

PRIME
INFRASTRUCTURE



Tax Statement Guide
30 June 2010

PRIME INFRASTRUCTURE HOLDINGS LIMITED ACN 100 364 234
PRIME INFRASTRUCTURE RE LIMITED ACN 099 717 638 AFSL 219673
(RESPONSIBLE ENTITY OF THE PRIME INFRASTRUCTURE TRUST ARSN 100 375 479
AND PRIME INFRASTRUCTURE TRUST 2 ARSN 108 288 204)

Important Information

Until 20 November 2009, Babcock & Brown Infrastructure (BBI) Securities were listed on the Australian Stock Exchange (ASX) as BBI. Exchangeable Preference Shares (EPS) issued by Prime AET&D Holdings No 1 Pty Limited (formerly BBI EPS Limited) were listed on the ASX as BEPPA. Following the Recapitalisation, BBI is now listed on the ASX as PIH. All EPS have been converted to ordinary stapled securities and BEPPA is no longer traded.

All mandatorily Deferred Dividends were paid by BEPPA as part of the Recapitalisation. This was the only BEPPA Dividends paid during the year ended 30 June 2010. Please refer to the PIH website (<http://www.primeinfrastructure.com/investor-relations/bbi-eps-limited/tax-information.aspx>) for information relating to distributions made by BEPPA.

Securityholders that held BBI Securities at the Recapitalisation in November 2009 should refer to the BBI Recapitalisation Tax Guide for important information regarding the tax implications associated with the Recapitalisation during the year ended 30 June 2010 (http://primeinfrastructure.com/media/424821/recap_tax_guide_final.pdf).

Prime Infrastructure Holdings Limited (PIH) comprises Prime Infrastructure Holdings Limited (PIHL), Prime Infrastructure Trust (PIT) and Prime Infrastructure Trust No 2 (PIT 2) (together PIH). Prime Infrastructure RE Limited is the responsible entity for PIT and PIT 2 (Responsible Entity). An investment in PIH is an investment in a Triple Stapled Security comprising a share in PIHL, a unit in PIT and a unit in PIT 2.

The purpose of this Tax Statement Guide (the Guide) is to provide general information to holders of Stapled Securities in PIH (PIH Securityholders) regarding the tax implications arising from:

- their receipt of quarterly distributions from PIH during the year ended 30 June 2010;
- the tax implications for EPS Holders and Historical PIH Securityholders associated with the Recapitalisation; and
- For US Tax Resident or US Citizen Securityholders (US Securityholders) only, the US Federal Tax implications, including the Passive Foreign Investment Company (PFIC) Annual Information Statement for the year ended 30 June 2010.

This Guide is intended to assist Australian Securityholders in meeting their Australian income tax compliance obligations and US Securityholders in meeting their US PFIC compliance obligations. This Guide has been prepared on the basis of taxation laws prevailing at the date of this Guide. The advice is general in nature. Securityholders' individual circumstances will affect the taxation implications associated with receiving distributions from PIH. Securityholders are not entitled to rely upon this information in relation to the completion of their income tax return or in managing their specific tax affairs. Securityholders should obtain their own appropriate independent professional tax advice regarding the taxation implications associated with their investment in PIH. This Guide is primarily intended for Securityholders investing on Capital Account. Different outcomes will potentially arise for Securityholders who are investing on Revenue Account.

This Guide uses technical tax terms describing the character of Securityholders and the nature of their investments. Where these terms are not described in the body of this Guide, a brief explanation as to their meaning is set out in the Appendix. In some instances it may be difficult to determine how these terms apply to Securityholders and their investment. If this is the case, it is particularly important that Securityholders seek independent professional tax advice.

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A. The Recapitalisation

The terms of the Recapitalisation in November 2009 are set out in the Prospectus and Product Disclosure Statement to the Recapitalisation. Further information particularly relevant to EPS Holders has been provided by ASX Announcements dated 29 and 30 October 2009. A copy of this information is available on the PIH website at <http://www.primeinfrastructure.com/investor-relations/asx-announcements/2009.aspx?page=3>.

The implications of the Recapitalisation will differ between Securityholders' investment in PIH Stapled Securities and EPS.

PIH Securityholders who held BBI before the Recapitalisation (Historical PIH Securityholders) and EPS Holders who held EPS before the Recapitalisation (Historical EPS Holders) should refer to the Recapitalisation Tax Guide for further information associated with the Recapitalisation (http://primeinfrastructure.com/media/424821/recap_tax_guide_final.pdf).

