Aurizon Debt Investor Roadshow

December 2016

"Aurizon – Australia's largest rail freight operator"

Pam Bains – VP Network Finance (Network CFO)
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Further information is available online at www.aurizon.com.au

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Agenda

- Aurizon Group Overview
- Aurizon Group
- Aurizon Network (Below Rail)
- Aurizon Haulage (Above Rail)
- Coal Industry Update

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Aurizon Group Overview

We're Australia's largest rail freight operator.

Top 50 ASX-listed company with a market capitalisation of approximately $10bn.

Strong investment grade credit ratings, Baa1 (negative) / BBB+ (stable).

Transporting more than 270 million tonnes of Australian commodities each year.

An integrated above and below rail supply chain operator and developer.

Employing 6,000 people at more than 200 operational sites across Australia.

Aurizon Group Overview

Aurizon benefits from long term contracts with high fixed capacity charges and a high quality customer base

› Aurizon's credit profile benefits from its strong market share and dominant positions within the Australian commodity supply chain

› Its credit rating recognises the stable "through the cycle" revenues and earnings generated from the regulated below rail network ("Aurizon Network") and contracted coal haulage above rail businesses ("Aurizon Haulage")

Aurizon Group

Top 50 ASX listed company
Market cap of ~A$10bn(1)
Baa1 (negative) / BBB+ (stable)

Aurizon Haulage

- "Above-rail" freight haulage
- Construction, engineering and project management
- Rail services

Aurizon Network

- "Below-rail" operations
- RAB of ~A$5.7bn(2)
- Baa1 (negative) / BBB+ (stable)

(1) As at 17 November 2016.
(2) FY16 Projection based on QCA's Final UT4 Decision April 2016 and subject to QCA Approval. Excludes assets operating under an Access Facilitation Deed (AFD) of $0.4bn

- - - - Issuer under the A$ MTN Debt Issuance Programme dated Oct 2013 and the Euro Bond Issuance Programmes dated Sep 2014 & May 2016

Aurizon Group Overview

Key FY16 metrics

	Aurizon Group[1]	Aurizon Network	Aurizon Haulage[2]
Revenue	A$3.5bn	A$1.2bn	A$3.1bn
EBITDA	A$1.4bn	A$0.8bn	A$0.9bn
Total Assets	A$10.9bn	A$5.9bn	A$6.4bn
Debt	A$3.5bn	A$3.0bn	A$0.5bn
Gearing[3]	37.4%	62.6%	8.5%
Credit Ratings	Baa1 (negative) / BBB+ (stable)	Baa1 (negative) / BBB+ (stable)	n/a
FFO / Debt	34%	19%	91%
Interest Coverage	9x	3x	79x

QCA regulated

(1) Aurizon Group financials do not equal the sum of Aurizon Network and Aurizon Haulage due to the elimination of intercompany balances.
(2) Aurizon Haulage financials are based on Note 22 to the 2016 Aurizon Group Financial Statements, being the entities covered by the Deed of Cross Guarantee.
(3) Net Debt / Net Debt and Total Equity

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Financials disclosed in Aurizon's FY16 Annual Report (available at: www.aurizon.com.au)

Aurizon Group Overview

Key Credit Highlights

Aurizon has a strong financial position and stable credit ratings, providing low risk and stable returns to investors

Well-established customers and high quality mines predominantly operated by investment grade coal miners

Stable and well-established regulatory regime providing revenue protection

Long term contracts providing stable haulage revenue

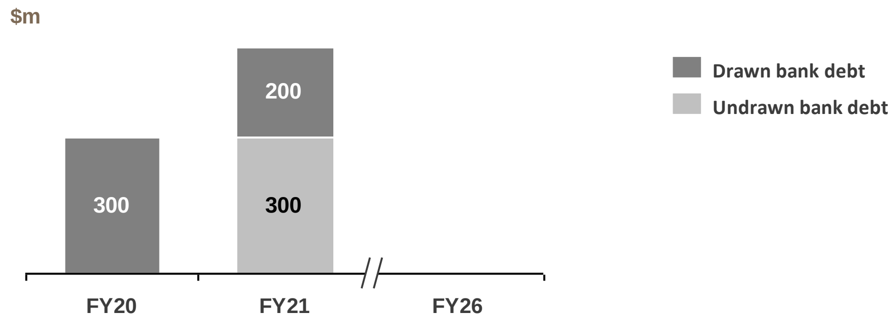
No direct exposure to commodity markets and diversification of products hauled provides resilience to changes in commodity prices

Aurizon Group Overview

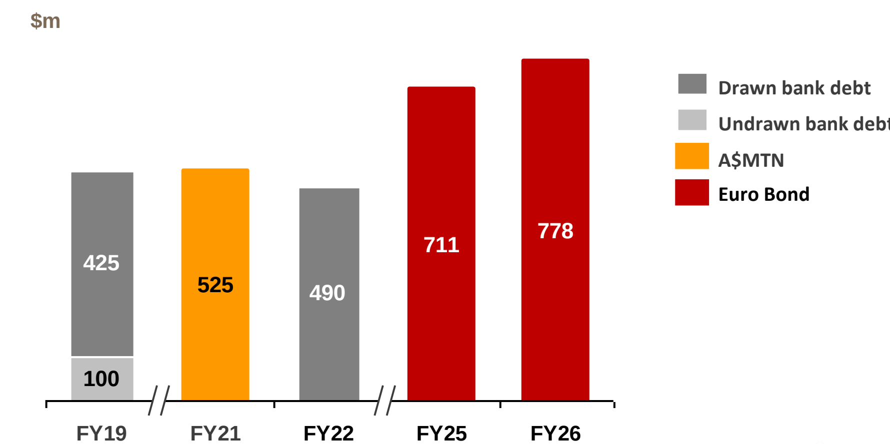
Funding Summary

- Aurizon Network bank debt facilities of $490m repriced in December 2015 and maturity extended to FY22
- Aurizon Haulage bank debt facilities of $300m repriced in April 2016, maturity extended to FY21 and tranche size increased to $500m
- Aurizon Network issued second bond in the European capital markets (10 year EUR 500m Medium Term Note) in May 2016. After swapping into A$, proceeds were used to partially repay bank debt
- Debt maturity profile average tenor increased to 5.8 years (FY15 – 4.3 years)
- Interest cost on drawn debt decreased to 4.7% (FY15 – 4.9%), expected to increase to 5.1% in FY17 reflecting transition to longer term debt
- Approximately 64% of interest rate exposure is fixed to align with the Aurizon Network regulatory period
- Aurizon Group gearing increased to 37.4% (FY15 – 30.2%)
- Investment credit ratings at BBB+ (stable) / Baa1 (negative)
- Board committed to maintaining investment grade credit rating

Aurizon Haulage A$0.5bn(1) drawn debt maturity profile



Aurizon Network A$2.9bn(1) drawn debt maturity profile



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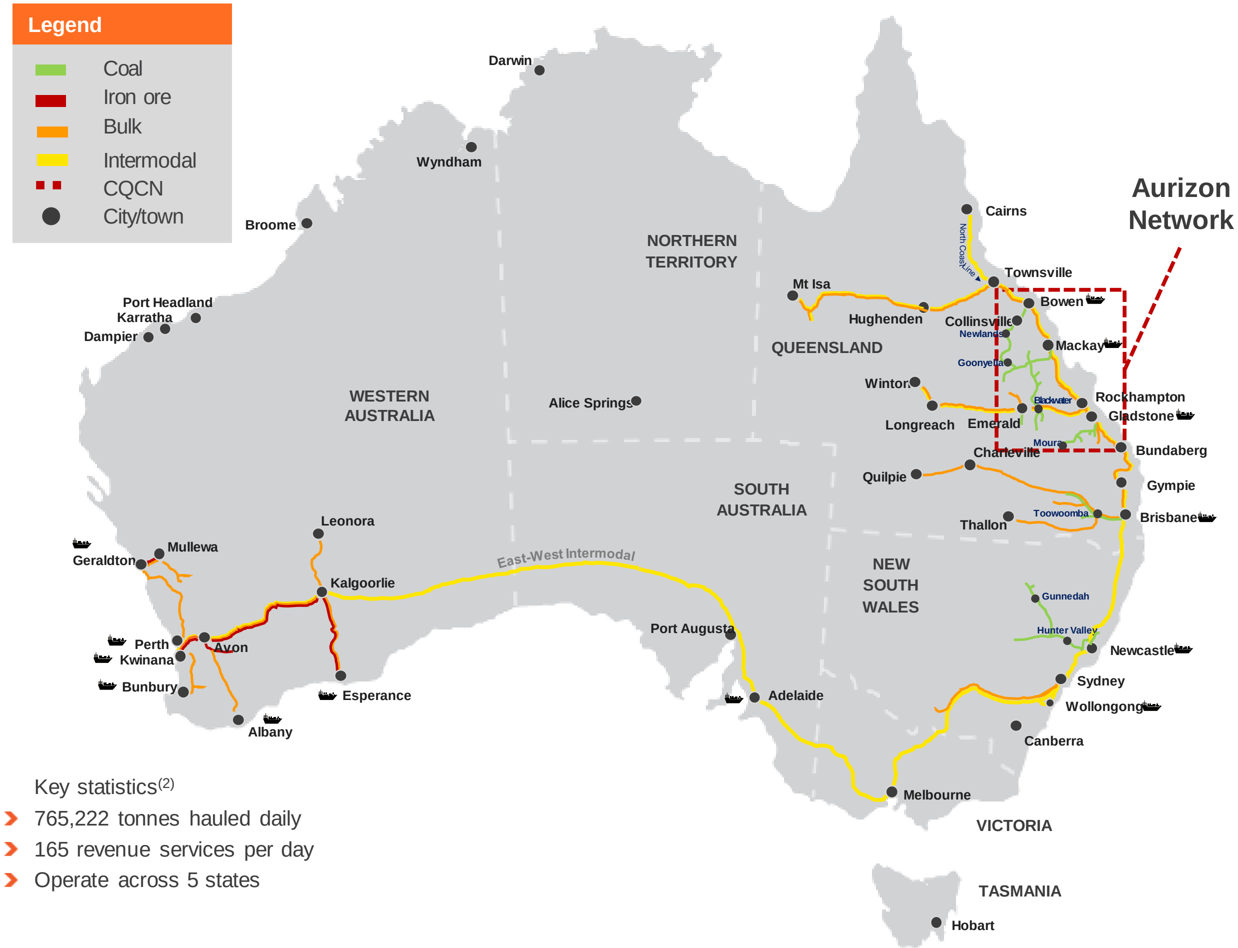
(1) Excludes working capital facility

