**TRANSCRIPTION**

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| **Company:** | **Aurizon** |
| **Conference:** | **ASX Announcement Market Update** |
| **Date:** | **23rd December 2015** |
| **Duration:** | **48 minutes** |

**[START OF TRANSCRIPT]**

Operator: Thank you for standing by and welcome to the Aurizon ASX announcement market update. All participants are in a listen-only mode. There will be a brief presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number 1 on your telephone keypad.

I would now like to hand the conference over to your first speaker today, Mr Lance Hockridge. Please go ahead.

Lance Hockridge: Thanks for that. Thanks everybody for joining us. I recognise both that being late in the day and late in the month, particularly this month of the year, so we appreciate the opportunity, though, to be able to give you some flavour around today's announcement.

I should observe first up, ordinarily of course we'd not want to be in a position of having this kind of an announcement at this time of year. But of course it was driven by the fact that there was a participants' meeting, as I think most of you are aware, of the West Pilbara participants in Hong Kong on Monday.

Given that arising out of that we had the statements that we've made this afternoon, we also wanted to make sure that to the extent that there were other things that we wanted to talk to the market about, we did it in one hit rather than dribbling things out over the coming weeks. But again, appreciate that that's - [represents] a situation where there's a fair number of matters in front of us.

I propose just to talk high level about a few of those but then invite Keith, in particular, around volumes and earnings and so forth to make some more detailed remarks and give some further colour.

Perhaps then, if I start with West Pilbara, I think the announcement was pretty straight forward today. I would observe that the participants were, to use the phrase, all on the same page around the announcement today. Certainly very good progress has continued around the technical, operational design et cetera. But no surprise that the market conditions are somewhat too challenging to justify undertaking new expenditure in that space.

The main area, I guess, around which we wanted to talk was around this question of volumes and earnings, particularly with respect to volume. To make the observation that there's again a different story as between the different parts of the business. For a coal point of view, below rail is running at pretty much the same rate as it was last year. There's no reason, given what we see at the moment, not to expect that the outcome for the full year won't be of the same magnitude of strength as was FY15.

To give you a data point, for example, we hit a milestone of 100 million tonnes of throughput through QC and on the - on the 10th of this month. So that gives you a sense of what I'm talking about. It's above rail of course where we've seen a combination of things that we've spoken about before and Keith will talk a little more about. Clearly there's a degree of volatility given market conditions and price conditions out there. But there's also some specifics in that space.

Again, by way of a data point, by way of flavour, 12 months ago, even earlier this year, we would have expected that the BMA rail throughput would have been at about the 11 million, 12 million tonne level, consistent with those new mines and normal throughput. In fact, by virtue of the particular program that BMA's been running with BMA rail, they've been running at what in the last couple of months has been an annualised run rate of 17 million, 18 million tonnes. So you can see right there there's a delta in terms of our volumes.

We would expect that that sort of strength will continue, given the way that BMA is operating those trains. As I say, I'll hand over to Keith here in a minute and he'll give you a little more flavour around some of those things.

Iron ore, though, is running at exactly the advised rates, notwithstanding the market out there at the moment. Intermodal is a continuation of the messaging that we gave you at the investor day a couple of months ago, that we're running at or above the advised rates in that space, with some of the changes and some of the contract wins that we've seen.

With respect to the earnings, you're seeing therefore the full-year impact of some of the reduction that we spoke about as long ago as the full year. But again, Keith will talk about some more detail in that space. I certainly though wanted to make the point that again reflecting back to the investor day in October where we anticipated the need to continue to accelerate the transformation, the continuous improvement in the business and we set those target savings of between $310 million and $380 million through FY18. The observation that I would make to you is that those savings are certainly gaining momentum, as we have put in place a range of further initiatives, over and above the ones that have already been coming through that you've seen reflected in the productivity and the efficiency of the company.

As has been the case over some months, indeed years now, our ability to be able to deliver on those transformation targets, on those saving targets, is of a high order. We've got high and increasing levels of granularity around where those savings are coming from, much of which, of course, was explained in that investor day in October. We can certainly ask - answer, rather, any of your questions with respect to those impairments. The rolling stock in particular I draw out, though, as an example of what I was just talking about. That as we have gone every day forward, we continue to improve the productivity of the fleet, we improve the efficiency of the fleet and the harsh reality of the situation that we're looking at at the moment is that the overall fleet productivity and efficiency improvement is outstripping any change in the production demand in the tonnage throughput, which again is representative of the continued focus, drive and success of the transformation program.