For historical PIH Securityholders, the Recapitalisation comprised:

- a distribution of units in PIT 2 (PIT 2 Distribution);
- a consolidation of Stapled Securities (Security Consolidation);
- an entitlement to acquire Stapled Securities through participation in the Security Purchase Plan; and
- a distribution of Trust corpus (Capital Distribution).

For historical EPS Holders, the Recapitalisation comprised:

- a dividend distribution;
- a receipt of rights in relation to the Australian Energy Transmission & Distribution (AET&D) assets (AET&D Rights);
- a conversion of their EPS into Stapled Securities (Conversion);
- the PIT 2 Distribution;
- an entitlement to acquire Stapled Securities through participation in the Security Purchase Plan; and
- the Stapled Security Consolidation.

The implications associated with the Recapitalisation are discussed further below.

B. Australian income tax implications – the Recapitalisation

1. INCOME TAX TREATMENT OF THE DIVIDEND PAID TO HISTORICAL EPS HOLDERS

Australian Tax Resident EPS Holders

As part of the Recapitalisation, EPS Holders received a dividend distribution in relation to their EPS. The distribution comprised an unfranked dividend. For those EPS Holders that held their EPS on Capital Account, the dividend income should be included in their assessable income for the year ended 30 June 2010.

Non-Tax Resident EPS Holders

Where the payment is made to a Non-Tax Resident EPS Holder, Australian dividend withholding tax should apply at a rate of 30%. Note that this rate can be reduced under the terms of a relevant Double Tax Agreement. Non-Tax Resident EPS Holders should not otherwise be subject to Australian income tax (by assessment) in relation to the dividend payment. That is, the dividend withholding tax should represent a final Australian tax impost.

2. RECEIPT OF AET&D RIGHTS

As part of the Recapitalisation, EPS Holders were granted certain rights by Prime AET&D Holdings No 1 Limited (formerly BBI EPS Limited) to the extent that residual proceeds emanate from the sale of the AET&D assets. The contractual rights should form part of the proceeds for EPS Holders from the disposal of their EPS in exchange for PIH Stapled Securities (discussed below in Section B3).

3. INCOME TAX TREATMENT OF CONVERSION OF EPS INTO PIH STAPLED SECURITIES

Australian Tax Resident EPS Holders

When the EPS were converted into PIH Stapled Securities, a 'Capital Gains Tax (CGT) Event' occurred. Any capital gain (or loss) from that CGT Event is calculated by reference to the difference between the proceeds from the Conversion and the EPS Holder's cost base (or reduced cost base) of the EPS. A capital gain will arise where the EPS Holder's proceeds exceed their cost base. A capital loss will arise where the proceeds are less than the EPS Holder's reduced cost base. No CGT Rollover is available in respect of the Conversion.

The cost base (or reduced cost base) of the EPS should be the amount paid to acquire the EPS plus any acquisition and disposal costs. For example, the cost base of an investment may include such things as stamp duty and brokerage fees.

The proceeds from the Conversion of the EPS should be:

- the market value of the PIH Stapled Securities received by the EPS Holder as consideration for the Conversion; and
- the market value of the AET&D Rights.

In the context of listed securities received as proceeds for a CGT Event, the ATO published guidelines indicate that it may be appropriate to adopt as a market value, the volume weighted average price (VWAP) of the securities over a particular period (usually the day the securities were received). On this basis, the proceeds from the Conversion would be equal to \$0.31420 per EPS held (being the VWAP of the PIH Stapled Securities received for each EPS held on 20 November 2009).

As the AET&D Rights are not traded, there is no market guidance as to the market value of these rights. While it is a matter for each taxpayer to determine reasonably, it is the Directors opinion that these rights have \$nil market value. As such, there should be no increase to the proceeds received by the EPS Holders for the market value of the AET&D Rights.

An individual, complying superannuation fund or a trust that held EPS for more than 12 months may be eligible for the CGT discount on any prima facie capital gain upon Conversion. This reduces any net capital gain (after offsetting capital losses) that is subject to taxation by 50% (for individuals either directly or through a trust) or 33⅓% (for superannuation funds).

Attention Former Alinta Shareholders only

EPS acquired through the Alinta Share Scheme (if applicable)

For Securityholders who acquired EPS through participating in the Alinta Scheme of Arrangement (the "Share Scheme") in August 2007¹, the cost base and date of acquisition of the EPS will differ depending on the CGT treatment applied on acquisition of the EPS during the year ended 30 June 2008.

