Andrew Harding: Managing Director & Chief Executive Officer

Good morning and welcome to the interim results for the 2021 financial year.

We are based in Brisbane today therefore I acknowledge the Traditional Custodians of this land, the Turrbbal and Jagera people, and pay my respects to the elders past, present and future for they hold the memories, the traditions, the culture and hopes of Aboriginal Australia. We must always remember that under the ballast, sleepers, rail systems and office buildings where Aurizon does business, was and always will be traditional Aboriginal land.

I am joined by our CFO George Lippiatt and we will go through the presentation that we lodged with the ASX this morning which is available on our web site.

At the end we will take your questions with the rest of the executive team who are in the room with me here in Brisbane. Just to remind you, the team is:

- Ed McKeiver – Group Executive Coal
- Drew Prescott – Acting Group Executive Bulk. Clay McDonald is not available to attend today, So Drew is acting on his behalf
- Pam Bains – Group Executive Network; and
- Mike Carter – Group Executive Technical Services and Planning

Tina Thomas, who was our Group Executive Corporate, retired last year and we have decided to not replace the role. In conjunction with this decision we have commenced a review of our corporate support areas in order to determine the most efficient structure and cost base and we will update you on this later in the year.

Now turning to safety performance.

SLIDE 3: SAFETY PERFORMANCE

At Aurizon, we always start with safety.

Total Recordable Injury Frequency Rate (or TRIFR) has deteriorated by 25% to 12.38 incidents per million-person hours worked compared to the prior year. This has been driven by low severity strain injuries, with a high number of short-term lower body sprains from walking on uneven ground and upper body manual handling sprains.

TRIFR data includes all recordable injuries, regardless of whether time away from work was required. For Lost Time Injury Frequency Rate (or LTIFR), this measure has improved 30%, continuing the positive results from the prior year. This equates to 11 lost time injuries in the half compared to 32 in FY20.

Rail Process Safety, a fatality prevention measure, which measures operational safety including derailments, signals passed at danger and rollingstock collisions, improved 4% in the half to 4.55 incidents per million train kilometres travelled.

We have maintained our COVID-19 protocols to ensure the continued wellbeing of our team including restrictions on non-essential travel, promoting flexible and remote working and ongoing cleaning and sanitation processes.

Our focus remains on preventing events that have potential for Serious Injury and Fatality. This is clearly fundamental to protecting our employees, our customers and the communities in which we operate. Over the past year, we have continued to embed critical controls across our operations to prevent serious incidents, combined with a range of safety, leadership and technical initiatives.

Turning to the first half highlights.

SLIDE 5: 1HFY2021 HIGHLIGHTS

The financial results for the last six months were solid despite lower Coal and Network volumes with Bulk EBIT continuing to grow and recognition of WIRP fees for the first time.

Underlying EBIT was steady at $454m due to growth in Bulk and the WIRP fees in Network, $49m of which relates to prior years.

In Coal, volumes were down 4% and whilst we anticipated a softer first half, the current trade situation with China has further challenged export volume, a point I will discuss in more detail shortly.

Network volumes were 11% lower with the reduction in demand as noted and other impacts such as the continued stoppage at Anglo's Grosvenor mine.

Statutory NPAT was down 22% to $267m due to the $105m pre-tax gain on sale for the Rail Grinding business in the prior year.

The sale of Rail Grinding in the prior year is also the reason for free cash flow being down 38%. If we excluded $165m of proceeds from the prior year, the reduction in free cash flow would have been 4%. Free cash flow will step up in the second half given the completion of the sale of Acacia Ridge next month.

ROIC improved 0.3 percentage points to 10.8% due to an increase in the last twelve months EBIT more than offsetting a moderate increase in invested capital.

Our continued commitment to shareholder distributions through dividends and buybacks has been demonstrated again this half. The interim dividend of 14.4 cents is based on a payout ratio of 100% which we have maintained for six years now, with the dividend 5% higher despite flat NPAT due to the lower share count from ongoing buybacks. This is our highest dividend ever for a six-month period.

And finally, we have already completed more than 80% of this year's share buyback commitment of $300m, which takes the total buybacks completed to over $1.2 billion since 2016.

Moving to Coal.

SLIDE 6: COAL – MARKET UPDATE

After being heavily impacted in the first half of the calendar year, steel production recovered during the remainder of 2020 with production returning to pre-COVID levels as economic activity resumed in major export nations.

Although a curtailment of aggregate coal import volume for China was expected in the second half of the calendar year, the prioritisation of non-Australian coal has created a challenging trade environment.

In the December quarter, Australian coal export volume to China was down by 79%, and while coal is being redirected to markets outside China, it has not completely offset the negative impact so far. As shown on the chart here, 10mt of the 18mt reduction to China has been redirected to other markets including record quarterly export volume to India.

While it is difficult to accurately predict a resolution to the current trading environment, I am confident in the resilience of Australian coal in the face of this challenge.

A reminder that the metallurgical coal-dependent method of steel production, some 1.3 billion tonnes, commands 72% of global steel production, and if we focus in on Asia (where 90% of Australian metallurgical coal is exported to), the share is even higher at 82%.

For thermal coal, the reality regarding demand for Australian coal is often lost in commentary regarding global coal-fired generation.

Over the past three years, 61GW of global coal-fired generation capacity was retired but at the same time, 105GW of capacity came on-line. That is, for every gigawatt that was retired, 1.7 gigawatts came on-line.

Looking further into these figures, almost 90% of the retired capacity was located in Europe and North America, and conversely, 90% of the capacity that came online was in Asia. As a reminder, 98% of Australian thermal coal was exported to Asia in 2020.

Our export volume projection over the next decade is moderate, at around 1% per annum. This is a future driven by:

- Steel-intensive growth in India, already Australia's largest metallurgical coal trading partner; and
- Prolonged thermal electricity generation from a relatively young existing fleet in Southeast Asia

This projection is appropriately cautious and takes into consideration slowing coal-fired generation capacity additions in the decade ahead, and therefore has reduced from a projection of a range of 1-2% that we have previously referred to.