Aurizon Group

Our operations are Australia-wide…



Key statistics(2)

- 765,222 tonnes hauled daily
- 165 revenue services per day
- Operate across 5 states

Key operational statistics(1)

COMMODITIES
Coal, iron ore, bulk freight and intermodal

PEOPLE
More than 6,000 operational full-time employees

ROLLING STOCK
Over 570 active locomotives

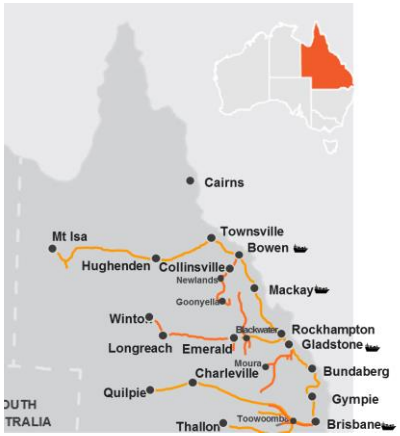
WAGONS
Over 14,200 active wagons

FUEL AND ENERGY
$245m FY16 energy and fuel spend

OPERATIONAL FOOTPRINT
200 operations sites

(1) Excluding Footprint.
(2) Key statistics as at June 2016.

…and includes coal haulage…



Queensland

- Aurizon hauled 163 mt of coal in FY16, across five integrated rail corridors to six export ports.
- Operating 49 coal services on the Central Qld Coal Network (CQCN) each day.
- Employing around 3,700 operations staff, 352 locomotives and 8,900 wagons.

Key customers

Anglo American, BMA (BHP Billiton Mitsubishi Alliance), Wesfarmers, Glencore, bhpbilliton BMC

New South Wales

- Aurizon hauled 44 mt of coal in FY16, across the Hunter Valley network to three export terminals.
- Operating 15 coal services each day.
- Employing around 350 operations staff, 41 locomotives and 1,346 active wagons.

Key customers

Whitehaven, bhpbilliton, RioTinto, Yancoal, sojitz

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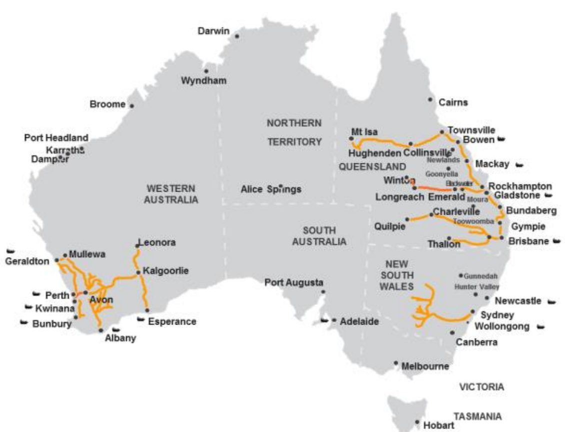
…iron ore and bulk freight…

Iron Ore

- Aurizon hauled 24 mt of iron ore in FY16, across two integrated rail corridors to three export ports.
- Operating nine iron ore services each day in the mid-west region.
- Employing over 700 operations staff, 100 locomotives and 2,300 wagons.

Key customers

KARARA
Mount Gibson Iron
CLIFFS



Bulk Freight

- Aurizon hauled 40 mt of bulk freight in FY16 including commodities such as minerals, sugar, grain and livestock.
- Operating 78 bulk freight services each day along the East and West Coast.
- Our transport solutions also extend to inland terminal and road capability.

Key customers

bhpbilliton
GLENCORE
LDC Louis Dreyfus Company
ALCOA
wilmar
bp
GrainCorp
CEMENT AUSTRALIA
SOUTH32

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...and containerised intermodal freight.

Distances Between Cities

Brisbane – Cairns 1,662km
Brisbane – Sydney 1,009km
Sydney – Melbourne 889km
Melbourne – Perth 3,483km

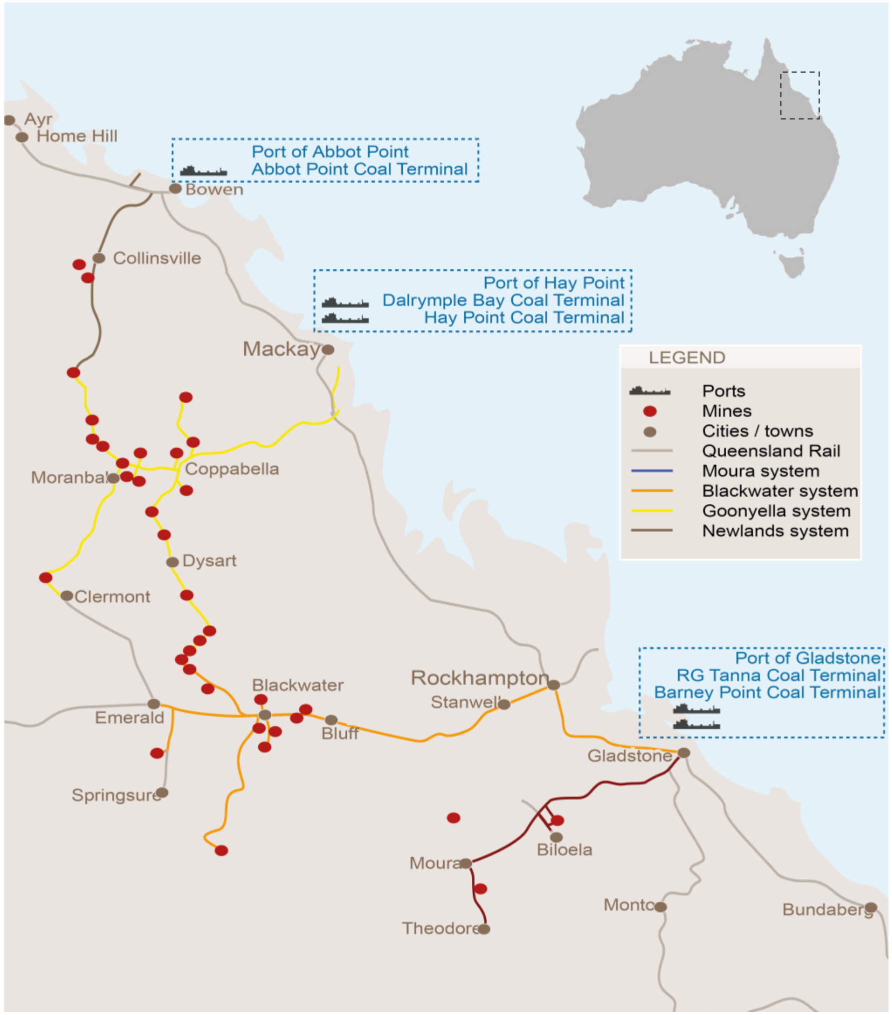
Intermodal

- Aurizon hauled over 370,000TEU(1) of intermodal freight throughout Australia in FY16.
- A national network of strategically located intermodal terminals allows Aurizon to co-locate with key customers and efficiently service population centres.

Key customers

(1) Twenty-Foot Equivalent Units

Aurizon Network manages Australia's largest export coal network.



- Aurizon operates and manages Australia's largest and most complex export rail network, the Central Queensland Coal Network (CQCN)
  - Comprises 4 major coal systems and 1 connecting system link serving Queensland's Bowen Basin coal region: Newlands, Goonyella, Blackwater and Moura with GAPE the connecting system link
  - 2,670 kilometres network length of which 1,945 kilometres is electrified
  - Over 40 operating coal mines serviced
- Aurizon Network's operations are governed by 99 year lease arrangements with the State of Queensland
- Approximately 70 services per day delivering to five export coal terminals at three ports
- Open access network with 3 Above Rail coal operators – Aurizon Haulage, Pacific National and BMA Rail
- It is estimated the value of the Regulated Asset Base (RAB) will be A$5.7bn as at 30 June 2016[(1)]

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(1) Indicative projection based on QCA Final Decision, April 2016. Excludes assets operating under an Access Facilitation Deed (AFD) of A$0.4bn.

