

16 February 2012

Dear Shareholder,

Equity Partners Infrastructure Company No.1 Limited (EPIC) is internalising its management contract, having agreed terms to terminate the management agreement with Equity Partners Infrastructure Management Limited (EPIM) – a wholly owned subsidiary of Pyne Gould Corporation Limited (PGC) – as of 13 February, 2012.

Last year, EPIC received advice that a 'Change of Control' of EPIM, as a result of Australasian Equity Partners Fund No. 1 LP's (AEP) takeover of PGC (if successful), would trigger pre-emptive rights in the shareholders' agreement for EPIC's Moto investment, thereby putting EPIC's investment at risk. EPIC issued an interim notice to EPIM which was intended to preserve the position while the independent directors of EPIC concluded an internalisation arrangement.

The independent directors of EPIC have since worked with PGC on this matter, and are pleased to report that a satisfactory outcome has been reached which protects EPIC's investment in Moto.

Under the management agreement – as was outlined in EPIC's initial 2007 prospectus - EPIC was required to provide 6 months' notice and pay a termination fee equal to five times the management fee for the preceding 12 months. A strict enforcement of the obligation would have required a total payment of over \$7 million to EPIM (inclusive of management fees payable over the 6 month notice period), and the management agreement termination would not have been effective for another 6 months – resulting in the pre-emptive rights being triggered upon a 'Change of Control' of EPIM. In addition, that termination would have triggered an immediate obligation to pay the performance fee in respect of the Moto investment.

The independent directors of EPIC, however, have negotiated a total termination fee substantially lower - \$5.5 million, a deferral of any performance fee, an ability for EPIC to satisfy both these fees in shares rather than cash, and an arrangement which enables the Board to put in place an internal management structure more suited to EPIC's current asset base and go-forward operations.

If EPIC had not terminated the management agreement, there was the risk that it would have been required to offer its Moto stake to other Moto shareholders under their pre-emptive rights at a significant discount to the long-run value of Moto due to the current environment in Europe and lack of any formal value-maximising sale process. By protecting our Moto investment, the Board is confident that strategic initiatives to enhance Moto's value will deliver real value to EPIC shareholders over time.

The terms of the termination include:

- Termination compensation to EPIM totalling \$5,552,507.
- Setting the performance fee for Moto at \$3,297,952, thereby protecting EPIC from any increase in this amount. The performance fee liability is consistent with the accrued amount provided for in EPIC's most recent financial statements.
- EPIM providing some on-going assistance to EPIC for a limited period as EPIC develops its own management capability.
- EPIM paying, or reimbursing, EPIC for its professional fees with respect to this matter.

Importantly, EPIC has secured the right to satisfy an initial portion of the termination compensation and performance fee by EPIC issuing ordinary shares to EPIM (at the current Net Asset Value per share of EPIC shares) up to the threshold allowable under the Takeovers Code.

The EPIC Board will then seek approval of EPIC shareholders for a further issue of shares to satisfy the remaining amount payable to EPIM. A meeting of EPIC shareholders will be convened for this purpose. In advance of that meeting, EPIC shareholders will receive an independent appraisal report on the merits of that proposal. Should EPIC shareholders not approve the issue of shares in respect of this remaining amount, the amount will be payable on a deferred basis by EPIC to EPIM.

Full details of these transactions, and the arrangements that will apply to the issue of shares or payment, will be set out in the material to be sent to EPIC shareholders ahead of this planned meeting.

While the need to protect the Moto investment following the Change of Control of EPIM triggered the termination, the Board believes that internalisation is timely and is the preferred structure for EPIC, having regard to its simplified asset base following the sale of its stake in Thames Water. The internalisation is expected to provide EPIC with greater access to capital going forward, and saves EPIC from paying future management contract costs of 1% of gross assets per annum – management fees for the last 12 months totalled \$1.3 million (excl. GST), and is expected to provide enduring benefits to EPIC. In addition, the opportunity to avoid any cash payment for termination (by issuing shares in satisfaction of the termination and performance fees) was very attractive and preserves EPIC's cash resources for other uses.

EPIC has faced a number of challenges through the global financial crisis and the new international debt market environment, and EPIM has provided a highly capable management service for which EPIC is grateful. However, internalisation of management services is a more appropriate structure for EPIC's future needs as we look to maximise shareholder value from our investment in Moto.

The past year has seen significant change as EPIC has restructured in the face of these challenges. We sold our Thames Water investment, achieving a very satisfactory price. This enabled EPIC to pay off all its debt to National Australia Bank and the Torchlight Fund convertible note. We now hold high quality assets, have no external debt, face much reduced on-going management costs, and are in a position to maximise shareholder value going forward.

I look forward to talking further with you at the up-coming shareholder meeting.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Margaret Devlin', with a long horizontal stroke extending to the right.

Margaret Devlin
EPIC Chair