In summary, yes there's a wide range of issues at play here. Yes, we're certainly seeing a volatile marketplace out there. We, through these announcements today, have tried to reshape to those market conditions. Fundamentally though, I would say to you that the business remains robust, the business remains resilient, the story of the business has, for so long, been a story again of transformation and continuous improvement. That story continues, those results will continue to underpin my confidence in being able to continue to meet our goals.

With those remarks, Keith, perhaps if I could invite you to give a little more detail and flavour on a couple of those matters.

Keith Neate: Thanks, Lance, and good afternoon everybody. I'll briefly talk through the EBIT bridges to the guidance we've given of $390 million to $410 million for the first half 2016, going back first half 2015 and second half 2015. Then I'll give a brief comment on the run rate we're at at the moment. But obviously we haven't provided any guidance for the full year at this point in time because, as referring back to Lance's earlier comments, we haven't completed that work at this point in time.

In terms of the first half 2015 to first half 2016 EBIT reconciliation, there's three adjustments, all of which were highlighted at the full-year results. Being the sale of the Redbank property where we earned a profit of some $40 million. That hasn't recurred. The TSC, the maintenance contracts with Queensland Rail and the CRT revenue streams, the total revenue reduction for the year will be in the order of $200 million. The impact of those three on the EBIT for the first half 2016 versus the prior year is in the order of $35 million. Then again, as we alluded to, there would be a share issue to employees post the full-year results announcement, that's costing the order of $16 million. So they're the three key drivers.

If you take the $486 million of EBIT we made in the first half of FY15, take those $91 million off, the comparable number for the current year is $395 million. As Lance has made reference to, we're seeing pressures on the revenue line with our customers and we're seeing some degradation in the revenue quality there. That has been offset by the continuing improvement in the transformation program. But as Lance has referred to, the second half of the year, we would expect to see that transformation benefit accelerating.

If I turn to the second half 2015 result to the first half 2016, you may recall the EBIT in the second half of last financial year again was in the order of $484 million. Again, there's three or four principle differences between the two periods. Obviously the TSC, CRT, SC121 maintenance contract had a similar impact in the first half. Because the contract was evenly split over the year, so we've seen that same impact of about $35 million in the first half of 2016 as the contract revenue dropped at 30 June when the contract ended.

Secondly, the employee share issue. Again, that $16 million I referred to wasn't in the second half of FY15. The third principle one is the enterprise agreements. You'll recall we got approval from Fair Work and the agreements were validated in the second month of the period, at which point there was a 4% increase, both in the remuneration and in the accrued long service and annual leave balances. Over the four months to December, that's cost us something in the order of $25 million compared to the prior year.

The savings, the improvement in the bottom line of the business, the transformation benefits that we're deriving through the flexibility that those agreements give us are well advanced. But obviously, we've had only four months to get them in place and get them up and running. So we would expect to see the real value from those, the full run rate from those materialising in the second half of the year.

Turning then to that run rate of $484 million that we achieved in the second half of 2015. At this point in time, we would expect to see something similar in the second half of the current year. Obviously we're not in a position to give guidance at this point in time. But what we are seeing is, as Lance referred to, an acceleration of the transformation benefits. Whilst there is still pressure on the revenue line, we're seeing those transformation benefits match and exceed the revenue degradation that we've seen so far. So in the second half of the year, we would expect to recover much of the one-offs that we've seen in the first half.

I don't have any further comments to make at this point so perhaps we can open it to Q&A.

Operator: Thank you. At this time, if you wish to ask a question, please press star then one on your phone and wait for your name to be announced. If you wish to cancel your request, press star then two. If you are speaking on a speakerphone, please pick up the handset to ask your question.

The first question comes from Matt Spence with Merrill Lynch. Please go ahead.

Question: (Matt Spence, BofA Merrill Lynch) Hi guys, hey Keith, thanks for that bridge but I don't think I got it straight. $486 million in first half 2015, then you're saying the impact from the three issues, so Redbank, TSC and CRT, did you say the cumulative impact from those three was $35 million EBIT, is that right?