Rollover relief was chosen

To the extent that a Securityholder was eligible for and chose CGT rollover relief to apply to the EPS acquired through the Alinta Share Scheme, the cost base (or reduced cost base) of the EPS acquired should be equal to the portion of the Securityholder's original cost base (or reduced cost base) in the Alinta Shares allocated to the EPS Component of their consideration. The cost base of the Alinta Shares should have been allocated between the EPS and other Securities issued in exchange for Alinta Shares. For further information regarding the tax implications associated with the Alinta Share Scheme, the following additional sources of information should be considered.

- The Alinta Share Scheme Participant Tax Statement (Statement) (posted to each Securityholder in August 2008);
- The Alinta Share Scheme Participant Taxation Guide which accompanied the Statement (available also on the PIH website: (<http://www.primeinfrastructure.com/media/431019/alinta%20share%20scheme%20participant%20taxation%20guide.pdf>);
- The Alinta Scheme Booklet (available on the PIH website at <http://www.primeinfrastructure.com/investor-relations/tax-information/historical-tax-information.aspx>; and
- Australian Taxation Office (ATO) guidance (available on the ATO website: www.ato.gov.au).

Where CGT rollover relief was chosen, the acquisition date of the EPS for CGT purposes is deemed to be the date that the original Alinta Shares were acquired. This is important in determining the availability of the CGT discount on the subsequent disposal of the EPS.

Rollover relief was not chosen

To the extent that CGT rollover relief was not chosen, the cost base of EPS acquired should be the proportion of the market value of the Alinta Shares exchanged for EPS under the Share Scheme, plus incidental costs of acquiring and disposing of the EPS.

Where CGT rollover relief was not chosen, the acquisition date of the EPS for CGT purposes is deemed to be the date of the implementation of the Share Scheme (i.e. 31 August 2007).

Non-Tax Resident EPS Holders

For Non-Tax Resident EPS Holders, these CGT implications are only applicable in certain circumstances as discussed in Section C2 below.

Cost base of PIH Stapled Securities for EPS Holders

The cost base of the PIH Stapled Securities acquired on Conversion of the EPS should be the market value of the EPS that were converted (practically, this should equal the VWAP of the PIH Stapled Securities received for each EPS on 20 November 2009 being \$0.3142 per Security), plus incidental costs of acquiring the Securities (if any). The acquisition date for the Stapled Securities for CGT purposes should be the EPS conversion date, being 20 November 2009.

4. INCOME TAX TREATMENT OF THE DISTRIBUTION OF PIT 2 UNITS

Australian Tax Resident PIH Securityholders

The PIT 2 Distribution received by a PIH Securityholder technically triggers a 'CGT Event' and should reduce that Securityholder's CGT cost base in their PIH Stapled Securities (specifically, the PIT units component) by the value of the units in PIT 2 received.

Any such cost base reduction is triggered in respect of the year ended 30 June 2010, being the relevant income year in which the distribution is received.

As PIT 2 only has a nominal value, there should be no practical implications for Securityholders as a result of this distribution.

Non-Tax Resident PIH Securityholders

For Non-Tax Resident PIH Securityholders, these CGT implications should only be applicable in certain circumstances as discussed in Section C2 below.

5. INCOME TAX TREATMENT OF THE SECURITY PURCHASE PLAN

The entitlement to participate in the Security Purchase Plan should not constitute assessable income to the Eligible Securityholder for income tax purposes. An Eligible Securityholder is a person who:

- was registered as the holder of PIH Stapled Securities as at 7.00pm (Sydney time) on 8 October 2009 (Security Purchase Plan record date);
- had a registered address in Australia or New Zealand;
- was not in the US, and was not a US Person and was not acting for the account or benefit of a US Person; and
- was eligible under all applicable securities laws to receive an offer under the SPP.

Cost base of New Securities

Where an Eligible Securityholder chose to participate in the Security Purchase Plan, the cost base or reduced cost base of the New Securities offered and issued under the Recapitalisation is the amount paid to acquire the New Securities plus the incidental costs of acquisition (if any). The acquisition date for the New Securities for CGT purposes is 20 November 2009, being the date the New Securities were allotted to Eligible Securityholders.