Finally, the average age of coal-fired generation capacity in Asia is just 13 years, with this existing fleet capable of driving demand for thermal coal for decades.

Turning to the Coal business

SLIDE 7: COAL – BUSINESS UPDATE

Although our view of the long-term coal market is unchanged, the trade environment with China does impact coal demand in the near term as the market re-balances. This, combined with other issues such as an unforeseen shiploader issue in Newcastle results in a reduction in our above rail volumes by 10 million tonnes to a range of 200-210 million tonnes.

Beyond FY21 we are anticipating volume growth through increasing contract utilisation, however it is now coming off this lower base. In addition, our forecast contracted tonnes are 13mt lower in FY22 compared to FY21 which is driven mainly from the end of a few contracts as you can see plus some lower customer nominations.

We were unsuccessful in retaining Stanwell and New Hope's New Acland mine reaches end of mine life this year and has been ramping down while the proposed expansion was subject to Court approval.

We still hold a significant number of long duration contracts with 56% of volumes being contracted for more than seven years and current levels of fixed revenue through capacity charges are around 60%. Long duration contracts and high fixed charges remain a key feature of the coal business. However as we have indicated for some time, this level of capacity charge will settle in a range of 50-60% long term as previously executed contracts on reduced rates come into effect.

Therefore, the focus remains on making the business more efficient in both the short and long term through various initiatives. In the short term and in response to lower demand there are levers we can pull such as reducing leave and overtime and standing down train consists when they are not needed.

While they have some impact, the larger benefits will be realised through initiatives such as Precision and TrainGuard which will improve productivity and lower costs.

The first major piece of work under Precision that we have spoken to you about was schedule adherence which we now call Disciplined Train Operations. This has been extended to Goonyella and Newlands after a successful rollout in Blackwater and Moura. For Goonyella we have seen on time arrival at mine improve from 55% to 88% and on time arrival at port improve from 54% to 75% and there have been similar improvements in Newlands.

Since starting this work, it became apparent that further benefits would be derived through improving the schedule through two areas. First, Network now offers integrated planning to all operators which removes duplication. Second, we are using modern computer software to determine the optimal distribution of trains based on demand. Combined with improved processes designed to work more collaboratively with all operators, this enables the delivery of an Integrated Plan that determines the maximum number of train services across each system. We call this approach Modern Scheduling. In periods of high demand, this approach can result in additional services compared to conventional techniques, and in periods of lower demand, this can assist with reducing the number of train consists deployed.

Modern Scheduling has been rolled out in Newlands and is progressively being rolled out in other systems over the next few months. We would expect further improvements once Modern Scheduling is deployed in all systems.

And finally, with TrainGuard, preparations continue for the deployment on the Blackwater mainline after successful demonstrations last year. TrainGuard provides safety benefits through enhancements to speed control and signal enforcement and provides a pathway to expanding driver only operations in Central Queensland. It is scheduled for deployment in the first half of calendar year 2022.

Moving to Bulk.

SLIDE 8: BULK UPDATE

The Bulk business has had another strong performance with revenues increasing 8% from volume growth and is on track for full year EBIT of more than $100m. This represents an impressive turnaround from a $14m loss in 2017. Of the total above rail business, Bulk now accounts for 32% of revenue and 26% of EBIT and we expect these numbers to increase in coming years. As we have noted previously, the growth rate will naturally slow as the earnings base becomes larger.

The growth has been broad based and has resulted in Bulk having a more diverse spread of revenue by commodity compared to prior years. We believe that this will provide a more sustainable base for the expansion of future earnings.

It continues to be busy commercially for Bulk and the CBH contract marks a return to providing services to this customer, albeit on a short-term basis at this stage. We have also expanded our services with Mineral Resources with additional services into Kwinana as they grow to take further advantage of the strong iron ore price. This is balanced against the loss of BHP Nickel West, although as this was a reform contract, the loss will not impact Bulk's future EBIT.

Bulk has also expanded its Port Services business with the $42m acquisition of ConPorts in Newcastle. This is an export terminal and ship loading facility which is adjacent to rail lines at the port of Newcastle. About 500,000 tonnes of mineral concentrates are exported annually through the terminal including copper and zinc concentrate. This acquisition provides Bulk with the opportunity to expand an already profitable business by leveraging its expertise in heavy haul rail and logistics to provide customers additional services. This is similar to the recent acquisition in Townsville as the Bulk business looks to redefine the markets in which it operates, providing a platform for further growth.

Turning now to Network.

SLIDE 9: NETWORK UPDATE

EBIT for Network was higher than the prior year due to the resolution of the court process surrounding the Wiggins Island Rail Project, which had been ongoing for five years. The customers appeal was dismissed last year and that enabled the commencement of billing for the WIRP fees which represents the commercial return that is in addition to the regulated access tariff.

We have recognised $55m this half, $49m of which relates to prior years given this case stretches back to FY2016 when the project was completed. No revenue had previously been recognised and the annual fee is approximately $11m per year until 2035.

Separate to the decision from the Courts which enabled Aurizon to commence billing, an Expert Determination in 2019 stated that the fees should be partially reduced. We have commenced an appeal of this Determination where success would represent upside to what we have recognised so far.

Volumes for Network were 11% lower in the first half and based on this, full year volumes are expected to be well below the regulatory forecast of 239mt. This will result in a revenue under recovery. Given that volume run rate, it is also our expectation that take-or-pay will trigger, which means that some of the revenue recovery will be in this year instead of FY23. Our guidance assumes this as I will talk about later.

In terms of an update of UT5, the key near term event remains the Initial Capacity Assessment by the Independent Expert which is now expected in the September quarter. This has been delayed a few months with several steps still to be completed by external consultants and the Independent Expert. All parties remain committed to achieving the report date as quickly as possible. We have shown a process map of the work required in the appendix.

An adjustment to reflect the delay in the step up of the WACC will be captured in the FY22 revenue cap process, and as a reminder each month is worth about $2m.