Keith Neate: From the revenue contracts, yes.

Question: (Matt Spence, BofA Merrill Lynch) Okay.

Keith Neate: You've got $40 million on Redbank, you've got $35 million or so from the revenue contracts and then you've got the $16 million from the employee share issue. Together they make $91 million.

Question: (Matt Spence, BofA Merrill Lynch) Yep, great, okay yeah. So it's $40 million plus the $35 million plus $16 million?

Keith Neate: Yes.

Question: (Matt Spence, BofA Merrill Lynch) Yep, great. Okay, thank you. So I think we really had the $40 million from Redbank in the - well we should have had the $40 million from Redbank and the $35 million from the other two already in our numbers and maybe consensus didn't fully have it in. But I guess consensus was still at $500 million for the first half, now - the midpoint of what you're guiding to is now $400 million. Does that all go against coal, that $500 million down to $400 million in the case - if we had Redbank and the TSC and CRT already in numbers?

Keith Neate: No, it doesn't. The numbers we're talking about, obviously Redbank was an asset sale. The costs that go against the coal business would be probably 80% of the share issue, that's where most of the staff sit. Obviously some of the revenue from the maintenance contract would sit in there as well. But the majority of the EBIT from those revenue contracts would sit in the freight business.

Question: (Matt Spence, BofA Merrill Lynch) Yep, okay. Then you're talking about the pricing pressure in coal, how do we think about that? So is that...

Keith Neate: It's not so much pricing pressure, Matt, it's a continuation of the programs that the resource companies, the miners have been driving for the last couple of years. It's all around them actually managing their contracts far more efficiently than perhaps they have done historically. It doesn't cover all of contracts but certainly the impact we're seeing goes from the top line straight to the bottom line. Again, much of these revenue impacts do because of the high fixed-cost nature of our business.

But what we're seeing is the miners are moving from rather than a production-based demand profile, they're actually going to an even railing profile. So they're eliminating the volatility. It was the volatility where on the down side, we were protected with take or pay, or capacity charge protection. On the upside, we would earn bonuses or performance incentives for over-railing on a particular month's tonnage.

Question: (Matt Spence, BofA Merrill Lynch) Okay, yep.

Keith Neate: So they've just got smarter at managing their contracts. Now it's not all contracts, don't get me wrong, this doesn't apply across the board. Some only had annual targets, others did have monthly ones. It's the monthly ones where we're seeing them perform better and therefore avoid incurring those performance incentives.

Question: (Matt Spence, BofA Merrill Lynch) Yep, okay. Just one last one, Lance, if we connect the two most recent announcements that you've had, today and previously the COO leaving, is there any link that we make between those two announcements?

Lance Hockridge: No. Most assuredly not, Matt. Mike's done a great job and there is absolutely nothing. If anything, particularly if you think about what the impairment around the rolling stock says to us, for example, it just underpins the great job that he has done. But if you think back, it's been three years now since we brought Mike on board and you'll recall the whole saga, if I can use that term advisedly, why I waited so long to get somebody like Mike. Notwithstanding all of the obvious issues that are always attendant around ex-pats and that.

But the two key goals in bringing in Mike were firstly around transferring the IP, in other words having that real depth and capability of railroading in the organisation. Secondly, building the bench strength. Particularly being able to build a bench strength which will allow for the continuation of the momentum. Certainly I'd say I'm very confident about that and Mike would say the same thing. It's part and parcel of the decision making that he's been through.

Question: (Matt Spence, BofA Merrill Lynch) Okay, thanks guys.

Operator: Thank you. The next question comes from Ian Myles with Macquarie. Please go ahead.

Question: (Ian Myles, Macquarie) Good afternoon, guys. Okay, with these coal contracts, how many of your coal [companies] have actually come in and started to ask to extend the contracts [per] up-front price to clients? And it may be MPV neutral to you but are you starting to see this pressure in some of the commentary, should we be interpreting there is a little bit of that occurring inside these numbers?

Keith Neate: I'll take that one, Lance. No, is the short answer, Ian. We're certainly looking forward at those contracts that are up for expiry during the course of the next couple of three years and seeing how we can address them early. Obviously price reflects the current market conditions. But there's no material contracts due for renegotiation for the next five or six years.