6. INCOME TAX TREATMENT OF THE SECURITY CONSOLIDATION

Australian Tax Resident PIH Securityholders

The Security Consolidation should not, of itself, result in any income tax implications for Securityholders. Practically, the cost base (or reduced cost base) and acquisition date for each parcel of Securities should not change for each Securityholder.

Where fractions of Securities were sold as part of the Security Consolidation, this should constitute a disposal for CGT purposes. Any capital gain (or loss) on the disposal should be calculated by reference to the difference between the proceeds from the disposal and the cost base (or reduced cost base) of the fractions. The relevant cost base (or reduced cost base) of the fraction should be based on an apportionment of the cost base of the original parcel of Stapled Securities.

In addition, any prima facie capital gain upon the Security Consolidation may be eligible to be reduced by the CGT discount. Comments in relation to the potential CGT discount are outlined in Section C below.

Non-Tax Resident PIH Securityholders

For Non-Tax Resident PIH Securityholders, these CGT implications are only applicable in certain circumstances as discussed in Section C2 below.

7. CAPITAL DISTRIBUTION TO PIH SECURITYHOLDERS

The Capital Distribution was a cash payment of approximately \$0.04 paid by the Responsible Entity of PIT for each Stapled Security held by a PIH Securityholder on the Capital Distribution Record Date of 16 November 2009. EPS Holders were not eligible for this distribution. Historical PIH Securityholders should refer to the Recapitalisation Tax Guide for further information relating to the tax treatment of this Capital Distribution for the year ended 30 June 2010 (http://primeinfrastructure.com/media/424821/recap_tax_guide_final.pdf).

C. Australian Tax Implications Post-Recapitalisation

1. AUSTRALIAN INCOME TAX TREATMENT OF CAPITAL DISTRIBUTIONS RECEIVED POST-RECAPITALISATION

Australian Tax Resident PIH Securityholders

Capital Account

Subsequent to the Recapitalisation, PIH Securityholders have received two distributions (2010 Distributions). The 2010 Distributions were paid by the Responsible Entity of PIT (in the case of the March and June distributions) and PIT 2 (in the case of the March distribution only). The 2010 Distributions are 100% tax deferred.

PIH Securityholders that hold their investment in PIH on Capital Account are not required to include the 2010 Distributions received in their assessable income or disclose this on their income tax return.

However, the 2010 Distributions trigger a CGT Event which reduces the PIH Securityholder's CGT cost base in the Stapled Securities (specifically, the PIT and PIT 2 component) by the amount of the Capital Distributions. Any such cost base reduction is triggered in the income year in which the 2010 Distributions were received (being the year ended 30 June 2010 for the March 2010 Distribution, and the year ending 30 June 2011 for the June 2010 Distribution).

Taking into account the 2010 Distributions, the tax deferred distributions paid in respect of Stapled Securities are as follows:

	\$ per unit PIT	\$ per unit PIT 2	Record Date	Payment
2010 March quarter Distribution	0.03	0.045	30 April 2010	31 May 2010
2010 June quarter Distribution	0.075	–	30 June 2010	(on or about) 31 August 2010
Total Distributions	0.105	0.045		

Additional information regarding the determination of the relative cost bases of shares and units is provided semi-annually on the PIH website at www.primeinfrastructure.com/prime-investor-information/tax-information.aspx.

If the amount of the 2010 Distributions exceeds the PIH Securityholder's cost base in their PIT and/or PIT 2 units calculated just prior to the cost base reduction which occurs when the distribution is received, a capital gain equal to the excess may arise. Any such prima facie capital gain may be eligible to be reduced by the CGT discount rules. Comments in relation to the potential application of the CGT rules on disposal of the PIH Stapled Securities by a Resident PIH Securityholder are outlined in Section C2 below.

Revenue Account

PIH Securityholders that hold their investment in PIH on Revenue Account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the receipt of the 2010 Distributions.

Non-Tax Residents PIH Securityholders

Capital Account

For Non-Tax Resident PIH Securityholders, these CGT implications should only be applicable in certain circumstances as discussed in Section C2 below.

Revenue Account

Non-Tax Resident PIH Securityholders who hold their investment in PIH on Revenue Account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the receipt of the 2010 Distributions.

2. AUSTRALIAN CGT IMPLICATIONS POST-RECAPITALISATION

Australian Tax Resident PIH Securityholders

Capital Account

PIH Securityholders that held their investment in PIH on Capital Account and disposed of any part of their investment will need to undertake a CGT calculation. One of the components of that CGT calculation is the cost base of the investment. In addition to the acquisition cost, Securityholders should include other items of incidental expenditure in their cost base e.g. stamp duty and brokerage fees.