The maintenance and capital submission to the Rail Industry Group is due at the end of February which is a key step in this annual process. This determines the scope of capex and maintenance works for FY22 and is part of the greater collaboration with the customer group.

In terms of operating and maintenance costs this half, we were below the regulatory allowance by around $13m for opex and $3m for maintenance. As a reminder any opex savings are retained by Aurizon and any maintenance savings are retained by the customers as part of the regular true up process.

SLIDE 10: OTHER MATTERS

And before I hand over to George, an update on the progress of some legal matters. Some of these matters have appeared on this page for a long time so it is great news that we are resolving a few of them.

The sale of Acacia Ridge is nearing completion after the ACCC was denied leave to appeal to the High Court, allowing this transaction to finally proceed after more than three years. Two weeks ago FIRB approval was received making the completion of the sale unconditional which is expected next month. This is a great outcome after many years through the courts and the final proceeds received will be $170m.

I already went through WIRP which was another favourable decision after many years and we will keep you updated on the progress of the appeal of the Expert Determination.

There is no significant update on the legal proceedings against Genesee & Wyoming with the matter currently before the Court with no trial date set as yet.

And finally, we have commenced declaratory relief proceedings against the ATO. This relates to the treatment of our share capital account balance from prior to the IPO and George will go through additional detail later.

And on that note I will hand over to George.

George Lippiatt: Chief Financial Officer & Group Executive Strategy

SLIDE 12: KEY FINANCIAL HIGHLIGHTS

Thank you Andrew, and good morning to everyone on the call.

As usual, the results I will cover today are based on continuing operations – meaning they exclude the financial performance of the Acacia Ridge terminal which I'll have to say just once more given the sale will complete next month.

Overall, the business performance this half has been solid in the face of some volatility in coal markets and we have resolved significant matters relating to WIRP and Acacia Ridge.

The flat EBIT performance at $454m for the half was driven by volume decline in Coal being more than offset by improved earnings in Bulk from revenue growth and Network due to the commencement of WIRP fee billing. In addition, there was also an improvement in the Other segment due to lower redundancy costs and I can confirm that Aurizon didn't apply for any JobKeeper or payroll tax relief from Government in the first half or at any stage in calendar year 20.

Group revenue declined 2%, mainly due to Coal and the sale of the Rail Grinding business last year, but we also had a 5% improvement in total operating costs due to savings associated with lower volumes (such

as fuel and access costs) in addition to ongoing cost efficiencies. I will provide more detail for each business unit shortly.

The decline in statutory EBIT, statutory NPAT and free cash flow is due to the sale of the Rail Grinding business in the prior year. As a reminder the proceeds were $165m and the profit from sale was $105m.

If we add back the proceeds of $165m, free cash flow would have been only 4% lower – and would have been higher than the prior period if acquisitions such as ConPorts are excluded.

We continue to maintain our 100% dividend payout ratio, with an interim dividend of 14.4 cents per share, an increase of 5% despite the flat underlying NPAT. This is a record per share dividend and its franked at 70%.

Moving now to Coal.

SLIDE 13: COAL

EBIT decreased $35m or 17% to $171m, with volumes down 4% 101.8mt. As Andrew noted, we accurately anticipated two major drivers of Australian Coal exports for FY21 - the return to pre-COVID steel production rates in India and China maintaining its overall coal imports at around 300mt for calendar year 20. Despite that, a shiploader issue at Newcastle and Australia-China trade challenges has led to our revised full year Coal volume assumption of 200-210mt.

In terms of Revenue quality shown on the bridge, despite our average contract rates reducing this was only a small downward impact – this is due to the one-off recovery of a disputed capacity charge in a prior period and lower contract utilisation. As a reminder, as contract utilisation falls, this is typically a positive for revenue quality assuming fixed revenue remains constant which it broadly did this half. The opposite will also apply when contract utilisation increases.

Although volumes were lower, operating costs excluding fuel and access were higher due to maintenance costs associated with increased fleet in the CQCN. Traincrew costs were flat, with Enterprise Agreement escalation being offset by lower overtime and increased annual leave in response to the softer demand.

Moving to Bulk.

SLIDE 14: BULK

Bulk continues its strong performance with EBIT growth of 39% to $61m and is on track for greater than $100m this year. The acquisition of ConPorts will contribute to that in future periods, as will some of the newer contracts that we announced today.

The EBIT bridge we show here is straight forward, with volumes driving revenue growth and higher operating costs to support that revenue growth. Depreciation will continue to increase with higher revenues and we will invest further capital in Bulk, both in absolute dollar terms and as a percentage of the overall Group. This allocation of capital is based on our confidence in retaining and attracting new Bulk customers, as well as our view that Australian Bulk commodity exports will grow at GDP plus rates.

In our Bulk business on the East Coast, half one revenue growth came from a stronger volume performance on the Mt Isa corridor and the acquisition of Townsville Bulk Storage & Handling (TBSH), although this was partly offset by lower livestock volumes.

In the West, the main drivers of revenue were the new Rio Tinto and Mineral Resources contracts which commenced towards the end of FY20.

The increase in operating costs shown in the bridge reflects the higher volumes and acquisition in Townsville, partly offset by ongoing operational efficiency benefits.

Looking forward for Bulk, we expect a slightly lower EBIT performance in the second half mainly due to the end of Mount Gibson railings just prior to Christmas more than offsetting earnings growth from new contracts and acquired businesses.

In summary, another strong performance from Bulk with further growth available from the expanded Aurizon Port Services businesses. We're looking forward to seeing three figures at the end of this earnings bridge in 6 months' time at the Full Year.

Moving to Network

SLIDE 14: NETWORK

Network EBIT increased $9m or 4% to $241m. This was due to the commencement of WIRP fees and operating cost improvements offsetting higher depreciation and a revenue under-recovery due to the 11% reduction in volumes.