Question: (Ian Myles, Macquarie) Okay. In terms of - network hasn't been mentioned here yet it seems like a lot the issues you've talked about; Redbank sale and the like, we've tried to factor in, I've always had a pretty steep decline in that above-rail business. Why aren't we seeing a leverage in the networks business coming through? Because you've got another $800 million of assets on foot, UT4 doesn't look particularly onerous, if anything it probably looks slightly better than that original draft. Why aren't we seeing the leverage there when you're telling me below-rail volumes aren't being affected?

Keith Neate: Look, I think it's fair to say at the moment, Ian, with UT4 still in draft, there is no resolution that we can reflect in the numbers at this point in time. UT4 in and of itself, if the consolidated draft is finalised, has a small upside for us, depending on how they determine the [true up]. In terms of taking it forward, we'll have to wait and see where the QCA finally ends up.

Question: (Ian Myles, Macquarie) Are you getting any benefit from Wiggins Island this year or is that actually [effectively], given what the QCA's done, going to result in you really having no leverage to Wiggins Island in the first couple of years to the operation?

Keith Neate: On the basis that the QCA has kicked the Wiggins Island issue down the road again with the consolidated drat, I think it's going to be challenging to see any real leverage coming from that in the current financial year, Ian. What we are seeing is some very small, ad-hoc tonnes being railed which we're obviously billing for. But none of the regulated fees are being billed at this time because the QCA hasn't concluded.

Question: (Ian Myles, Macquarie) So you're not going to effectively book any of those fees in FY16 for Wiggins Island, so there's really no revenue from that asset?

Keith Neate: I think I'd struggle to persuade the auditors to let me book that, so...

Question: (Ian Myles, Macquarie) No, that's fine, clearly I've got a view that you were going to have some revenue but clearly there's going to be nothing?

Keith Neate: Look, I can't say there'll be nothing. We've been down this path too many times over the last two years to start predicting what the QCA [unclear]. I wish I could, I'd probably do quite well in the fortune-telling space.

Question: (Ian Myles, Macquarie) Okay, that's fine. Look, the final issue is, your cost-reduction program, there doesn't seem to be a lot of leverage or conversion of these savings, much of it's about standing still. Is this really just the theme of this whole program? I guess it then begs the question; how do you actually achieve that goal of 30% EBIT margin when we've just seen effectively this half and previous halves, the cost-reduction programs literally evaporate into lost revenue? Given what you described as an environment, it doesn't look like the revenue environment's going to be particularly generous to you in the coming two to three years.

Keith Neate: It's challenging, no doubt about that, Ian. The transformation programs are delivering real value to the bottom line. Over the period we're talking about, obviously there's north of $300 million in gross savings. But against that, yeah, we've got 4% escalation, we've got CPI costs going against that as well. So it is a challenge and every dollar we lose off the top line, until much of the transformation is fully embedded, our cost base is still essentially very highly fixed.

Part of the transformation is to variables that far more than it currently is, so that we can respond more effectively to variations in tonnes and revenue quality.

Lance Hockridge: A lot of that goes back to what we were saying in October, Ian. I agree with what Keith is saying. We're going through this period where we are effectively, for the moment, running hard to stand still. But that's the observation that I made about the momentum, is we're progressively putting these change management arrangements in place. It is bloody tough, as Keith says, but it is the reality. The reality that we're reflecting is that we do expect to be able to do that. Obviously subject to what that top line continues to do for us.

But through reflecting back on the presentation that Mike made in October for example, about the technology, the continued operating efficiencies, et cetera, et cetera, that's all running at or ahead of schedule. Our general observation with respect to the impact of the [EBA] changes that we've put in place so far are that we are again seeing the opportunity to be able to out achieve what we had expected. But again to Keith's point, so much of course of our cost base is labour, and so we wear the redundancy costs as well on the way through.

Question: (Ian Myles, Macquarie) Can I ask one final question? You gave guidance at your AGM on 12 November about coal volumes and sales at 210 million to 220 million tonnes. You've now revised it 40 days later. What meeting occurred to have that change? Have coal nominations come in from your clients to such that you now know with pretty good certainty that that's a far more plausible reason? Or is there something else occurred?