Aurizon Network

(Below Rail)

Summary of key credit highlights

1	Highly regulated revenues within a stable and well-established regulatory regime
2	Long term lease arrangements supported by the central QLD coal mining sector
3	Infrastructure network servicing well-established haulage customers and high quality mines predominantly operated by investment grade coal miners
4	Revenue protection mechanisms limit exposure to counterparty credit risk and volume risk
5	Strong financial position and ratings stability

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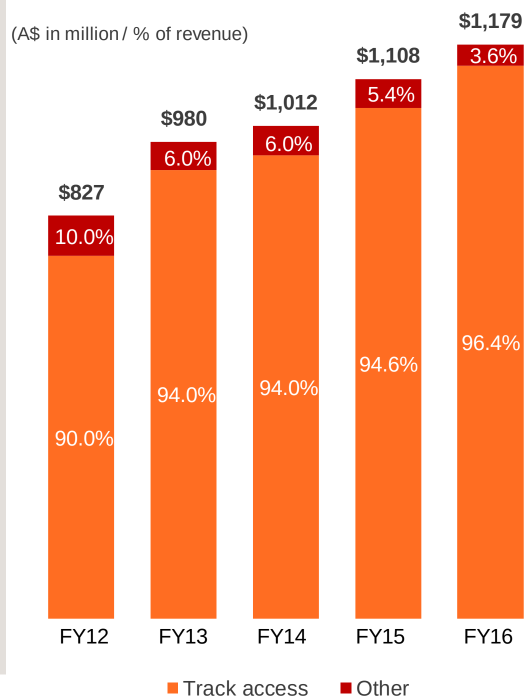
1 Regulated revenues within a stable and well-established regulatory regime

1 Well-established regulatory regime

- The provision of transportation services by rail on the CQCN is regulated by the Queensland Competition Authority
- The CQCN is a vital part of the Central Queensland coal supply chain
- The form of regulation is a conventional revenue cap

2 Stable regulated revenue base

- Over 90% of Aurizon Network revenue is from track access payments
- Access revenue growth and contribution have remained stable over time



3 Well developed building block approach to revenue determination

1. RAB is approved by the QCA on a Depreciated Optimal Replacement Cost basis
2. "Building block" approach adopted to determine the CQCN's maximum allowable revenue
3. Reference tariffs determined, taking into consideration forecast volumes and under and over recovery in prior periods

BUILDING BLOCKS

WACC (return on capital)
+
Depreciation net of inflation (return of capital)
+
Opex
+
Maintenance
+
Gamma adjusted tax
=
Aurizon Network's maximum allowable revenue

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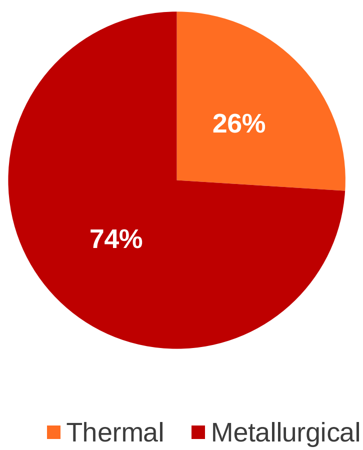
2 Long term lease arrangements supported by the QLD coal mining sector

Queensland coal reserves[1]

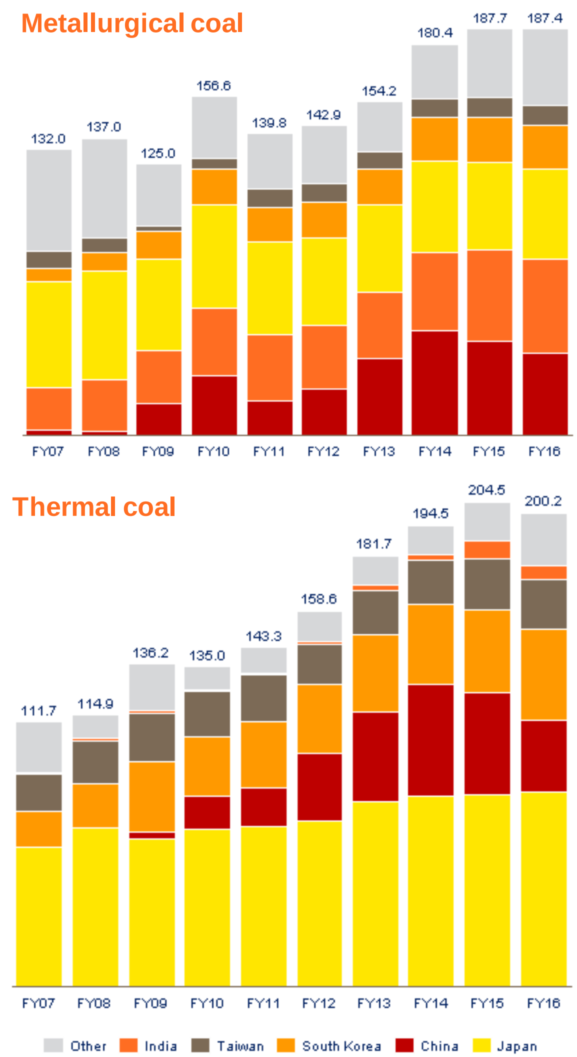
Metallurgical coal comprises approximately three quarters of the Bowen Basin's total coal reserves



(1) Export coal only. Source: Wood Mackenzie Coal Coast Benchmarking.
(2) Source: Australian Bureau of Statistics.

Australia's coal exports by destination[2]

(million tonnes)



- 99 year lease arrangements in place with the State of Queensland to control, manage, operate and maintain the CQCN
- CQCN is the optimal mode of transport between coal mines and export ports in Queensland and is the only viable rail option
- Over 40 operating coal mines in the Bowen Basin are linked to the CQCN
- Large reserves support production life in excess of 15 years on average for existing operations, with resources supporting an additional ~30 years of production

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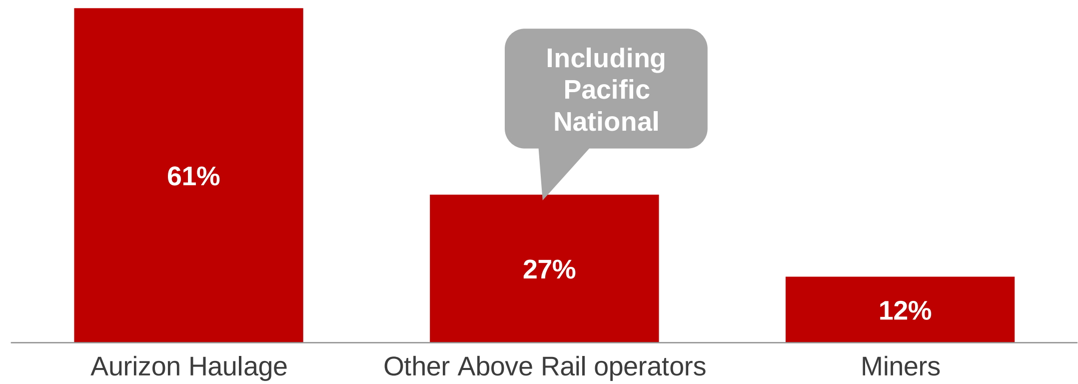
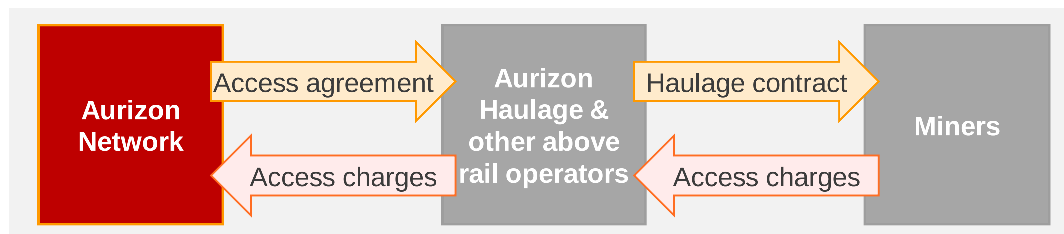
3 Infrastructure network servicing well-established haulage customers…

- Aurizon Network's largest customers are Aurizon Haulage and Pacific National
- Both Aurizon Holdings (Baa1 / BBB+) and Pacific National (Baa3 / BBB-)[1] are well-established haulage operators
  - Long term customer relationships with key miners underpinning haulage agreements
  - Investment grade credit ratings
- Access charges are typically passed through Aurizon Haulage and other above rail operators to the miners

FY16 railed volume split by Aurizon Network customers



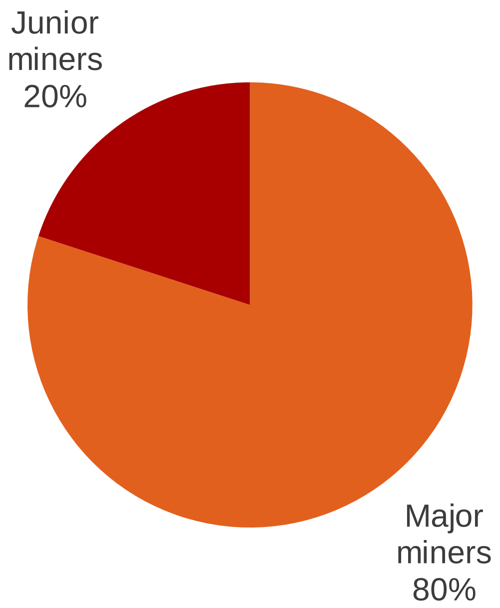
Access charges passed through to miners



(1) Ratings shown are those of Asciano Limited, Pacific National's 100% owner.