If the Securityholder is an individual, complying superannuation fund or a trust that holds PIH and has held their investment in PIH for more than 12 months, they may be eligible for the CGT discount on any resulting capital gain. This reduces any net capital gain (after offsetting any capital losses) that is subject to taxation by 50% (for individuals either directly or through a trust) or 33⅓% (for superannuation funds).

A capital gain will arise where the sales proceeds from the disposal exceed the Securityholders' cost base. A capital loss will arise where the Securityholders' sales proceeds are less than their reduced cost base.

Revenue Account

Securityholders that held their investment in PIH on Revenue Account and disposed of any part of their investment will need to undertake an income tax calculation.

We recommend that Securityholders that held their investment on Revenue Account should consult their tax adviser regarding the implications associated with the disposal of their investment.

Non-Tax Resident PIH Securityholders

Capital gains derived by a Non-Tax Resident are generally only subject to income tax in Australia to the extent that they relate to relevant direct and indirect interests in Australian real property. PIH Securityholders and EPS Holders may only have an indirect interest in Australian real property through their holding of shares in PIHL, units in PIT and PIT 2 and shares in BBI EPS Limited.

However, capital gains are also not subject to tax in Australia where a Non-Tax Resident holds less than 10% of the interests in that company or trust at the time of the disposal and has not held 10% or more of the interests for a period of 12 months at any time in the two years prior to disposal. As a result, a Non-Tax Resident PIH Securityholder or EPS Holder who (together with its associates²) held less than a 10% interest in PIH Stapled Securities or EPS at those relevant times should not be subject to Australian income tax resulting from any capital gain derived in relation to their PIH securities.

Non-Tax Residents who (together with their associates) held a 10% or more interest in either PIH or EPS on issue over the relevant periods may be subject to Australian capital gains tax if the majority of the market value of the underlying assets of PIHL, PIT and PIT 2 (in the case of PIH Stapled Securities) or Prime AET&D Holdings No 1 Pty Limited (in the case of EPS) comprise Australian real property. At all times during the income year ended 30 June 2010, and up to the date of the June 2010 Quarterly Distribution, the Directors do not consider the majority of the market value of the assets held by PIHL, PIT and PIT 2 comprise Australian real property. At the date of the Recapitalisation, the Directors do not consider that the majority of the market value of the assets held by Prime AET&D Holdings No 1 Pty Limited comprise Australian real property. On this basis, there should be no Australian CGT implications applicable to Non-Tax Residents who held EPS or BBI Securities as at the date of the Recapitalisation or to Non-Tax Residents who held or are holding PIH Stapled Securities at the date of this Guide.

D. Guide to Completing Individual Tax Return

The following Guidelines may assist you in meeting your Australian income tax compliance obligations and have been prepared on the basis of taxation laws prevailing at the date of this Guide.

Please note that this section is generally only applicable to you if:

- You were an Australian Tax Resident individual taxpayer for the whole of the relevant income year (for most taxpayers this will be the year ended 30 June 2010); and
- You held your investment on Capital Account for tax purposes.

If you were a Non-Tax Resident of Australia, a part-year resident, a temporary resident, a corporate Securityholder or Trustee, you should consult your tax adviser in relation to the taxation treatment of your investment.

These Guidelines do not replace the ATO instructions and should be read in conjunction with the:

- ATO TaxPack 2010;
- ATO TaxPack 2010 Supplement ("Supplement"); and
- ATO Personal Investors Guide to Capital Gains Tax 2010.

Taxation laws are complex and we strongly recommend that you consult your taxation adviser in relation to the completion of your 2010 income tax return. You cannot rely upon the following Guidelines in relation to the completion of your income tax return or in managing your specific tax affairs. You should obtain your own tax advice in relation to the taxation implications associated with your investments in PIH.

If you have any questions regarding your Securityholdings, please contact Link Market Services on 1800 883 072 or +61 2 8280 7183.

Purpose of this Guide

The purpose of this Guide is to help you account for:

- Dividends received in respect of your holding of EPS;
- Capital gains or losses on conversion of your EPS into PIH Stapled Securities;
- Distributions you received from PIH; and
- Capital gains or losses on disposal of your PIH Stapled Securities.