Lance Hockridge: No, there's not something else and it's - as you would have picked up, Ian, it's partly why I was as specific as I was about BMA rail. That as the days have gone by, the ability to be able to see through what a realistic run rate is in that space, and we all know in the period since October, what has happened around price and general market conditions. Self-evidently, the closer you get to the end of the year, the more visibility you do have. But we're still in that situation where, with respect to the second half of the year, we look to what the miners say when they come back in January. We all see what the WIP looks like, what the market looks like, et cetera.

Question: (Ian Myles, Macquarie) Okay, thank you.

Operator: Thank you. The next question comes from Anthony Moulder with Citigroup. Please go ahead.

Question: (Anthony Moulder, Citigroup) good afternoon all. Just a few questions from me following on. I guess previously the guidance given is an operating ratio guidance, are you still committed to delivering that 73% in 2016 and 70% by 2018?

Lance Hockridge: Yes, we are, Anthony. We wanted, for all the reasons that we've been talking about this afternoon though, to be clear because of those full year to half and first half to second half - or fourth to first more accurately - that Keith referred to, to be clear about what we expected those impacts to be.

Question: (Anthony Moulder, Citigroup) But that would suggest a very significant impact to revenue, given you've given us an EBIT forecast, you're saying the second half is broadly in line with second half of 2015. Obviously the [detail] around that is a fairly significant reduction in revenue, far in excess of the $200 million that you've talked to previously.

Keith Neate: I think it's fair to say, Anthony, that we haven't completed our outlook in terms of the full year yet. As Lance referred to, we'll get much greater transparency and clarity on volume expectations in the second half of the year. With continuing revenue pressure, I think it's fair to say that our OR targets are a real challenge. It's something that we're working hard to achieve. But we'll give further guidance and outlook on that at the half-year results.

Question: (Anthony Moulder, Citigroup) [Unclear], here we are on - what is it - 23 December, do I take the reduction in the full-year coal volume targets to be implicit in your expectations for the first half? Given that we are here on 23 December, what are the expectations for the first half coal volumes?

Keith Neate: In terms of the first half, we're probably looking at something in the order of 103.5 million to 105 million. Again, it's often a strong railing month so we're just seeing how performance goes.

Question: (Anthony Moulder, Citigroup) Okay. Last question, if I could. The revenue impacts that you pointed to as far as some of the mix shift effectively in some of the above-rail haulage contracts, when did that start? I think Lance has talked to a lot of these impacts being one off, I suspect that that impact of that mix change is not one off. So I guess how much further of that is yet to play out into the second half and beyond?

Keith Neate: Look, I think it's a moving feast on that one at the moment, Anthony. It's something that we're working closely on. At this point in time, I can't accurately predict where it'll eventuate. However, we are putting in place whatever we can to mitigate the impacts. The benefit for us from it, it's not all one way, is that as a consequence of there being even railings, it gives us an ability to remove the volatility from our cost base as well. So we're seeing an acceleration in some of the improvements there.

This isn't a phenomenon that's been in place for six, nine, 12 months. This is something that we've seen occurring over the last two, possibly three months. So it is still early days in this regard. You'll recall the volume outlook - sorry, the volume update that we gave at the end of the first quarter was pretty much - well it was very much in line with the guidance we'd given. It's only since then that we've begun to see in the latter weeks of November in particular, the changes in the volume outlook. But also the revenues coming through from - or revenue quality, rather, coming through from the contract management issues.

Question: (Anthony Moulder, Citigroup) Understood, thank you.

Operator: Thank you. The next question comes from Paul Butler with Credit Suisse. Please go ahead.

Question: (Paul Butler, Credit Suisse) Hi, thanks guys. Could you just comment about the optionality that customers have to reduce the contracted volumes that they have to offer? Because I understand BMA and Peabody have options in their contracts. How much more can they reduce the volumes within the contract? Are there other customers who also have these types of options?

Keith Neate: Thanks, Paul. The answer to that is, the likes of BMA have to nominate in advance their tonnages but there are step changes that they can nominate based on certain anniversary dates. There's a few other contracts we have with similar revenue - sorry, volume conditions, but the vast majority; no, they are contracted. In terms of BMA, they've specified their numbers both for Goonyella and Blackwater. So they're locked in for now.

Question: (Paul Butler, Credit Suisse) So if we took an absolute worst-case scenario, what would the volume impact be in above rail? Are we talking another 5%, 10% from here?