As a reminder, our Network business has two revenue protection mechanisms in the form of Take-or-Pay and revenue cap. Take-or-Pay is a contractual measure that recovers revenue in the same year while revenue cap is the regulatory protection mechanism which recovers anything left after Take-or-Pay and other adjustments two years later.

A summary of these mechanisms is included in the Appendices.

Focussing now on the earnings bridge and you can see that Track access revenue has increased by $4m. As usual we have provided a detailed breakdown of this amount in the appendix. The summary version is that a $55m net volume under-recovery was offset by the first time booking of WIRP fees, also totalling $55m and including $49m related to FY16-FY20.

Looking forward the annual amount of the WIRP fee is about $11m until 2035, with final amounts subject to the appeal of the Expert Determination and the finalisation of a cost variation factor related to WIRP project costs.

Other revenue, as shown in the bridge, decreased by $7m due to lower external construction works and insurance recoveries.

Other operating costs were $16m lower, also due to lower external construction works, as well as lower electric connection costs and lower labour costs from efficiency initiatives.

FY21 operating and maintenance costs are tracking below the UT5 regulatory allowance. The benefit from lower operating costs will be retained by Aurizon, while the benefit from lower maintenance costs is passed through to the customers. Depreciation increased $4m, due to increased levels of ballast and asset renewals.

We also show in the appendix the forward view of the MAR with updated numbers. This has been completed on a consistent basis as before, so it assumes the Independent Expert report date has already

occurred, meaning tariffs are based on a WACC of 6.3% for FY21 and beyond. As the report date is now not expected until early in FY22, the actual MAR will be adjusted to reflect that delay, with each month worth $2m in revenue.

This will be washed up in the revenue cap process for recovery in FY23, and based on the first half, there will be a large volume under-recovery with some offsets from take-or-pay and the WACC adjustment.

As Andrew indicated, based on the volume run-rate for the first half, it is very likely that take-or-pay will trigger, which means that some of the revenue recovery will be this year, with the revenue cap to recover anything left in FY23. Any revenue from take or pay would be booked in the second half and our guidance assumes this occurs. Therefore, we would expect broadly similar Network earnings in the second half.

Turning to cashflow

SLIDE 16: CASHFLOW & SHAREHOLDER RETURNS

On to my favourite slide and because it’s my favourite we have provided an extra chart for you this time.

Free cash flow has reduced this half but this was mainly due to the sale of Rail Grinding in the prior year which we have split out here. This half also includes $63m of acquisitions, including ConPorts, which will provide future cash flows as it is integrated into the Group.

But you can see, free cashflow generation is fairly stable. It’s this stability that has enabled shareholder returns, with over $4 billion distributed since 2016 in the form of dividends and on-market buybacks.

We have made good progress through the FY21 buyback, with over 80% completed. At the conclusion of this buyback we will have $900m of further funding capacity based on maintaining our BBB+/Baa1 credit metrics.

The newcomer on this slide is the Dividend Per Share chart. As noted earlier, at 14.4 cents, this is a record per share dividend payment, despite underlying NPAT being flat. This is of course due to the subsequent cancellation of any shares bought back during the period, which lowers the number of shares for the dividend payment to be distributed amongst.

It's also worth providing some more detail on the ATO declaratory relief proceedings in the Federal Court. This issue dates back to the privatisation and a Queensland Government contribution of capital which occurred just after the IPO shares were created but prior to the IPO of those shares. This contribution has been separately accounted in a Capital Distribution Account, but we believe that a capital contribution from a single government shareholder should be treated as share capital for the purposes of tax law, and this is the declaration we are seeking from the Court. As at 31 December we have $259 million in our share capital account and $3.4 billion in the Capital Distribution Account.

These proceedings are relevant to our strong track record of returning capital and maximising returns to our shareholders. Share capital can be returned to shareholders without impacting Aurizon’s franking credits balance, and this in turn also enables us to maximise the franking of our dividends.

Given our desire to keep open to us the current strategy of executing on-market buybacks and paying franked dividends, we are seeking confirmation that the capital contribution is share capital. Should Aurizon undertake an on-market buyback once the share capital account is exhausted, the dividend paid in the same 6-month period is likely to be unfranked, with any franking credits retained for future dividends. So the franking credits don’t disappear, the use of them would just be delayed until after on-

market buy-backs are completed. But this assumes we don't get the declaration we are seeking. We will keep you updated as this progresses.

Briefly to Capex

SLIDE 17: CAPITAL EXPENDITURE

Capex totalled $240m which is $10m higher than the first half of FY20 and consistent with our full year guidance - which remains $500-$550m. The growth capital spent so far relates to the delayed wagons for central Queensland coal and new locomotives for Bulk. Our total spend excludes $63m of acquisitions during the half, including ConPorts.

Long-term expectations for stay in business capex remain around $500m per year, although this is constantly reviewed in conjunction with our long-term volume outlook.

And last, but not least, to Funding

SLIDE 18: FUNDING UPDATE

It continues to be a busy time for the Treasury team as they execute the strategy of prudently increasing leverage, diversifying funding sources and lengthening tenor of debt facilities. Aligned with that strategy, there were two major funding activities undertaken during the half.

First, for Network in September we issued a 10-year $500m Australian dollar bond at a coupon of 2.9%. This was done ahead of a maturing bond in October that had a yield of 6% - so our new funding is half the cost of that which it's replacing. It was a great outcome given capital markets in Australia were closed for some months during the height of COVID-19 and it marked our first 10-year issuance in Australian dollars.

Second, for Operations we increased its bilateral bank debt facilities by $175m with the addition of new lenders into those facilities. Over the coming years we will look to increase Operations debt further, which we can do while maintaining our current credit ratings.

You can see from the maturity chart that we have significant available liquidity, with over $1 billion including undrawn working capital facilities. Following the recent bond for Network we will look to further term out some of our bank debt into the capital markets over the coming years, noting that we have no major maturities until 2023.

With interest rates coming down, we expect our interest costs to trend lower, albeit at a slower pace given we have high levels of fixed debt within Network to align to regulatory re-set periods. The recent bond will help bring the effective rate lower and with all debt floating beyond FY23, interest costs will come down again from that point assuming rates remain low.