If you held PIH Stapled Securities prior to the Recapitalisation, you should have received the following documents:

- EPS Dividend Statement
- BBI Distribution Statement – Capital Distribution

If you continued to hold or acquired PIH Stapled Securities subsequent to the Recapitalisation, you should have received quarterly Distribution Statements in respect of the distributions paid on 31 May 2010 and on or about 31 August 2010.

These documents will assist in the completion of your 2010 income tax return as they are a record of the income or capital you received from your investments in PIH.

2010 TAX RETURN FOR INDIVIDUALS

Dividends

At Item 11 of your Tax Return you should set out any dividends received from sources within Australia.

Step 1: Add the sum of the unfranked dividends received and any TFN amounts withheld (because you did not quote your TFN or ABN) as part of the Recapitalisation in respect of your holding in EPS **at Item 11 Label S** of your Tax Return.

11 Dividends If you are a non-resident make sure you have printed your country of residence on page 1. Tax file number amounts withheld from dividends	Unfranked amount	S \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Franked amount	T \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
	Franking credit	U \$ <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> , <input type="text"/> <input type="text"/> <input type="text"/> . <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

2010 TAX RETURN SUPPLEMENT

Capital Gains

You set out your net capital gains at Item 18 of the Supplement. To complete this Item you will need to add all your capital gains for the current year and subtract any capital losses.

You may have capital gains in relation to the conversion of EPS into PIH Stapled Securities or as a result of the disposal of your PIH Stapled Securities for a gain.

For general information about CGT and how to calculate your net capital gains or losses, see the ATO publication "Personal investors guide to capital gains tax 2010".

Conversion of EPS into PIH Stapled Securities

As detailed in Section B3 above, you will need to compare the capital proceeds from the Conversion to your cost base (or reduced cost base) of the EPS. A capital gain will arise where the proceeds exceed the cost base. A capital loss will arise where the proceeds are less than the reduced cost base. No CGT Rollover is available in respect of the Conversion.

Step 1: Establish the **cost base** of your EPS. Consider any relevant costs of acquisition or disposal that relate to your Securityholding.

Step 2: Deduct the cost base amounts calculated in Step 1 from the capital proceeds of the disposal to determine your capital gain/(loss).

Sale of Securities

You will need to compare the capital proceeds with the cost base of your PIH Stapled Securities in order to calculate your capital gain or capital loss from the sale of your PIH Stapled Securities.

Step 1: Establish the **cost base** of your PIH Stapled Securities. Consider any relevant costs of acquisition or disposal that relate to your Securityholding.

Step 2: Deduct the cost base amounts calculated in Step 1 from the capital proceeds of the disposal to determine your capital gain/(loss).

Disclosure of Gross Capital Gains

Step 3: Add the amount of any capital gains from disposal of your EPS and/or PIH Stapled Securities to any other current year capital gains you have received from other investments. This is your gross current year capital gain or loss.

Step 4: The total of your gross current year capital gains should be disclosed at Item 18 Label H of your 2010 Tax Return Supplement (refer diagram below).

Please ensure that you mark an "X" in the "YES" box at **Item 18 Label G** (refer to the diagram below) to indicate that you have had a CGT event during the year.

18 Capital gains	Did you have a capital gains tax event during the year?	G NO <input type="checkbox"/>	YES <input type="checkbox"/>	You must print <input checked="" type="checkbox"/> in the YES box at G if you received a distribution of a capital gain from a trust.
	Did this CGT event relate to a forestry managed investment scheme interest that you held other than as an initial participant?	Q NO <input type="checkbox"/>	YES <input type="checkbox"/>	
	Total current year capital gains	H <input type="text"/>	<input type="text"/>	Net capital gain A <input type="text"/>
	Net capital losses carried forward to later income years	V <input type="text"/>	<input type="text"/>	<input type="text"/>

Step 5: You may also have current year capital losses, or net losses which have been carried forward from earlier financial years and/or in respect of other investments. These capital losses may be able to be used to offset gross capital gains. Losses must be used in the order of current year losses first followed by prior year carried forward losses.

Step 6: If any capital gain remains after Step 5, consider eligibility for the CGT discount. If eligible, reduce any remaining capital gain in respect of the EPS and/or PIH Stapled Securities by 50% if they are held by an individual or a trust, or 33⅓% if held by a superannuation fund.

Step 7: The amount remaining after Step 5 and/or Step 6 will be your **net capital gain/(loss)**.