3 …and high quality mines predominantly operated by investment grade coal miners

Diversified coal mining customers that are predominantly large global companies



- Mines on the CQCN are operated by a diversified group of coal miners
- Customers are predominantly large investment grade companies including:
  - BHP Billiton Mitsubishi Alliance
  - Glencore
  - Rio Tinto
  - Wesfarmers
- Majority of mines produce premium hard coking coal and low-volatile PCI coal
- Premium products and achieved cost reductions place Queensland mines in the top two quartiles of the global seaborne metallurgical coal margin curve
- Large majority of mines are incentivised to keep producing as they are earning in excess of rail and port take-or-pay liabilities

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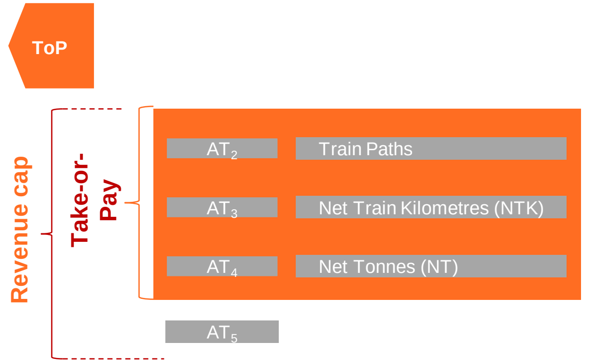
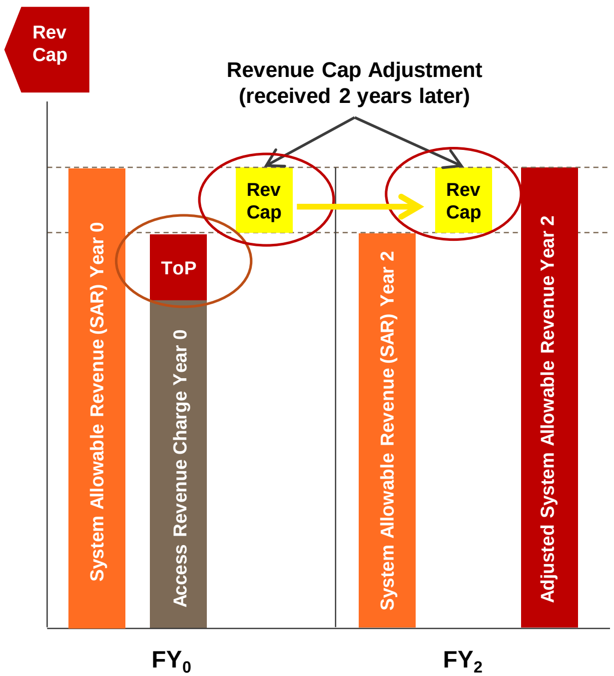
Source: Wood Mackenzie Ltd, Dataset February 2016.

4 Revenue protection mechanisms limit exposure to counterparty credit risk and volume risk





- Aurizon Network's regulated revenue is protected through a combination of provisions that are included in the QCA-approved access agreements
- These mechanisms come into effect when revenue shortfalls occur due to actual tonnage railed being less than regulatory approved tonnages forecasts

Take-or-Pay mechanisms	› Primary revenue protection mechanism available to Aurizon Network › Allows Aurizon Network to recover revenue shortfall directly from access holder
Revenue cap mechanism	› Comes into effect in the event take or pay mechanisms do not recover a revenue shortfall › Revenue cap mechanisms allow for remaining shortfall to be recovered two years later through a WACC adjusted tariff › In the event that revenue collected exceeds the MAR, the revenue cap mechanism will return the surplus revenue two years later through an adjusted tariff
Socialisation / sharing of counterparty risk	› Patronage risk occurs when certain mines are no longer in operation › Under the QCA regime, Aurizon Network will continue to earn its aggregate regulated revenue from the remaining mines that continue to use the system

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5 Strong financial position and ratings stability

- Aurizon Network operates as a separate standalone entity to Aurizon Haulage and Aurizon Group
- Standalone debt facilities are in place at the Aurizon Network level, supported by the regulated infrastructure assets
- Committed growth programs winding down (funded by current debt facilities)
- Longer term non-growth capex remains ~A$250m - A$300m per year, funded through operating cashflows
- Credit rating of Baa1 / BBB+ (negative / stable)
  - Network was placed on review for downgrade by Moody's in January 2016, however the rating was subsequently affirmed at Baa1 (negative outlook)
- Aurizon Network is committed to maintaining investment grade credit ratings going forward

Overview of Aurizon Network debt facilities

Senior syndicated debt facilities	Maturity
A$525m syndicated facility	Jul-18
A$490m syndicated facility	Jul-21
A$100m working capital facility	Jun-17

A$ Medium Term Note programme	Maturity
A$525m, 5.75% p.a. MTN	Oct-20

EUR Medium Term Note programme	Maturity
EUR 500m, 2.00% p.a. MTN	Sep-24
EUR 500m, 3.125% p.a. MTN	Jun-26

Gearing (FY16)	62.6%

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Aurizon Network – Regulatory Update

UT4[1] Final Decision

Maximum Allowable Revenue (MAR)

- Overall maximum revenue of $3.933 billion over the period of the Undertaking
- Weighted Average Cost of Capital (WACC) - 7.17%

True-up recovery process

- The Final UT4 Decision highlighted a net under recovery of Regulatory Revenue in FY14 and FY15 (representing the difference between transitional revenues and the final Allowable revenue)
- In FY17, Aurizon Network will recover $89m of True-up Revenue relating to FY14 and FY15, net of Revenue Cap

Wiggins Island Rail Project (WIRP)

- The QCA has continued to apply a revenue deferral for WIRP customers who are not expected to rail during the FY14 - FY17 regulatory period
- The QCA has recognised the ability for Aurizon Network to seek QCA approval to reduce the scope of the revenue deferral as WIRP volumes increase
- The deferral amount is Net Present Value (NPV) neutral
- WIRP revenues remain socialised within the two existing System Allowable Revenues – the Blackwater and Moura systems

Asset Stranding

- The QCA believes each situation should be considered on a case by case basis
- The QCA believes Aurizon Network is best placed to mitigate stranding risk
- As in UT3, QCA can optimise however under UT4 they must first consider any alternate proposal and consult with Aurizon Network
- Optimisation is a last resort and socialisation is an alternative
- Optimisation reversed where conditions improve
- Security under standard access agreement increased to six months (from three months under UT3)

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(1) Access Undertaking 4 (UT4) applies for the period 1 July 2013 to 30 June 2017.

UT5 – Submitted November 2016

Context

- Aurizon Network submitted to the Queensland Competition Authority (QCA) its Draft Access Undertaking (UT5 Draft).
- The UT5 Draft covers the period 1 July 2017 – 30 June 2021.
- It largely reflects the policy positions of the previous undertaking (UT4), approved by the QCA on 11 October 2016 and due for expiry on 30 June 2017.

Objectives

- UT5 recognises the significant investment by many stakeholders in the development of UT4.
- Aurizon Network considers that the inherent risks of the network business are higher than what the QCA has previously considered.
- If Aurizon Network is required to accept a lower return than proposed in the UT5 Draft, then the risk associated with ownership and management of the asset should reduce accordingly.
- Aurizon Network is working with customers to explore ways to improve utilisation of the existing network without the need for large-scale capital investment.

Revenue proposal

- Significantly larger Regulated Asset Base (RAB) of ~$6.2 billion(1) as a result of customer requested expansions.
- The roll-forward RAB now includes the majority of capital expenditure relating to Wiggins Island Rail Project (WIRP) (2).
- Proposes a Maximum Allowable Revenue (MAR) of $4,892 million over the four year regulatory period.
- Reduces WACC to 6.78% (from 7.17% in UT4).
- Includes a change in the inflation application and methodology that reflects a reduction in the inflation expectations for the period.
- The methodology for operating expenditure, maintenance and depreciation allowance is broadly unchanged.
- Results in an 11% increase in average CQCN tariffs.

Policy proposal

- Policy changes limited to matters addressing:
  - Issues with UT4 practicality, workability or efficiency;
  - Specific customer requests; and
  - The removal of UT4 positions that Aurizon Network considers are not within the QCA's powers and materially impact on Aurizon Network's legitimate business interests.

(1) Estimated UT5 opening RAB including $0.4 billion of mine specific infrastructure
(2) Estimated subject to QCA approval. Blackwater capital expenditure is included whilst Moura remains deferred.

UT5 Draft: MAR[(1)] and forecast volumes

MAR $m	UT4		UT5				
	Total	FY2017	FY2018	FY2019	FY2020	FY2021	Total
Return on capital	**1,526**	420	409	402	395	386	**1,592**
Depreciation (less inflation)	**771**	218	284	281	289	287	**1,141**
Maintenance costs	**805**	207	221	225	235	240	**921**
Operating costs	**815**	223	206	211	217	221	**855**
Tax net imputation credits	**144**	41	78	81	85	85	**328**
Total MAR	**4,062**	1,109	1,198	1,201	1,220	1,219	**4,838**
Capital carryover	**(129)**	(34)	13	13	14	14	**54**
Total Adjusted MAR	**3,933**	1,074	1,211	1,214	1,233	1,233	**4,892**
Forecast Volumes		**221.4**	**225.7**	**228.4**	**228.4**	**228.4**	

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(1) Maximum Allowable Revenue that Aurizon Network is entitled to earn from the provision of coal carrying train services on the CQCN.

UT5 Draft: Allowable Return on Capital

FINANCIAL OUTCOMES	UT4 FINAL	UT5 SUBMISSION
Decision Date	28 Apr 2016	n/a
Risk-free Rate	3.21%	2.13%
Averaging Period	20-Day to 31 Oct 2013	20-Day to 30 Jun 2016
Term of Risk-free Rate	4-year	10-year
Gearing Ratio	55%	55%
Benchmark Credit Rating	BBB+	BBB+
Asset Beta	0.45	0.55
Equity Beta	0.8	1.0
Market Risk Premium	6.5%	7.0%
Debt Margin(1)	2.94%	2.732%
Gamma	0.47	0.25
Return on Equity	8.41%	9.13%
Return on Debt	6.15%	4.86%
WACC (post tax nominal vanilla)	**7.17%**	**6.78%**

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(1) Debt margin includes debt transaction costs.