Keith Neate: Sorry, I'm not with you, I don't [understand] your question.

Question: (Paul Butler, Credit Suisse) If you had all of the customers who do have an option to reduce their volumes exercise that, how much of an impact would that have on your above-rail volumes?

Keith Neate: The notification period for these, Paul, is at least one if not two years. So these are not short-term changes.

Question: (Paul Butler, Credit Suisse) Okay, but if they all - if they decided tomorrow that they wanted to exercise those, I understand they have to give notice, but how much of an impact does that make?

Keith Neate: Look Paul, I don't have that information to hand to respond to it right now, unfortunately, but it's - I think the answer to that would probably be if they were going to nominate reductions, we would have seen them come through by now.

Question: (Paul Butler, Credit Suisse) Right, okay. Okay, and just with the better management of contracts, could I just clarify, you're saying that the reduction in performance fees that you're getting because of miners being better at managing the volatility is only something you've seen in the last two or three months, is that - do I understand that correctly?

Keith Neate: Yes, that'd be correct.

Question: (Paul Butler, Credit Suisse) So what sort of rough quantum are we talking about in terms of revenues?

Keith Neate: That's impossible to call at this point in time, Paul. Any number I gave you is likely to change over the coming periods. Because, as I say, it is just an emerging trend. I think the view is that there is not a lot more of it to come through. Those customers that have the capability and the contract arrangements to do it, are essentially doing it. So I couldn't be more explicit than that.

Question: (Paul Butler, Credit Suisse) But whatever the impact is for the current half, you'd expect twice that or so for the second half? Is that fair?

Keith Neate: That - certainly as part of our review of the full-year outlook, we will be factoring that in, yes.

Question: (Paul Butler, Credit Suisse) Okay.

Keith Neate: Just to be clear Paul, we're talking about quite a small number.

Question: (Paul Butler, Credit Suisse) Right, okay. On the bridge that you gave, you gave a number of $200 million of revenue associated with those revenue contracts and then $35 million of EBIT in the first and second half. So it's $200 million of revenue and you were making $70 million of EBIT, is that - am I understanding that correctly?

Keith Neate: What I was referring to, it's disclosed in the full-year results, the revenue line of the business will reduce by $200 million because (1) there's a number of contracts that have expired, (2) CRT was disposed of in the period, (3) Redbank is obviously recognised in the revenue line and that was a one off. In terms of the profitability on those, as I say, $40 million from Redbank and roughly $35 million from the remaining revenue contracts.

Question: (Paul Butler, Credit Suisse) Right, but it's $35 million in each half though?

Keith Neate: Yes.

Question: (Paul Butler, Credit Suisse) Right. When you talked about the bridge between first half 2016 and first half 2015, you didn't mention the additional wages cost from the 4% enterprising agreement, is that not also an extra cost that you've got in that bridge?

Keith Neate: Yes, it would be. There's ups and downs, Paul. I've tried to pull out the key drivers. Much of the remainder is BAU stuff.

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| Question: | (Paul Butler, Credit Suisse) Yeah, okay. Now the other thing, I just - on network, if I look at the last year's numbers, for example, at EBIT, there's about a $48 million difference between the first and second half with the second half being higher. Should we expect that sort of difference for the current year? |
| Keith Neate: | I'd refer you back to the full-year results pack, Paul. What - the prime driver of that was timing of the GAPE fees. In particular the take or pay component of it. If you recall, we have to make an assessment based on best available information. It's a judgement call at the half year as to how much revenue to recognise in respect of take or pay. The decision we made around last year's FY15's half-year numbers turned out to be not accurate with the wrap up coming at the end of the year where there was an additional $30 million of revenue recognised in the second half of the year because the take or pay triggered in a number of places. |
| Question: | (Paul Butler, Credit Suisse) Okay, so assuming that... |
| Keith Neate: | The whole $48 million is disclosed in the 4E. |
| Question: | (Anthony Moulder, Citigroup) Yeah, but so you don't - so you expect a more even EBIT contribution over the two halves? |
| Keith Neate: | Again, we have to make a judgement call on take or pay and capacity charge. I think in the current environment, with UT4 where it is, we have the information to make a pretty accurate one but it'll be subject to QCA resolving UT4 and the final wrap up, as I mentioned earlier, we don't know how they're going to account for or bill the true ups. It could be a bullet payment, it could be spread over a period. That will impact the numbers as well.<br><br>So that's probably the biggest judgement issue at the moment. |
| Question: | (Anthony Moulder, Citigroup) Okay. Thanks very much. |
| Keith Neate: | Thanks, Paul. |
| Operator: | Thank you. The next question comes from Nathan Lead with Morgan Stanley. Please go ahead. |
| Question: | (Nathan Lead, Morgan Stanley) Yeah, just a couple of quick ones there, gents. First up, just in terms of those BMA volumes, I'm assuming a lot of that's coming through the Goonyella system? Believe the BMA contract - the Goonyella system contract rolls onto the new form in FY17 impact? Can you discuss maybe what the revenue impact could be here in terms of you're losing volume now but is there a revenue improvement as that rolls through onto the new from? |