In summary, the overall financial performance of the business continues to be reliable.

- We are confident in demand from Asia for the commodities we haul.
- We are also confident in our long-dated haulage contracts and regulated revenues.

This confidence enables strong shareholder distributions and further investment to accelerate the growth of the Bulk business.

Thank you and I'll now hand back to Andrew.

Andrew Harding: Managing Director & Chief Executive Officer

SLIDE 20: FY2021 OUTLOOK

Thanks George.

Turning now to the financial outlook for the 2021 financial year.

Group EBIT guidance is now $870-910m and we have listed the key assumptions here on the page. As I indicated earlier, Coal volume expectations have been revised down by 10mt to a range of 200-210mt.

Network volumes will also be lower than original expectations, however that volume reduction will mean that take-or-pay is likely to trigger which recovers some of the revenue shortfall this year. Any remaining shortfall will be recovered through the revenue cap in FY23.

The guidance includes a net amount of the retrospective WIRP fees of approximately $40m. This represents the $49m revenue less some expected associated costs.

As per our normal practice, we do not assume any material disruptions to commodity supply chains such as adverse weather or COVID-19.

Before we move to a summary of key takeaways, we have a placeholder here for an investor day that we will hold in June. This will be an opportunity to talk to investors in more detail about long-term coal and bulk markets and how we believe we are positioned for success.

SLIDE 21: KEY TAKEAWAYS

I like to end on this slide which summarises the journey of Aurizon over the past few years as it reinforces the delivery of shareholder value.

Whilst there has been some market uncertainty recently, our strategy has not changed and it continues to create value as indicated by what we have achieved this half. This includes:

- Increasing our FY21 financial guidance
- Success in the WIRP dispute and having WIRP fees finally commence
- The successful resolution in the sale of Acacia Ridge, which should complete next month
- Acquiring another port asset for the Bulk business which will enable further growth and an entry into the NSW market
- Maintaining a 100% dividend payout ratio for six years which has resulted in a record dividend of 14.4 cents per share; and
- Completing more than 80% of our $300m on-market buyback commitment

And finally, we released Aurizon's first Climate Strategy and Action Plan in October. This plan significantly expands on the initiatives we have previously included in the Sustainability Report and provides a roadmap through to 2050 on how we will decarbonise Aurizon's operations and contribute more broadly to a low-carbon freight transport sector for Australia.

We look forward to continuing the journey for Aurizon and to continue to create value for shareholders.

I now welcome your questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Anthony Longo from CLSA. Please go ahead.

Anthony Longo: Well good morning Andrew, good morning, George and the team. Just a quick one. So it's with respect to the guidance commentary and the upgrade, is it fair to say that it's all largely driven by those workpiece? Just given the software outlook that you are seeing on coal for the year, so underlying was actually down about 10% at a group level. Is that the right way to think about that?

Andrew Harding: George do you want to help Anthony with that?

George Lippiatt: Yeah sure Anthony. So if you look at what we said around the WIRP fee, we said we expect it to be net 40 million for the full year. So if you back that out of our revised earnings guidance, 870 becomes 830 and the top end is broadly the same, so that's the first part of your question. The second part of your question, we booked $49 million of WIRP fees during the half. So if you took that out, the result would have been 405 million of underlying EBIT during the first half.

Anthony Longo: Yeah that's great. Really helpful. Second question for me, just looking at the Coal end markets and you do appreciate, the current Chinese relationship. I think it's a good result that you're starting to find a new home for some of that coal. Other than India, can you perhaps highlight some of the other regions that are looking to take that and playing devil's advocate if China completely drops off a cliff? Which, hopefully it doesn't. Is there enough jurisdictions that would hopefully absorb that demand that you typically would do?

Andrew Harding: Yeah, look so starting from sort of that the longer term part of your question and going to the shorter term. Longer term, there are ample jurisdictions outside of China to place the high quality Australian coal. What we've seen in recent times since the ban has taken effect, you're seeing other countries supplying the shortfall in China for their domestic coal requirements. Those supply countries would normally have supplied some other country. And those third-party countries are now getting called from Australia. And the reason it's not instantaneous is it takes a long time for, the new relationships to be established, the deals to be cut, the contractors contracts to be signed and those sorts of things. Encouraging what we're seeing is, that's actually taking effect. In a sense the worst is behind us. Again, finishing where I started, is I think, in the longer term, it will have no impact.

Anthony Longo: Sorry, one of last one from me. So the buyback for 21. So 80% done, I mean how should we be thinking about commitment for the balance of the year but then thereafter, just given your funding position at the current stage?

Andrew Harding: I think, we fall back on the basic principle. That if we don't have another source of use of funds, we'll continue to do the... to where we'd take the... and spend the money we would do it... hand it back as a buyback. And we've done that. Several years ago, we talked about changing the corporate structure and having $1.2 billion available. And that over a number of years, we would use that appropriately. And you've seen us doing that at $300 million clip, in each calendar year. Last year, we did come through unexpected results of the rail grinding business, which hadn't been in our plan, or it is something that we were obviously considering and we're able to execute. We found ourselves with, cash in excess of a plan. So, that was actually handed back at that point in time. I might just get George to just talk a little bit about any additional colour that you want to add to the buyback?

George Lippiatt: Oh sure, maybe just to build on that for you, Anthony. So, it pains me to say it, but we actually signed the Acacia Ridge deal three and a half years ago. So the net cash proceeds from that were already factored into 1.2 billion, which is different to our grinding and Andrew said. The other point to note on capital management is, we really do focus on our capital allocation framework, which is included in the appendixes in the pack. What we're starting to see as evidenced by our acquisition of comports and TBSH is some opportunities in the bulk market. We can see some further opportunities going forward. So we'll consider those vis-a-vis capital management each progressive year as Andrew described. And it will be a matter for the board, how we pursue further capital management.