Aurizon Haulage

(Above Rail)

Aurizon Haulage – Summary of key credit highlights

1. Long term contracts with average unexpired life of more than 10 years
2. Revenue contracts include high fixed capacity charges
3. Well-established haulage customers and high quality mines predominantly operated by investment grade coal miners
4. Bulk freight and Intermodal provide diversification in Aurizon's Haulage operations
5. Strong financial position and ratings stability

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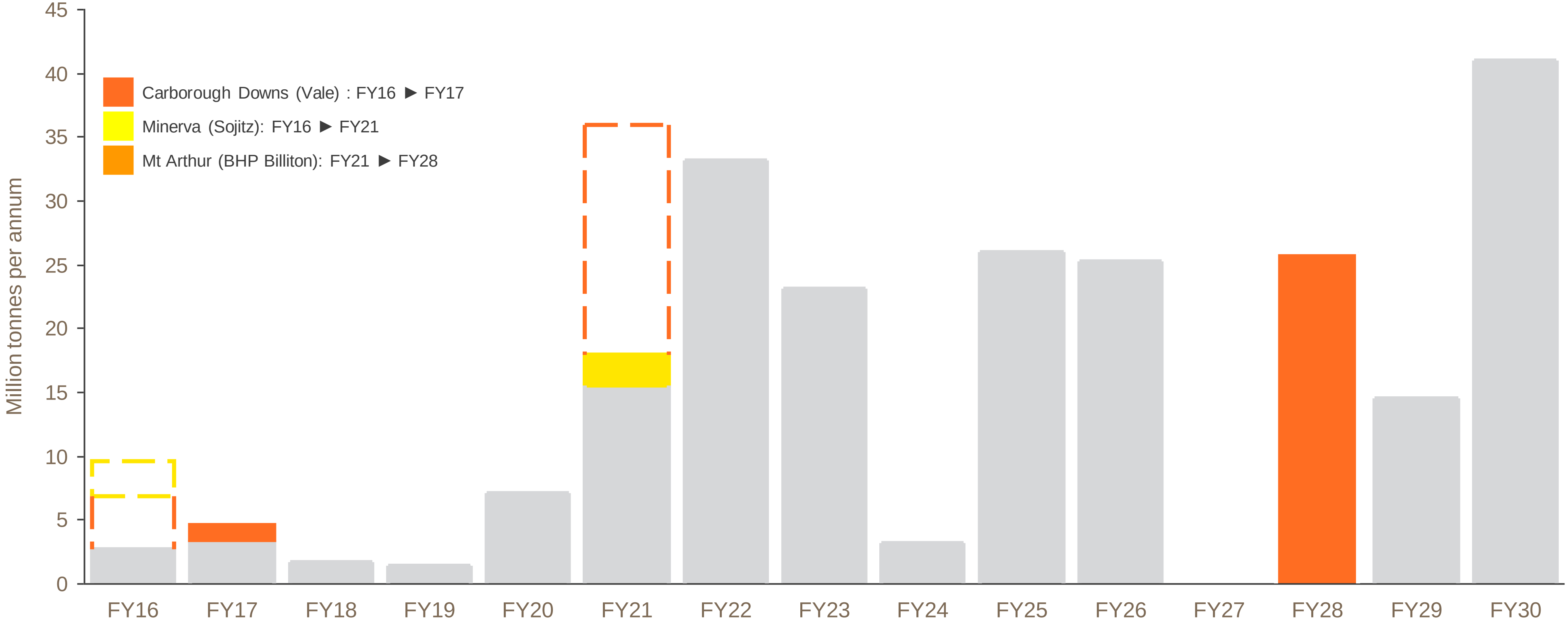
1 Long term contracts with average unexpired life of more than 10 years

Aurizon Haulage contract volume expiry by year (mtpa, as at July 2016)

No material contract expiries until FY22



Notes:

- *This represents the contracted tonnes as at July 2016*
- *Recent contractual changes indicated: Vale (Carborough Downs), Sojitz (Minerva) and BHP Billiton (Mt Arthur)*
- *Includes contracted tonnes where extensions are present such as BMA (Multiple Mines), Anglo (Dawson), Glencore (Newlands Collinsville) and New Hope (Multiple Mines)*
- *Immaterial variations to volume/term not announced to market*

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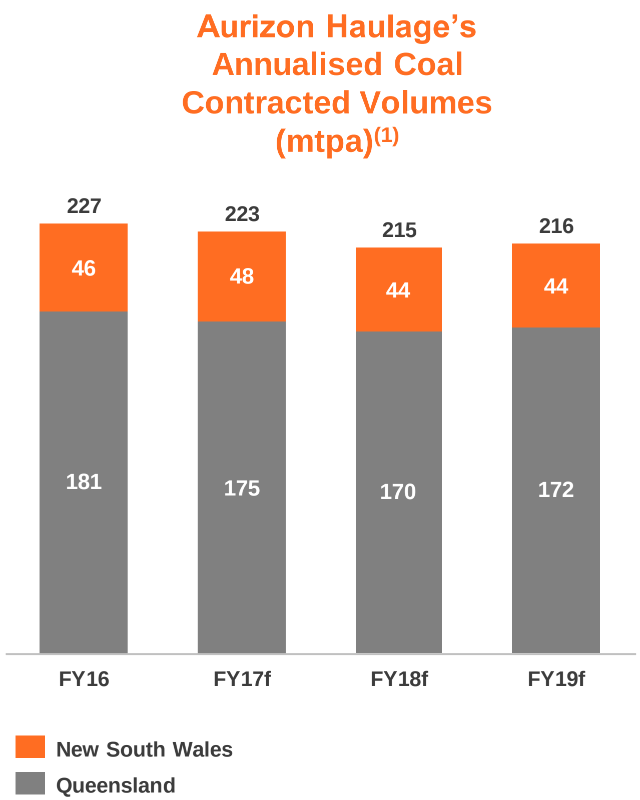
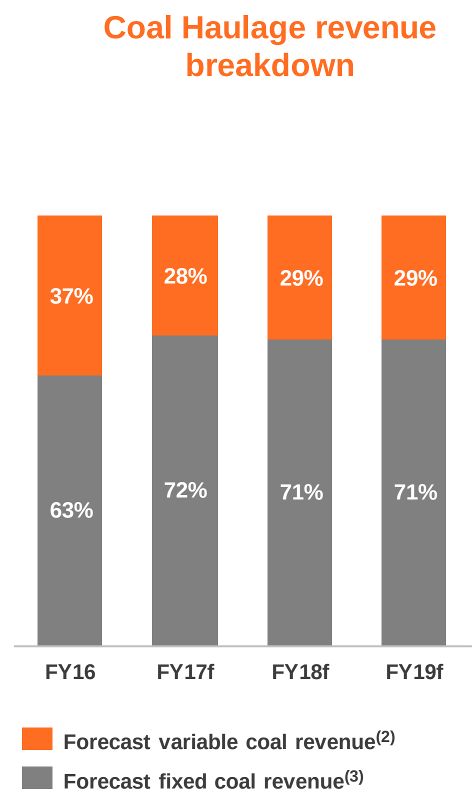
2 Revenue contracts include high fixed capacity charges





(1) This represents the contracted tonnes as at 30 June 2016. The existing Aurizon contracted tonnes includes nominations, options or other uncertain events that have the potential to cause variance in our "contracted" tonnes
(2) Variable coal revenue = Above Rail Variable Usage Charges/tonne including performance bonuses, incentives and fuel charges
(3) Fixed coal revenue = includes capacity charges and other revenue (i.e. deficit tonnage charges)

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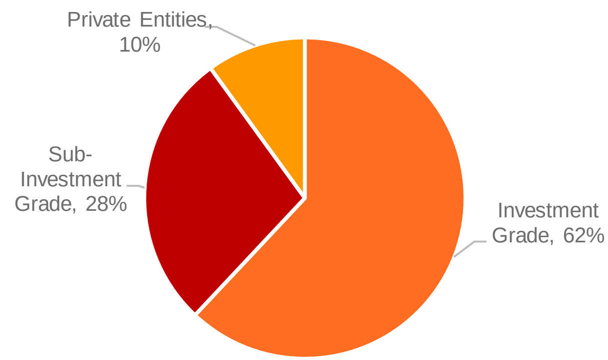
3

Well-established haulage customers and high quality mines predominantly operated by investment grade coal miners

Aurizon's customers are well-established with high quality mines that enabled volumes to remain strong and resilient

- Volumes are steady as Queensland continues to produce coal at a globally competitive cost taking advantage of key proximity to Asia.
- Cost only one factor considered as part of customer risk evaluation – other factors include credit rating, expandability, mine life and portfolio fit

Aurizon Haulage's contracts are predominately with investment grade coal miners[1]



(1) FY16 Aurizon Haulage Volumes. Source: S&P, some ratings are implied by S&P. If listed, then listed entity credit rating used. If listed but no S&P credit rating or if not listed, then parent company or majority shareholder rating used. If no single majority shareholder but multiple shareholders (equalling >50%) have either investment or non-investment grade ratings, then that grade used. If no majority credit rating, then considered a private entity.

