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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

6 October 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 and AGL to build gas-fired power station in Mount Isa

Yours sincerely

Mark Knapman
Company Secretary

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APA and AGL to build gas-fired power station in Mount Isa

APA Group (ASX:APA), Australia's largest natural gas infrastructure business, will jointly develop a 242 MW gas-fired power station at Mount Isa, Queensland following the signing today of a long-term agreement to supply electricity to Xstrata Mount Isa Mines through to 2030.

The Diamantina Power Station will be constructed jointly with AGL Energy (ASX:AGK) in a 50:50 joint venture and will be underpinned by contracts with other major energy users.

The power station will produce sufficient electricity to supply mines and communities in the region, with scope for further expansion in line with energy demand increases.

APA, together with AGL, today finalised a long term energy supply agreement with Xstrata Mount Isa Mines, a wholly owned subsidiary of Xstrata, for the supply of electricity commencing in late 2013.

Under the arrangements, AGL has contracted transportation capacity in APA's Carpentaria Gas Pipeline to supply gas to the Diamantina Power Station for the initial ten year period. Xstrata Mount Isa Mines will then be responsible for sourcing gas for the remaining seven year period through to 2030 under a tolling arrangement with the Diamantina Power Station.

An additional electricity supply agreement has been agreed with Ergon Energy, the State government owned regional electricity supplier. Ergon Energy is in the process of seeking Ministerial approval for the agreement.

Diamantina will be a combined cycle power station, consisting of two Siemens 121 MW combined-cycle, gas-turbine units.

APA Managing Director Mick McCormack said the Diamantina Power Station will be a modern, low-emission, efficient power station, delivering competitive and reliable energy supply to the region.

"Working together with AGL has harnessed the expertise of both our companies to deliver a total energy solution that will supply the current and future energy needs of the region in a timely and cost efficient manner, without the need for government subsidies or cross subsidies.

"The Carpentaria Gas Pipeline has been meeting the energy needs of Queensland's north west mineral province since 1998. I'm proud of our long history of reliably delivering natural gas to the region, and we will continue to do so for many years to come."

The investment in the Diamantina Power Station is complementary to APA's Carpentaria Gas Pipeline, and meets APA's investment criteria of secure long-term revenue and returns, commensurate with risk.

APA and AGL have also finalised agreements for the construction of the power station with CTEC, a Perth based EPC contractor, under a fixed price turnkey contract. CTEC is supported by Siemens who is responsible for the design of the power station and supply of power generation equipment. Siemens will also provide major maintenance under a long term service agreement.

The power station is expected to be fully operational in early 2014, with the first 121 MW unit operational in late 2013 and the second unit operational in early 2014.

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APA and AGL are jointly seeking limited-recourse project financing facilities. The total development cost for the power station before financing costs is expected to be approximately $500 million. Once project financing is in place and construction of the power station is completed, APA's investment in the power station is expected to be approximately $100 million to be funded from existing unutilised facilities.

For further information please contact:

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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 more than 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

Additional information – Location of Diamantina Power Station