Andrew Harding: And lastly, when we set out our longer term plan for, how we would increase our leverage. The idea was to do it progressively over time because, to an earlier question, there is some uncertainty around the coal market and while we are confident in our view as to what would happen, we need to be cautious in how we increase the leverage of the business. Although we were starting from a position of being extremely under leveraged.

Anthony Longo: Yeah understood. Look, Andrew, George really appreciate your time and I'll let someone else have a go, thanks very much.

Operator: Thank you. Your next question comes from Matt Ryan from UBS. Please go ahead.

Matt Ryan: Good morning, I've got a question on coal volumes and your comment towards the start of the presentation around lower volume nominations. Can you just give us a sense of, I guess the proportion of the customer base that you're talking about here? And, just any colour that you can share on those conversations?

Andrew Harding: Ed I think we might get straight into you, answering this question.

Ed McKeiver: Yeah, yeah, sure thank you, Andrew. And good morning, Matt. You'll see in our contracted volume graph, our volumes dropping off to 232 as a forecast for '22. Now that's driven by, as Andrew had said, the loss of the Stanwell contract and the cessation of mining at New Acland Coal, and a New South Wales agreement that I'm not permitted to talk about, given our confidentiality agreements with our customer. So the nominations that if you look, if you consider that's about 13 million tonnes down on our contracted volume for next year, that gives you a sense of dimension in relation to the size of the nominations. It's low single digits and it's proportionally, it

really is mixed. It's across all regions and some of our customers actually increased nominations during the period.

Matt Ryan: Thank you. And then just looking at operating costs within coal, it looks like underlying operating costs were actually up after you remove volume related costs. Can you talk, I guess, firstly, about how much of that related to rolling stock maintenance and then secondly, just how we should think about these shorter term initiatives that you can put through in a lower volume environment? And I guess as a result of that, any comments you can make around margins, especially for the second half?

Andrew Harding: Ed I might let you keep going.

Ed McKeiver: Thanks. Certainly Matt. I'll try my best. There's a few questions in there. The first one in terms of acknowledging that the coal business is largely a fixed cost business. That's true. And with volumes down in the first half, we've seen that flow through to the bottom line. The costs are up. Our contracted volume, as you know, is about 248 million for the current year. And the run rate for the business is about 105, an 81% utilisation. Sorry, 205. So a utilisation of about 81%. The cost we've seen come through in terms of the upward pressure on costs is largely associated with building the capacity for that contracted volume. And also some cyclical investment in maintenance we're doing, so costs are broadly up. The EBIT impact is about 7 million for the year. And approximately half of that is due to increased maintenance on the fleet and also bringing our Jilalan wheel overhaul facility online in the Goonyella system, where we're going to do our overhauls. We'd also built capacity for some train crew capacity and reinstated some locomotives for the new business we started in the period, specifically the Peabody portfolio and also the BlueScope Steel contract that we picked up in the Illawarra.

Matt Ryan: Okay. Thank you.

Operator: Thank you. Your next question is from Anthony Moulder from Jefferies. Please go ahead.

Anthony Moulder: Good morning all. If I can stay with Ed, please. The loss of the Stanwell contract, I believe that that's gone to Pacific National. Can you talk to the competitive environment, and specifically the level of surplus equipment that competitors might still have in the Queensland market, given some of those contract wins. Just talk to that.

Ed McKeiver: Yeah, certainly Anthony, you were breaking up a little bit there, but good morning. I think you asked about the Stanwell contract and the competitive environment. So look, never like to lose a contract and we'd railed for Stanwell for a long time. And we're pretty proud to service them. And they ran a very tight procurement process, and ultimately though, it was a 3 million tonne contract in a portfolio of close to 250 million. And given our hurdle rates and the particular risk positions the customer was looking for in that particular contract. We didn't get there in the end. And yes, you're right, Pacific National picked up that contract and started railing last month. As I've spoken about in previous sessions, we're alert to the competitive environment and our success in recent years, re contracting particularly the Peabody portfolio in

Queensland and also the Glencore Queensland portfolio, which commenced in January, that certainly has displaced some competitive capacity. And we're seeing that come back to us and we're seeing that increasing downward pressure on rates. And that's probably all I can say at the moment, Anthony.

Anthony Moulder: How much more capacity do you think is available? And related to that, what kind of contracts do you have that are reviewing over the next 12 months that could potentially go?

Ed McKeiver: We've got limited exposure over the next 12 months. 18% of our book is due for re-contracting in the next three years. And we're at late stage discussions with a number of the customers. Nothing is certain of course.

Anthony Moulder: All right, thank you. And if I can switch to bulk, obviously a very strong result after several other strong results. And obviously cautious not to extrapolate that strong level of growth from the first half into the second half, but new acquisitions, it seems like this is more of a focus for Aurizon, for capital allocations and to growing via acquisitions. I think Clay in the past has talked to the level that you see as far as Aurizon's level of market share, but is it fair to expect that we'll see further capital allocations into bulk and further growth that will be focused on that part of the business?

Andrew Harding: I think that's a very fair understanding of the opportunities with bulk. At the end of the day, what we're seeing with bulk is that the more we get experienced in this particular part of the business, the greater the opportunities have become, actually the larger the market has become for us. I think the second thing we've also seen is that we've got big fleet scale across the country and that in itself is actually helping us with some opportunities in the bulk area. And finally, as I re-advertise the Investor Day and dangle in front of you, the opportunity to hear in more detail from the bulk team about what they think the further opportunities are for the business, but it's definitely got a reasonably strong growth pathway in front of it. Drew, have I done enough justice? Would you like to add something?

Drew Prescott: Thanks for the question, Anthony. I mean, we're really excited about the two acquisitions we've done to date. We'll consistently look at opportunities that enhance our core rail offering and allow us to provide integrated solutions to our customers. That's something our customers are asking for and we've been doing that well on the back of the Townsville acquisition for around 10 months now. We'll look to grow through three key strategies, one, grow with existing customers, and that can be doing more for our existing customers to putting in some capital in generating rates greater than our hurdle rates. Grow with new customers. And you can see from this half the benefit that that's contributed to through Mineral Resources and Rio Tinto. And then thirdly, growth for acquisition and we'll be looking to execute on all three of those areas.