- If you have a **net capital loss**, the balance can be carried forward to later years until you have a capital gain against which you can offset it. Any unapplied net capital losses from this current year or from previous years should be included at **Item 18 Label V** in your TaxPack Supplement 2010 (refer diagram above in Step 4).
- If you have a **net capital gain**, this should be included at **Item 18 Label A** in your TaxPack Supplement 2010 (refer diagram in Step 4).

We recommend you confirm your CGT position with your taxation advisor.

E. US Federal tax implications for US Securityholders

Information for US Securityholders

The following information is provided for the convenience of any Securityholders who are United States persons.

An investment in PIH comprises an investment in the shares in PIHL and units in PIT and PIT 2 respectively. Each of these entities is a “non-US corporation” for US federal income tax purposes. In addition, the fiscal year for each of these entities is 1 July 2009 to 30 June 2010.

A non-US corporation will generally be classified as a Passive Foreign Investment Company (PFIC) for US Federal income tax purposes in any fiscal year in which, after applying the relevant look-through rules with respect to the income and assets of subsidiaries, either 75% or more of its gross income is “passive income” (the income test) or 50% or more of the average value of its assets consists of assets that produce, or are held for the production of, passive income (the asset test). For this purpose, passive income generally includes, among other things, dividends, interest, certain rents and royalties and gains from the disposition of passive assets.

PIT 2

Based on the nature of its income and composition of its assets, we believe PIT 2 is a PFIC for US federal income tax purposes for the fiscal year ended 30 June 2010.

Please be aware that PIT 2’s status as a PFIC could result in adverse United States federal income tax consequences to US Securityholders.

PIHL and PIT

For completeness, we note that we believe that PIHL and PIT are not PFIC’s for US federal income tax purposes for the fiscal year ended 30 June 2010.

PFIC Annual Income

The following information is relevant for US Securityholders who have made, or intend to make, a Qualifying Electing Fund (QEF) election in respect of their investment in PIT 2. A QEF election is made by filing US Internal Revenue Service (IRS) Form 8621, and generally should be made with the filing of the US Securityholder’s US federal income tax return for the first fiscal year for which both (1) the US Holder holds units in PIT 2 and (2) PIT 2 was a PFIC.

Broadly, a US Securityholder who makes a valid QEF election with respect to a PFIC will generally include in gross income for a fiscal year:

1. As ordinary income, the US Securityholder’s *pro rata* share of the corporation’s ordinary earnings for the fiscal year; and
2. As long-term capital gain, the US Securityholder’s *pro rata* share of the corporation’s net capital gain for the fiscal year.

The information contained below in the PFIC Annual Information Statement may be used by those US Securityholders to calculate their *pro rata* share of ordinary earnings and net capital gains for PIT 2’s fiscal year ended 30 June 2010.

Please note that under certain circumstances, a US Securityholder who has not made a QEF election may be required to file Form 8621 with respect to an investment in a PFIC. We strongly recommend that US Securityholders consult their tax advisor to determine whether a Form 8621 is required.

Disclaimer

This information is of a general nature only. The application and resulting consequences of the PFIC rules are exceedingly complex. In addition, the foregoing summary does not address all of the potential US federal income tax consequences with respect to PFIC status that may be relevant to a particular investor in light of such investor’s particular circumstances or that may be relevant to investors that are subject to special treatment under US federal income tax law.

Accordingly, the foregoing summary is not intended to constitute, and should not be construed to constitute, legal or tax advice to any particular US Securityholder. Investors are strongly encouraged to consult their tax advisors regarding the application of the PFIC rules to them and the advisability of making any of the elections described above.

PFIC Annual Information Statement – year ended 30 June 2010

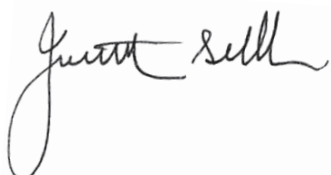
PFIC Name: Prime Infrastructure Trust No 2
PFIC Address: Level 26
135 King Street
Sydney 2000 NSW
AUSTRALIA
EIN: 98 0643583
Tax year: 1 July 2009 to 30 June 2010

Pro rata share of the ordinary earnings, net capital gains and distributions of Prime Infrastructure Trust 2 for the fiscal year ended 30 June 2010:

Description	\$US
1. Ordinary earnings per unit:	\$0.0146
2. Net capital gains per unit:	None.
3. Cash distributions:	On 31 May 2010, PIT 2 made a cash distribution of \$0.0381 per unit to Securityholders on record as of the close of business on 30 April 2010. Total cash distribution: \$13,418,534.54
4. Fair market value of other property distributed:	None.
5. To the extent necessary, to prevent a termination or invalidation of a Securityholder's QEF election, PIT 2 will permit any US Securityholder to inspect and copy the Trust's permanent books of account, records and such other documents as may be maintained by the Trust that are necessary to establish that the Trust's ordinary earnings and net capital gain are computed in accordance with the US income tax principles and to verify these amounts and your pro-rata shares thereof.	