Keith Neate: Now, look, I think we went through that issue with the full-year 2015 results, Nathan. Because they're not railing at capacity or at contracted capacity, there's unlikely to be a material step change in the revenue line. They've already nominated their volumes for Goonyella, obviously, and you're quite right, it does commence 1 July 2017.

Lance Hockridge: 2016.

Keith Neate: Sorry, 2016, sorry.

Question: (Nathan Lead, Morgan Stanley) Yep, okay. Keith, just, I suppose, a couple of more questions. Just in terms of the ROIC calculation, the denominator, is it going to be adjusted for the impairment charges going through? Obviously it impacts PP&E?

Keith Neate: I would - the EBIT numbers certainly will be adjusted, Nathan, as we have done historically. I would have to refer back to our rem committee to confirm that but I would imagine they'll adopt a similar treatment. But I can confirm that one.

Question: (Nathan Lead, Morgan Stanley) I know with the previous impairments, you've got the benefit coming through the effective tax rate. What do you expect will come through with these impairments? Can you give us any guidance on the current tax rate you're expecting?

Keith Neate: You've got me on the hop with that one, Nathan, sorry. We've got down to an EBIT level, we were working hard to get this presentation out today. We will certainly get the benefit in the tax line from the impairments but what the effective tax rate will be, I couldn't off the top of my head give you the answer to that right now. Other than to say, we were moving back to a more normalised effective tax rate.

Question: (Nathan Lead, Morgan Stanley) Yep, okay. Just a final one from me, when do you expect the WIRP revenues to be at full tilt?

Keith Neate: Perhaps I could talk to the Chairman at the QCA on that one. Look, without being facetious, sorry Nathan, I would anticipate - the original anticipation was by FY18.

Question: (Nathan Lead, Morgan Stanley) Okay, great, thank you.

Operator: Thank you. The next question comes from Scott Ryall with CLSA. Please go ahead.

Question: (Scott Ryall, CLSA) Thanks very much. Hopefully mine will be quick. Keith, could you give us a [comment] on network EBIT relative to last year and whether that's materially moved ahead with the - with Wiggins Island? It's kind of a repeat of [Myles'] question but I didn't quite catch what you said about the step up from Wiggins Island, please?

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| Keith Neate: | No, there is little to no step up from Wiggins Island. There's a few hundred thousand tonnes on spot railings but there's nothing else coming through. Obviously... |
| Question: | (Scott Ryall, CLSA) That's on the network side though, even with the... |
| Keith Neate: | Yes, network I'm talking about, yes. |
| Question: | (Scott Ryall, CLSA) Yep, okay. All right, and then - no, I think that's it I have at the moment, thank you. |
| Keith Neate: | Okay, thanks Scott. |
| Operator: | Thank you. There are no further questions at this time. I'll hand back to Mr Hockridge and Mr Neate for any closing remarks. |
| Lance Hockridge: | Keith, unless you've got anything, again it just remains for me to say how much we appreciate you joining us this afternoon at this time. Hopefully that's been helpful in clarifying some of those issues. Obviously there'll be more information as we get through to the half year. But again, to reinforce the message about - these are challenging circumstances for us but that's why we're here, that's why we've got the transformation, proactivity, efficiency programs running.<br><br>Beyond all of that, given that we do have you at this time of the year, let us hope we leave you untroubled and that all of you do manage to have a quiet and happy Christmas. Let us hope for all of us it's a happy New Year. |