4 Bulk freight and Intermodal provide diversification in Aurizon Haulage's operations

Iron Ore

- Although trading conditions have improved recently, Aurizon continues to work with customers in order to identify cost saving and productivity opportunities throughout the supply chain
- Weighted average contract life of 5.8 years
- Average contract utilisation of 104%

Bulk Freight

- Prices remain depressed for many commodities, resulting in a difficult environment for customers
- TSC renewed with Queensland Government – delivery of 900 regional freight and livestock services until December 2017

Intermodal

- While conditions in the Queensland Intermodal market are soft, Aurizon has seen solid growth in the Melbourne to Brisbane route and has maintained volumes between Melbourne and Perth despite a weak outlook in the Western Australian market
- Strategy continues to focus on the pursuit of Beneficial Freight Owners (BFO), with these customers now representing 73% of revenue (from 71% in H1 FY15)
- Heads of agreement signed with NSW Ports to operate the Enfield site in Sydney from May 2016, improving operational performance and service offering to customers

5 Strong financial position and ratings stability

- Aurizon Haulage comprises a number of entities in the Aurizon Group
- Debt facilities are in place for Aurizon Haulage
- Aurizon Haulage does not have a separate credit rating to the Aurizon Group. The Aurizon Group has held a Baa1 / BBB+ (negative / stable) credit rating since IPO
  - Aurizon Group was placed on review for downgrade by Moody's in January 2016, however the rating was subsequently affirmed at Baa1 (negative outlook)
- Aurizon Group is committed to maintaining investment grade credit ratings going forward

Overview of Aurizon Haulage debt facilities

Senior syndicated debt facilities	Maturity
A$300m syndicated facility	Jul-19
A$500m syndicated facility	Jul-20

Gearing (FY16)	**8.5%**
Gearing – Group (FY16)	**37.4%**

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Coal Industry Update

Coal update

Markets

- Australian export volumes stable in FY16 with increased seaborne market share
- Metallurgical coal:
  - 65% market share
  - Uneconomic US volumes continue to exit the market
  - Record Australian exports to India (#1 destination at 23%), other major markets Japan (22%) and China (20%)
- Thermal coal:
  - 23% market share
  - Reduction in US and Indonesia volumes
  - Record Australian exports to Japan (#1 destination at 41%) and South Korea (19%), other major markets China (15%) and Taiwan (10%)
- Australian coal supply continues to reduce Free-on-Board (FOB) costs through:
  - Ongoing reductions in production costs
  - Improvements in supply chain efficiencies including reductions in ship queues and demurrage costs

Customers

- Customer credit ratings (by FY16 volume):
  - Investment grade 62%, sub-investment grade 28%, private 10%
- Weighted average remaining contract life 10.5 years (Qld 10.6 years, NSW 10.2 years)
- No major contract renewals until FY22
- Coal contract utilisation remains 92%

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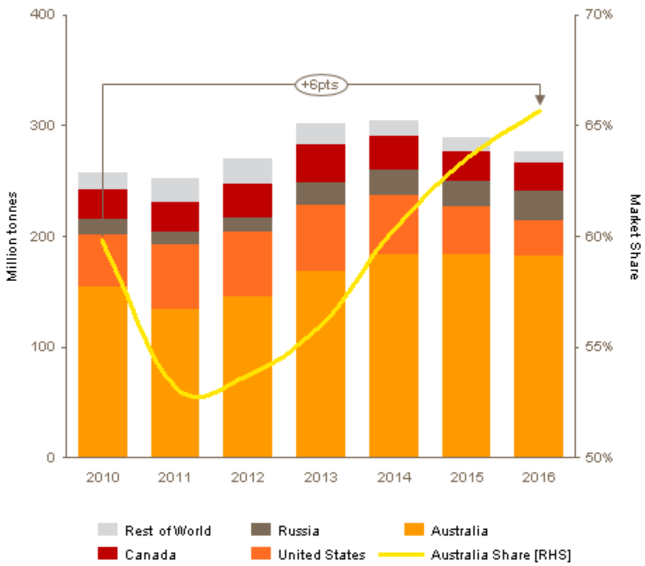
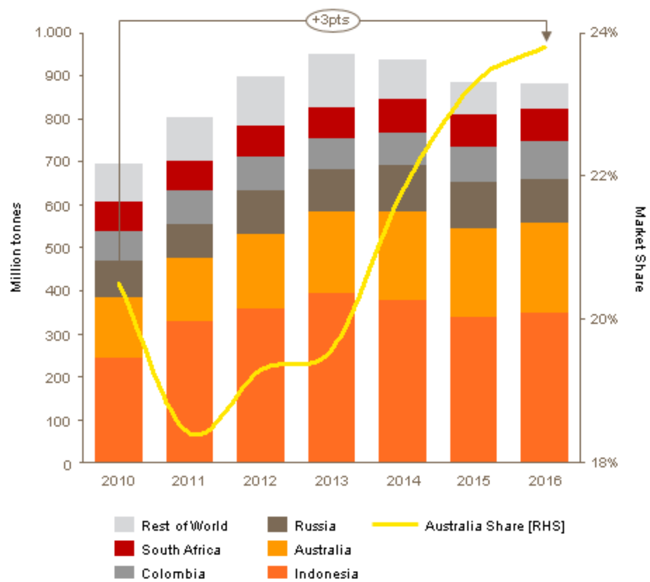
Australia is the world's largest exporter of seaborne coal with its proximity to Asia providing a competitive advantage

Metallurgical coal seaborne exports
Volume and market share, calendar years



Thermal coal seaborne exports
Volume and market share, calendar years



- **Australian volume resilient to date** with FY16 export volume broadly steady on the previous year.
- The strength of Australia supply is seen in **continued market share gains** for both metallurgical coal and thermal coal seaborne markets, assisted by reductions in volumes from the United States and Russia.
- In FY16 Australia exported **record high annual volumes** to India (metallurgical coal) and Japan, South Korea and Taiwan (thermal coal).
- Australian coal supply has achieved **ongoing unit cost reductions and supply chain efficiencies** (contributing to lower transportation costs), further improving the position on seaborne cost curves.

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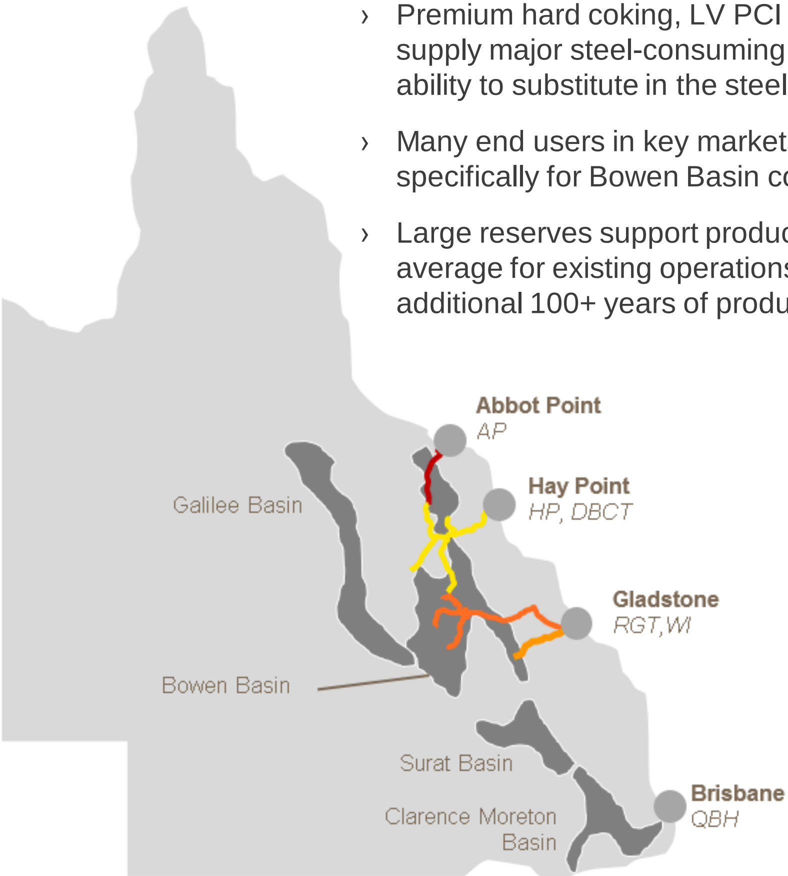
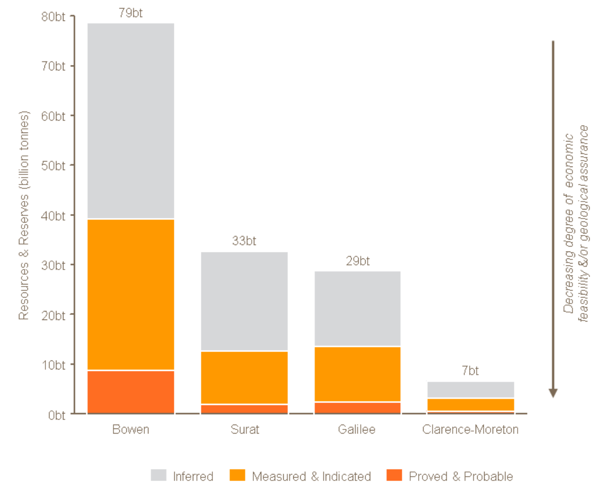
Source: Wood Mackenzie Coal Markets Tool, Australian Bureau of Statistics, Wood Mackenzie Coal Costs Benchmarking (Nov 2014 and 2015)

Queensland has the largest coal resources in Australia with a production life in excess of 30 years

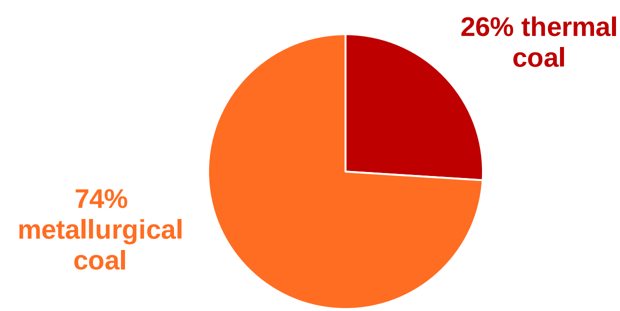
- The CQCN services the Bowen Basin region in Queensland, which supplies over 60% of the world's metallurgical coal
- Premium hard coking, LV PCI and semi-soft coking coal supply major steel-consuming nations and there is limited ability to substitute in the steel-making process
- Many end users in key markets have designed their operations specifically for Bowen Basin coal
- Large reserves support production life in excess of 30 years on average for existing operations, with resources supporting an additional 100+ years of production



Queensland coal reserves and resources(1)