Date: 31 August 2010

Prime Infrastructure RE Limited
as trustee for Prime Infrastructure Trust No 2



By: Jonathon Sellar

Title: Public Officer

Disclaimer

The information provided above in the "PFIC Annual Income Statement" is provided in order to assist those Securityholders who have made a QEF election with respect to PIT 2 in making certain PFIC calculations and does not constitute tax advice. Those Securityholders are advised to consult their own tax advisors concerning the overall tax consequences of the ownership of shares arising in their own particular situations under United States Federal, State, Local and Foreign law.

Appendix

KEY TECHNICAL TAX TERMS

“Australian Tax Resident”

An individual Securityholder will be considered to be an **Australian tax resident** if it satisfies any one of the following tests:

- It resides in Australia under ordinary concepts. This will include a general examination of the relevant facts to consider whether the Securityholder can be considered to dwell permanently or at least for a considerable period of time in Australia;
- It is an Australian citizen and has no permanent place of abode outside Australia;
- It has been in Australia for more than half of the income year (i.e. greater than 183 days in the period 1 July to 30 June) and its usual abode is not outside Australia; or
- It is a member of a Commonwealth Superannuation Scheme (broadly, if the Securityholder works for the Australian public service).

“Company”

A company will be considered to be an **Australian tax resident** if any of the following tests are satisfied:

- It is incorporated in Australia;
- It carries on business in Australia and its central management and control is in Australia; or
- It carries on business in Australia and has its voting power controlled by Australian tax resident Securityholders.

“Trust or Superannuation Fund”

A trust or superannuation fund will be considered an Australian tax resident if its trustee is a resident of Australia according to the above tests.

“Non-Resident” of Australia

A Securityholder will be considered a Non-Resident of Australia for Australian tax purposes if it does not fall within one of the tax residence tests referred to above.

Note that Tax Treaties between Australia and other countries may alter a Securityholder’s residence status and in some circumstances it may be considered a dual resident. A Securityholder should seek professional advice to determine its tax residence if it considers that a relevant Tax Treaty entered into between Australia and its country of residence may apply.

Also note that a Securityholder’s tax residence status can change and is tested each financial year.

“Capital Account”

Broadly, an investment will be held on “Capital Account” where the intention is to hold the investment so as to benefit from both distributions from the investment and the capital growth of the investment. An intention to hold an investment for an extended period of time is generally indicative of an investment held on Capital Account.

It is expected that the majority of Securityholders will hold their investments in EPS and/or PIH on Capital Account.

“Revenue Account”

Generally, an investment is held on “Revenue Account” if it was acquired with the intention of making a profit on resale or if the investment forms part of or is incidental to a business carried on by the Securityholder. An intention not to hold the investment for a long period of time would be indicative of an investment held on Revenue Account. Share traders usually hold their investments on Revenue Account.

This is a highly complex area of taxation law. If a Securityholder is not able to accurately determine whether it holds its investment on Capital or Revenue Account, we recommend that the Securityholder seeks professional assistance in determining the taxation implications associated with its investment.

“Triple Stapling”

The Triple Stapling results in the Securities in PIH consisting of three Stapled Securities, being the ‘original’ Securities (comprising a share in PIH and a unit in PIT), stapled to a new fully-paid ordinary unit in Prime Infrastructure Trust 2 (PIT 2), of which Prime Infrastructure RE Ltd is the responsible entity.

The Triple Stapling took place by way of the distribution in-specie of a PIT 2 Unit by PIT to all PIH Securityholders on 20 November 2009, immediately after the conversion of the EPS and immediately prior to the allotment of New Securities.

On the Triple Stapling taking effect, the Recapitalisation is taken to include an offering of the PIT 2 Unit which forms a part of the New Securities.

For Australian income tax purposes, PIT 2 is considered a flow-through vehicle.

“US Person”

Pursuant to Internal Revenue Code §7701(a)(30), a US Person is generally defined as a US citizen or resident or domestic entity (corporation, partnership, estate, trust).