Anthony Moulder: Very good. Thank you.

Operator: Thank you. Your next question comes from Jacob Cakarnis from Jarden Australia. Please go ahead.

Jakob Cakarnis: Morning guys. Just a quick one for Ed, if I may. Can we just talk about the portfolio mix as it stands at the moment? I think historically you've been evenly balanced between met and thermal coal. And maybe if you can, Ed, talk to the spot market performance in the second quarter of '21 and how that may look heading into the second half of '21.

Ed McKeiver: Yeah, certainly thank you for the questions, Jakob. The portfolio mix is flat, so it's still effectively 50 50. And in terms of the spot market, there are some customers that have managed to adapt their sales strategies to be able to surge in the second half, but it's low single digits in relation to volume. The spot markets are not particularly active at the moment. And as you can imagine, if you consider the corridors in the Hunter Valley, we've got the NCIG supply chain throttled by port exports. And you've got the cessation of business in the Southeast Queensland where we're the only operator, and in central Queensland, we're still seeing the impact of China trade issues flowing into the second half.

Jakob Cakarnis: Great. Thanks for that. And just one on the bulk business. So you've spoken about now, the investment in Townsville, obviously we've got Newcastle coming in. Can we talk about the relative rates of return, maybe in those businesses relative to coal, Andrew, from a portfolio perspective, and then maybe just give us some visibility on the strategy and CapEx required to bring those to a return on capital that you guys are focusing on.

Andrew Harding: Sure. I might get George to run through.

George Lippiatt: Yeah, sure. Jakob. So, and the first thing I'd say is that over the life of those business cases, they both hit a hurdle rates adjusting for risk. So we're very happy with getting a return on that capital we've invested. In Townsville, there's probably a bit more capital to invest than Newcastle and that's because in Townsville we're redoing the hardstand and also relaying some of the track adjacent to that terminal. So that's the capital question in terms of the return profile. Look, those businesses are broadly consistent with our bulk and coal businesses. They probably sit somewhere between coal and bulk, but we don't look at those businesses in isolation from our core bulk rail offering. We want to provide, as Drew said, an integrated service to our customers. And that's what we're focused on doing. So when we look at margins and returns, we look at rail and port together.

Jakob Cakarnis: Just one final one, George, can you talk to... Oh, sorry, Andrew.

Andrew Harding: I just wanted to reinforce, while it's our action to provide integrated service offering and we want to do that, and it's obviously valuable for us to do that, it is actually a customer led activity and we are responding to needs that the customers have actually given us.

Jakob Cakarnis: Okay, thank you. Sorry, just final one for George. Can you talk about the timing of the WIRP payments into the cash flow, particularly in the first half for what I understand, might've been those catch-up payments.

George Lippiatt: Yeah. So in terms of cash flows, in the first half, we invoiced and booked more in cash than we booked in revenue. And that's just because the accounting standard

drives you to be conservative with what you book from a revenue perspective and also the structure of those WIRP payments. The last thing I'd say on that is that the WIRP fee itself is still subject to our appeal of the experts' determination, and also the finalisation of project costs. Both of those two things could see a change to both the retrospective WIRP fee and the WIRP fee on a go-forward basis. But what I'd reiterate is that the accounting standard drives you to be conservative, and that's what we've done in our accounts.

Jakob Cakarnis: Thanks guys. Appreciate it.

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

Paul Butler: Good morning. I just had a question around buybacks. You've got, I think 53 million of buy-back authority remaining under the previous announcement. And I was surprised that given where the share price was, you didn't take the opportunity to top that up. I mean, is that just the normal timing that you would think about and preferring to do that at the full year or is this about opportunities within the bulk space where you may look to deploy the capital instead?

Andrew Harding: I'll let George go through that.

George Lippiatt: Yeah, Paul, George here. Look, it's a bit of both. We announced $300 million at the start of this year. We announced $300 million the prior year. A bit like the cash flows of our business, we try and be pretty predictable and pretty stable with what we do as a buy-back. As I mentioned before, the one thing we did consider is Acacia Ridge proceeds coming in, but that was already factored into the 1.2 billion of funding capacity. And as you mentioned, there are opportunities in bulk to grow and that's also factored into our thinking, but as we normally do, we'll reassess what we do for FY22 ahead of August, in line with our capital allocation framework.

Paul Butler: Okay. And if I could also ask, what's the competitive environment in the bulk business? Because I mean, obviously in the above rail coal business, there is an element of competition there and you're citing pressure on pricing there, but that doesn't seem to be the case in the bulk business. Is that really the case? And can you give us some colour on why that is?

Andrew Harding: Yeah, look, I'll start. When I look at the comparators in competition, between the coal, just generally not getting into the specifics of both states and the bulk business, I'd say the bulk business is a more competitive environment. A key fact in that is that you're often dealing with smaller volumes that fall on the edge of being easily or readily truckable, depending on the customer's desires to either go with truck or rail. So that's one issue. The other issue is the contract length is a lot shorter, so you're actually constantly in a recontracting environment. So I think those two factors by themselves, point to a more competitive environment for bulk. And it's probably fair to say there's a number of other players that turn up regularly when you're actually going into tenders with customers. So net, definitely more a competitive marketplace. What I might do is hand over to Drew if there's something I've missed, or you want to add something.

Drew Prescott: Thanks Andrew. Thanks for the question, Paul. Listen, Andrew's right. We compete in a variety of markets and geographies across Australia. And we face a mix of road and rail competition generally. You've probably heard Clay talk about this. Shorter distance, smaller volume is a sweet spot for road. Longer distance, higher volume is where rail really comes into play. What we're constantly doing is looking at strategic footprint where we can provide integrated road and rail solutions for our customers.