Split of Queensland coal reserves by type(2)



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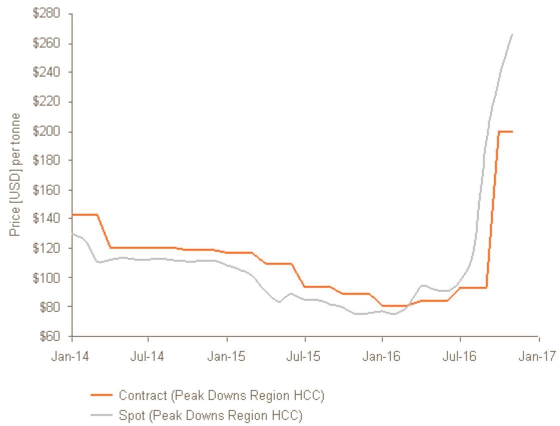
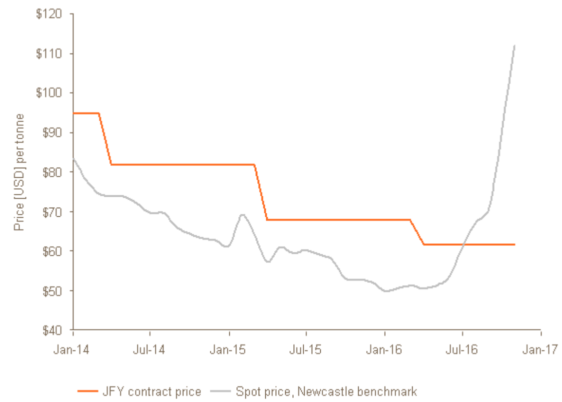
(1) Source: Queensland Exploration Scorecard 2014.
(2) Export coal only. Source: Wood Mackenzie Coal Coast Benchmarking.

Australia's coal assets are well-positioned on the global cost curve

Metallurgical Coal: Contract & Spot Price (USD)

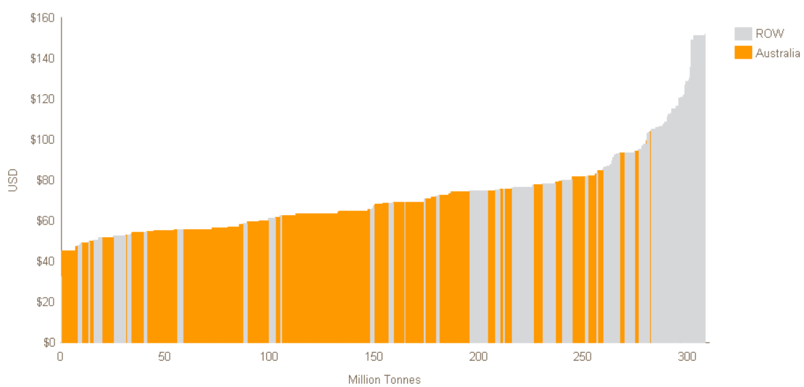


Thermal Coal: Contract & Spot Price (USD)

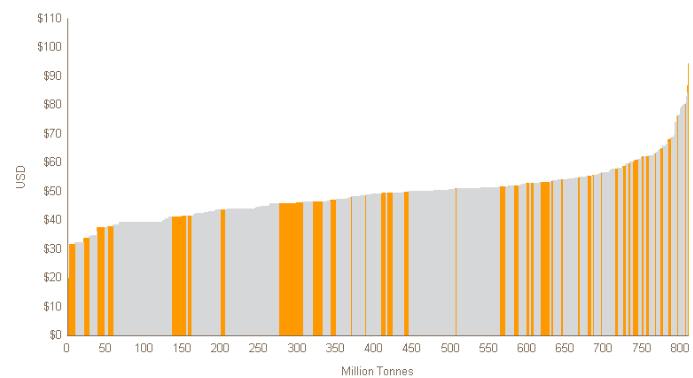


- Metallurgical coal from Australia is amongst the highest quality globally and is produced at relatively lower cost
- Australia's coal assets are well-positioned on the global cost curve resulting in resilience to fluctuations in the price for coal
- Cash costs[2] for Australian export metallurgical coal mines have declined 51% since 2012

Global metallurgical coal seaborne cost curve[1]



Global thermal coal seaborne cost curve[1]



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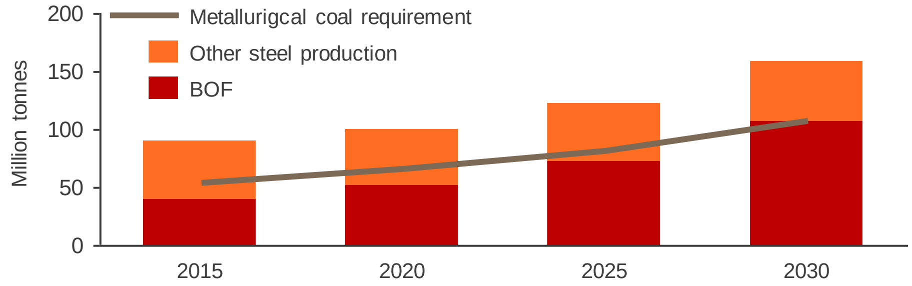
Source: Wood Mackenzie Ltd, Dataset February 2016, Bloomberg.
(1) FOB. Cost data source: Wood Mackenzie Cost Curve 2016 (Dataset: February 2016).
(2) Post-royalty.

The future of seaborne metallurgical coal

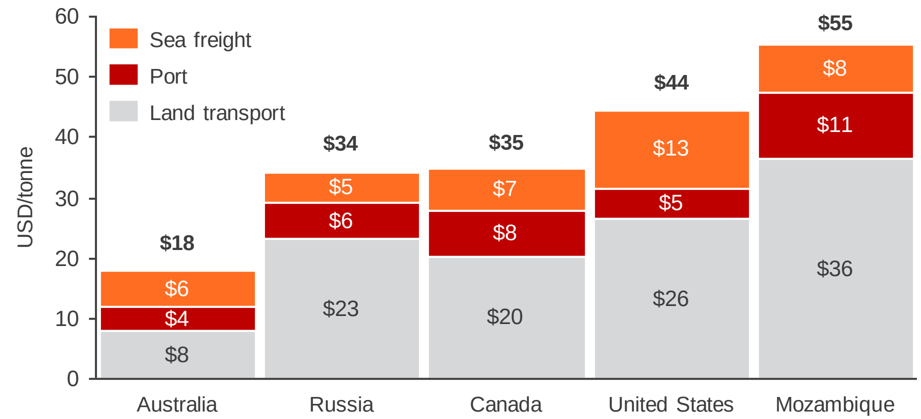
- Metallurgical coal has no substitute in the 'Basic Oxygen Furnace' (BOF) method of steelmaking, which represents 70% of global steel production. Resource analysts, Wood Mackenzie, forecasts that metallurgical coal will be required for the majority of steel production in 2030 and will almost double in India (Australia's largest metallurgical coal export destination) by 2030.
- There is a scarcity of metallurgical coal. Over 30% of global demand for metallurgical coal is met through international trade, over half of which is carried by Aurizon Network's Central Queensland Coal Network.
- In a market of increasing global demand for steel, Australia's success in the global seaborne metallurgical coal market is underpinned by the quality of its coal reserves, relative cost competiveness, proximity to end markets and access to reliable world class infrastructure.
- Australia has the lowest average land transportation and port costs. This is underpinned by Australia's established heavy haul coal networks interconnected with a small number of large port terminals, in close proximity to the largest importers of metallurgical coal, India and China.

Indian steel production and metallurgical coal demand



Source: Wood Mackenzie Global Coal Markets Tool.

Transportation costs from major metallurgical coal export countries to India



Source: Wood Mackenzie Coal Costs Benchmarking May 2016. Freight: Wood Mackenzie Global Coal Markets as at 2016, arrival India. Australia: Hay Point, United States: Hampton Roads, Canada: West Coast

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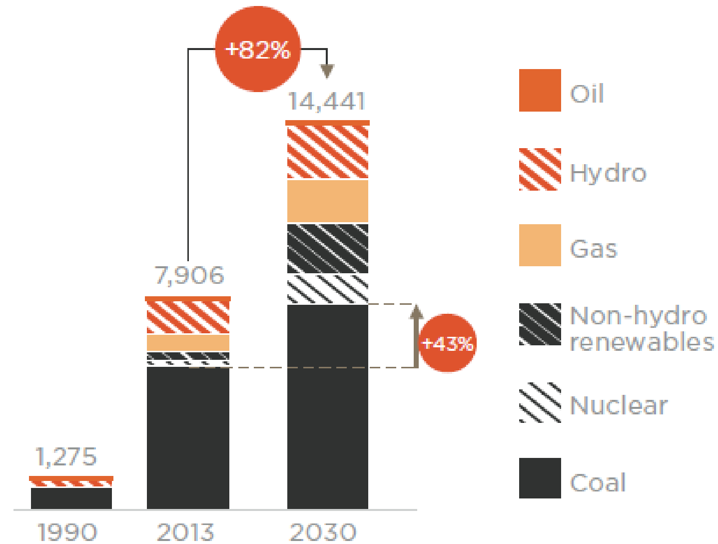
The future of seaborne thermal coal

- There is increasing global electricity demand, driven by economic development in Asia. Over one billion additional people will gain access to electricity by 2040, whilst an additional two billion will double their current levels per capita of consumption over the same period.
- Key thermal coal export destinations of Japan, South Korea, India and China all have plans to continue using coal through the adoption of more efficient power generation technologies. While a greater share of investment will be directed towards renewable energy capacity in these countries, coal-fired power generation is still expected to increase 43% in absolute terms to 2030.
- With the implementation of climate change policy, it will become increasingly important that the highest quality coal is used to reduce greenhouse gas emissions.
- Australia’s success in the global thermal coal market is underpinned by its high-quality lower-emission coal. On average Aurizon’s customers have the highest energy content and relatively low ash content when compared to most other major sources of thermal coal.

