DISPOSAL OF SHARES IN PIVOT LIMITED

(1) Acquired Before 20 September 1985

The taxation implications report included in the Explanatory Statement issued in respect of the merger between Pivot Limited and Incitec Fertilizers Limited advised that the Merger Proposal did not have any immediate tax consequences for either the Pivot Ordinary Shareholders or the Pivot Investor Shareholders as the merger did not require these shareholders to dispose of any of their shares.

However, the taxation implications report discussed the potential tax liability that could arise for shareholders holding shares acquired **before** 20 September 1985 ("affected shareholders") who disposed of any of those shares within five years of the ASX listing.

KPMG advised in a letter dated 14 March 2003 which accompanied the Explanatory Statement "that any such capital gain immediately after listing should not be material".

Incitec Pivot Limited is aware that some affected shareholders have sold their shares since the ASX listing and seek clarification regarding any income tax obligations that may have arisen in respect of their divestment. There are also other affected shareholders who will sell their shares on or before 28 July 2008, being the date five years after the ASX listing.

The practical application of the Capital Gains Tax (CGT) provisions which may apply in these circumstances is a very complex matter and, therefore, Incitec Pivot has held discussions with the Australian Tax Office (ATO) to resolve how these provisions could practically be applied in respect of affected shareholders.

As a consequence of these discussions the ATO has accepted that, subject to the comments below regarding the 50% CGT discount and disposals made on or after 29 July 2008, affected shareholders will be required to include in their assessable income 70% of the difference between proceeds received upon disposal of the shares and $15.08 (being the average closing price for the shares in the first five days of trading).

By way of example, if a shareholder were to dispose of shares at closing price on 29 April 2004, being $18.11, the capital gain to be included in that taxpayer's assessable income would be $2.12, i.e. 70% of ($18.11 - $15.08) per share.

Please note that it is not possible to make a capital loss under these provisions if, for example, you were to sell, or have sold, your shares for less than $15.08.

Where an affected shareholder is an individual or trust, the sale of the shares in the company will qualify for the 50% CGT discount.

Finally, you should note that the relevant CGT provisions will cease to apply in respect of disposals made on or after 29 July 2008 (being the fifth anniversary of the ASX listing). Affected shareholders disposing of their shares on or after this date will be exempt from CGT in respect of any gain realised on the disposal.

(2) Shares Acquired <u>After</u> 19 September 1985

The taxation treatment outlined above will not apply to the disposal of any shares which were acquired as capital assets by shareholders **after** 19 September 1985. The disposal of such shares will simply require a capital gain/loss to be calculated by deducting the cost of acquisition of the shares from the net sale proceeds.

Where a taxable capital gain arises on any disposal and the shareholder is an individual or trust, the sale of the shares in the company which have been held for at least 12 months will qualify for the 50% CGT discount.

It should be noted that the taxation consequences for a particular taxpayer may differ depending upon the taxpayer's tax profile. Accordingly, while Incitec Pivot has provided the above guidance, the particular tax consequences of a disposal should be confirmed with the shareholder's taxation adviser.