documents or a meeting being convened to consider a resolution to change a constitution or any other constituent document of any HDUF Group Entity;
- (xv) any HDUF Group Entity passes any special resolution;
- (xvi) any of HDUF Finance Trust, HDUF Epic Trust or HDUF Further Investments Trust are terminated; or
- (xvii) HDUF Responsible Entity effects or facilitates the resettlement of the property of any of HDUF Finance Trust, HDUF Epic Trust or HDUF Further Investments Trust.
- (xviii) For the purposes of this section (q), a reference to an HDUF Group Entity acting or agreeing to act in a particular way is to be read, in relation to the HDUF Finance Trust, HDUF Epic Trust or HDUF Further Investments Trust, as either the HDUF Responsible Entity, in its capacity as responsible entity of the relevant trust, or (if relevant) the HDUF members acting or agreeing to act in that way;
- (r) **(Litigation)** that during the period beginning on the Announcement Date and ending at the end of the Offer Period no person announces, commences or threatens any litigation against an HDUF Group Entity (whether in aggregate or for any single litigation) which may or may reasonably result in a judgement against an HDUF Group Entity of more than \$5 million;
- (s) **(payments to and undertakings by the HDUF Responsible Entity)** that no later than three Business Days before the Defeating Conditions Date, the HDUF Responsible Entity makes an announcement on the ASX to the effect that:
 - (i) the Performance Fee which will be accepted by the HDUF Responsible Entity for the period ended 31 December 2011 will be:
 - (A) no more than \$57.4 million provided on the following conditions:
 - (1) no more than \$26.6 million in accordance with the payment arrangements in the HDUF Constitutions; and
 - (2) no more than \$30.8 million if, and only if, the Offer becomes unconditional; and



ASX RELEASE

14 December 2011

- (B) satisfied wholly by the issue of HDUF Stapled Securities issued at a minimum price of \$2.56 per HDUF Stapled Security in lieu of cash payment; and
- (ii) no other Performance Fee will be accepted by the HDUF Responsible Entity in relation to any period subsequent to the period ending 31 December 2011 (including but not limited to a Performance Fee payable in connection with the HDUF Responsible Entity ceasing to be the responsible entity of HDUF) while:
 - (A) the Offer remains open; or
 - (B) any APA Group Entity has a relevant interest in more than 50% of the HDUF Stapled Securities.

Defined terms used in Conditions

In these conditions:

- (a) **“Announcement Date”** means 14 December 2011, being the date of announcement of the Offer;
- (b) **“APA Group”** means APT, APTIT and each of the entities controlled by the APA Responsible Entity;
- (c) **“APA Group Entity”** means any member of APA Group;
- (d) **“Bidder”** means APT Pipelines Limited (ABN 89 009 666 700), a company wholly owned by APT;
- (e) **“Defeating Conditions”** means the conditions to the Offer set out above;
- (f) **“Defeating Conditions Date”** means the date to be specified in the Bidder’s Statement for giving notice as to the status of the Defeating Conditions as required by subsection 630(1) of the Corporations Act (subject to variation in accordance with section 630(2) of the Corporations Act if the Offer is extended);
- (g) **“Financial Arrangement”** means each:
 - (i) financing agreement or instrument, money borrowing or raising arrangement or other financing arrangement, liability, encumbrance or other security, guarantee, indemnity or other credit support arrangement; or
 - (ii) derivative or treasury transaction, agreement or arrangement,(in each case regardless of form and including any similar arrangement);
- (h) **“HDUF”** means HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust;
- (i) **“HDUF Group”** means HDUF Finance Trust, HDUF Epic Trust, HDUF Further Investments Trust and each of the entities controlled by the HDUF Responsible Entity or any replacement responsible entity in such capacity and, where the context requires, the HDUF Responsible Entity and any replacement responsible entity of HDUF;
- (j) **“HDUF Group Entity”** means any member of HDUF Group;



ASX RELEASE

14 December 2011

- (k) “**HDUF Responsible Entity**” means Hastings Funds Management Limited (ABN 27 058 693 388), in its capacity as responsible entity of HDUF;
- (l) “**HDUF Stapled Security**” means one unit in each of HDUF Finance Trust, HDUF Epic Trust and HDUF Further Investments Trust, stapled together such that they must only be transferred together;
- (m) “**Offer**” means the offer by the Bidder to each HDUF Securityholder to acquire all of their HDUF Stapled Securities on the terms and conditions set out in the Bidder’s Statement;
- (n) “**Performance Fee**” means the incentive fee as defined in the HDUF Constitutions.