International Energy Agency (IEA) outlook for electricity generation in non-OECD Asia by source (TWh, share)



Source: IEA World Energy Outlook, New Policies Scenario 2015.

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Appendix – Financial Information

Aurizon Group – Underlying Profit & Loss

$m	FY2016	FY2015	Comment
Tonnes (million)	270.9	281.2	
Revenue	3,458	3,780	Provision of access to the CQCN and freight haulage services across Australia
Operating costs	(2,026)	(2,291)	Predominantly consumables (509), employee benefits (891) and track access (315)
EBITDA	1,432	1,489	
Depreciation and amortisation	(561)	(519)	Predominantly depreciation of rollingstock (220) and infrastructure (262) assets
EBIT	871	970	
Net finance costs	(150)	(135)	Interest and finance charges
Profit before tax	721	835	
Income tax expense	(211)	(231)	
NPAT	510	604	

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Aurizon Group – Balance Sheet

As at ($m)	30 June 2016	30 Jun 2015	Comment
Total current assets	844	934	Current assets balance predominantly made up of cash (69), trade and other receivables (514) and inventory (153)
Property, plant & equipment	9,719	9,900	Predominantly rollingstock and infrastructure assets
Other non-current assets	305	502	Other non-current assets consists of intangibles such as software (190), derivative financial instruments (77)
Total assets	**10,868**	**11,336**	
Other current liabilities	(732)	(845)	Predominantly trade and other payables (297), provisions (274) and tax liability (80)
Total borrowings	(3,490)	(2,983)	Borrowings in relation to medium-term notes (2,086) and syndicated facilities (1,415)
Other non-current liabilities	(932)	(1,002)	Other non-current liabilities consists of deferred tax liability (589) and income received in advance (222)
Total liabilities	**(5,154)**	**(4,830)**	
Net assets	**5,714**	**6,506**	
Gearing (net debt/net debt + equity)	**37.4%**	**30.2%**	

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Aurizon Group – Free Cash Flow

$m	FY2016	FY2015
EBITDA - statutory	904	1,489
Working capital & other movements	(85)	7
Non-cash adjustments - impairment	528	-
Cash from operations	**1,347**	**1,496**
Interest received	2	9
Income taxes (paid) / received	(131)	11
Net cash inflows from operating activities	**1,218**	**1,516**
Net cash outflow from investing activities	**(740)**	**(1,161)**
Free Cash Flow (FCF)	*478*	*355*
Net proceeds from borrowings	442	103
Payment for share buyback and share based payments	(355)	(81)
Interest paid	(138)	(128)
Dividends paid to company shareholders	(529)	(396)
Net cash outflow from financing activities	**(580)**	**(502)**
Net (decrease) / increase in cash	**(102)**	**(147)**

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Aurizon Network – Underlying Profit & Loss

$m		FY2016	FY2015	Comment
Tonnes (million)		225.9	225.7	
Revenue	- Access	1,136	1,048	Provision of access to the CQCN
	- Services/Other	43	60	Provision of other incidental services
Total Revenue		**1,179**	**1,108**	
Operating costs		(415)	(409)	Predominantly consumables (147), energy and fuel (125) and employee benefits (117)
EBITDA		**764**	**699**	
Depreciation and amortisation		(258)	(215)	Predominantly depreciation of infrastructure assets (247)
EBIT		**506**	**484**	

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Aurizon Network – Balance Sheet

As at ($m)	30 June 2016	30 June 2015	Comment
Total current assets	289	376	Current assets balance predominantly made up of trade and other receivables (241) and inventory (44)
Property, plant & equipment	5,432	5,360	Predominantly infrastructure assets
Other non-current assets	157	75	Other non-current assets consists of derivative financial instruments (77) and intangibles such as software (65)
Total assets	**5,878**	**5,811**	
Other current liabilities	(305)	(266)	Predominantly trade and other payables (160), tax loan payable to parent entity (53) and income received in advance (44)
Total borrowings	(3,003)	(2,938)	Borrowings in relation to medium-term notes (2,085) and syndicated facilities (915)
Other non-current liabilities	(778)	(794)	Other non-current liabilities consists of deferred tax liability (533) and income received in advance (221)
Total liabilities	**(4,086)**	**(3,998)**	
Net assets	**1,792**	**1,813**	
Gearing (net debt/net debt + equity)	**62.6%**	**60.9%**	

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Aurizon Network – Free Cash Flow

$m	FY2016	FY2015
EBITDA - statutory	756	700
Working capital & other movements	(21)	(2)
Non-cash adjustments - impairment	8	-
Cash from operations	**743**	**698**
Interest received	2	1
Income taxes (paid) / received	(53)	7
Net cash inflows from operating activities	**692**	**706**
Net cash outflow from investing activities	**(405)**	**(586)**
Free Cash Flow (FCF)	*287*	*120*
Net proceeds from borrowings	1	372
Capital distribution to Parent	(0)	(2)
Interest paid	(130)	(120)
Finance lease payments	(2)	(2)
Dividends paid to company shareholders	(269)	(253)
Net cash outflow from financing activities	**(400)**	**(4)**
Net (decrease) / increase in cash	**(113)**	**115**

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Aurizon Haulage – Underlying Profit & Loss

$m	FY2016	FY2015	Comment
Revenue	3,083	3,385	Provision of freight haulage services across Australia
Other income	268	300	Dividend income from internal investments
Operating costs	(2,437)	(2,639)	Predominantly consumables (1,610) and employee benefits (775) in relation to haulage services
EBITDA	**914**	**1,046**	
Depreciation and amortisation	(304)	(304)	
EBIT*	**610**	**742**	

Aurizon Haulage is the Group as disclosed per the Aurizon Annual Report 30 June 2016 Note 22 Deed of cross guarantee. The deed of cross guarantee group consists of all Group entities excluding Aurizon Network Pty Ltd, Aurizon Moorebank Pty Ltd, Aurizon Moorebank Investment Pty Ltd, Aurizon Moorebank Holding Pty Ltd, NHK Pty Ltd, Aurizon International Pty Ltd and Iron Horse Insurance Pte Ltd.

*Underlying EBIT differs from statutory EBIT as per Note 22 due to impairment of $516m

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Aurizon Haulage – Balance Sheet

As at ($m)	30 June 2016	30 Jun 2015	Comment
Total current assets	648	660	Current assets balance predominantly made up of cash (61), trade and other receivables (467) and inventory (109)
Property, plant & equipment	4,314	4,558	Predominantly rollingstock assets
Other non-current assets	1,434	1,631	Other non-current assets consists of investments in subsidiaries (1,223) and intangibles such as software (125)
Total assets	**6,396**	**6,849**	
Other current liabilities	(639)	(685)	Predominantly trade and other payables (314), provisions (236) and tax liability (80)
Total borrowings	(497)	(57)	Borrowings in relation to revolving credit facilities
Other non-current liabilities	(154)	(210)	Other non-current liabilities consists of deferred tax liability (57) and provisions (91)
Total liabilities	**(1,290)**	**(952)**	
Net assets	**5,106**	**5,897**	

Aurizon Haulage is the Group as disclosed per the Aurizon Annual Report 30 June 2016 Note 22 Deed of cross guarantee. The deed of cross guarantee group consists of all Group entities excluding Aurizon Network Pty Ltd, Aurizon Moorebank Pty Ltd, Aurizon Moorebank Investment Pty Ltd, Aurizon Moorebank Holding Pty Ltd, NHK Pty Ltd, Aurizon International Pty Ltd and Iron Horse Insurance Pte Ltd.

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Glossary

Defined Term	Definition
Access Facilitation Deed	Assets that have the construction cost paid by the customer
Access Revenue	Amount received for access to the Aurizon Network infrastructure under the Access Agreement
AT	Access tariff
CQCN	Central Queensland Coal Network
Free cash flow	Net operating cash flows less net cash flow from investing activities. Interest payments have been classified as Financing and Investing Activities rather than Operating activities.
Gamma	The average percentage value of imputation credits to equity holders, as ascribed by the QCA in the relevant access undertaking
GAPE	Goonyella to Abbot Point Expansion
Gearing	Net debt / Net debt and Total Equity
HCC	Hard coking coal
LV PCI	Low volatile pulverised coal injection
Maintenance	Maintenance costs exclude flood repairs, mechanised ballast undercutting, derailment repairs and electric traction maintenance
MAR	Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services on the CQCN
mt	Million tonnes
mtpa	Million tonnes per annum
NTK	Net Tonne Kilometre. NTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons
Operating Ratio	1 – EBIT margin. Operating ratio calculated using underlying revenue which excludes interest income & significant items
Opex	Operating expense including depreciation and amortisation
QCA	Queensland Competition Authority
RAB	Regulated asset base
SSCC	Semi-soft coking coal
ToP	Take-or-Pay. Contractual ToP provisions entitles Aurizon Network to recoup a portion of any lost revenue resulting from actual tonnages railed being less than the regulatory approved tonnage forecast
Underlying	Underlying earnings is a non-statutory measure and is the primary reporting measure used by Management and the Group's chief operating decision making bodies for the purpose of managing and determining financial performance of the business. Underlying results differ from the Group's statutory results. Underlying adjusts for significant/one-off items
UT3	Access Undertaking 3 (1 July 2009 - 30 June 2013)
UT4	Access Undertaking 4 (1 July 2013 - 30 June 2017)
UT5	Access Undertaking 5 (1 July 2017 - 30 June 2021)
WACC	Weighted average cost of capital
WIRP	Wiggins Island Rail Project


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