Andrew Harding: And look, there is a community pressure on the amount of vehicles on roads. So that actually does play into helping the rail part of the road rail competition when it comes to the higher, larger volumes. But I'm still talking volumes that are significantly below the volumes you see contracted in the coal business. Does that help?

Paul Butler: Yep. Yep. And just one last one, if I may. Given you're expecting a decline in contracted volumes in the coal business, is there things you can do on the cost side to offset the margin impact there or are we expecting to see some margin impact from that decline in contracted volumes?

Andrew Harding: So we're still fighting the good fight. We have a large number of improvement initiatives underway to help us in the battle. Everything from the project precision, which we've talked about for a number of years, which is progressing increasingly well over time. And I have considerable regards for what that's going to deliver for us. That's in the main, how do you get people to work better, and how do you restructure things? It's not so much around spending capital. In the capital initiative space, you've got Train Guard, which next year you'll see. We had good trials on that, and we will see the implementation of that completed in one system next year. And then we're continuing to work on the cost efficiency and effectiveness of our above rail asset management business and quite numerous other activities under way. So that's just a sample.

Paul Butler: Thank you very much.

Operator: Thank you. Your next question comes from Owen Birrell from Goldman Sachs. Please go ahead.

Owen Birrell: Hi guys. Just a few questions from me. Just wanted to start with the network business. George, you made a comment just before that the retrospective WIRP fees that you booked during this results were conservative and that the cash proceeds had exceeded that level of booked revenues. I'm just wondering, can you give me a sense of what the upper level of possible WIRP fees would be if you weren't being conservative?

George Lippiatt: Yeah. Owen, I won't. And the reason for that is it's subject to court proceedings, but also subject to commercial discussions with those WIRP customers. So I was deliberately not providing you with the upper end of that.

Owen Birrell: But it's probably fair to say that If you are successful in those negotiations, you will basically account for additional retrospective fees in the future, if your negotiations are successful.

George Lippiatt: That is absolutely correct.

Owen Birrell: And the second question's just on network. Looking at the take-or-pay protective structure that you highlighted within business, what is the best way for us to think about that protection, noting that you obviously also have the MAR protections above and beyond that, but how should we think about the take-or-pay protections within each period?

George Lippiatt: You can go Pam, on that one, if you like.

Pam Bains: From a take-or-pay perspective, it's very hard to put a value on take-or-pay until you get through the full year, because it depends on railings and cancellations. But going back to George's comments, what we do recover through take-or-pay, obviously within the year and what we don't, goes back into revenue cap in two years' time.

Owen Birrell: Yeah. Is there a simple way for us to think about that in terms of how we're trying to forecast our numbers? Because at the moment we probably put everything into the MAR revenue cap, but is there a 30% of the volumes that are protected each half by take-or-pay?

Pam Bains: Unfortunately, there isn't a simple way. However, I think if you could be guided by George's comments, assume a similar first half and second half, based on how we've looked at guidance.

Owen Birrell: Okay. Understood. And can I just ask a question about the ConPorts acquisition? Is there any way that you've provided, I guess, the size of that investment, and the potential for the earnings contribution going forward?

George Lippiatt: Yeah. Owen, I think we talked about acquisitions of $63 million. ConPorts was a bit more than $40 million of that during the half. We don't tend to provide forecasts on each segment within a business unit, but fair to say it will return its cost of capital, and it should be doing that in the first year.

Owen Birrell: And can I ask, is there any skew, like seasonal skew in that business in terms of the contribution?

George Lippiatt: No, it doesn't tend to because it's mainly, as Andrew said, copper and zinc. They tend to be more steady-state productions. So not seasonal products.

Owen Birrell: Excellent. Just one last question, if I may. Just on the coal volume guidance. You mentioned that a lot of the broader underlying operating dynamics were in line with, I guess, your internal expectations, but there was the Newcastle loader issue, I believe just want you to give us a sense of what the absolute impact of that was? And has that been resolved?

Andrew Harding: Ed, can I get you to talk about that?

Ed McKeiver: Yes. Most certainly. Thanks, Owen. Our volumes half and half in New South Wales were down about 1.4 million tonnes, and it's difficult to put a precise split on what was driven by the NCIG outage. So that ship loader was impacted in early November, and the supply chain has responded relatively well. And once we've got through the normal half year, usually January is a sort of a soft in the Hunter Valley.

We're actually seeing some modest strengthening in orders as we've gone into February. So it's no certainly no more than the 1 million tonne range, Owen. And it's going to be out for approximately 6 to 12 months.

Owen Birrell: Thank you very much for that.

Operator: Thank you. Your next question comes from Cameron McDonald from E&P. Please, go ahead.

Cameron McDonald: Good morning. Just a couple of questions from me. Just looking at the retrospective work phase, you've called out some costs in the second half in your guidance. Any particular reason you didn't provision for them in the first half?

Andrew Harding: George, can I let you handle that.

George Lippiatt: Yeah. So fair to say, Cameron, that about half of that we did provision for, but just because of materiality, we haven't separately called that out. So of that 9, half of this is provisioned in the first half.

Cameron McDonald: Okay. Excellent. And then in terms of your comments around the competitive environment on contractable rates can you give me a sense of what sort of downward pressure you're seeing on that? Is it a low single-digit, mid single-digit, high single-digit type reduction in the rates?

Andrew Harding: Ed, I'll let you deal with that without being too specific.

Ed McKeiver: Without being too specific, I probably didn't mention it at the half-on-half, which is publicly available information. If you look at the - now you look about our half year volumes for the first half '20, also half year revenues of 628, divided by the 106 million tonne volume, we had an average rate per tonne of $5.91. If you compare that to the first 6 months of FY '21, this year, December 31st half, revenues were down $44 million to $584 million and volumes were down 4.5 million tonnes. So when you do that math, you end up with a $5.74 per tonne which is - it was 2.9%. So that's how I'd answer that one there Cameron. The fuel price that as well, of course, I would say, sorry. But most of that's passed through.

Cameron McDonald: Yeah. But not all of your tonnes have been exposed to reduced rates during that period through new contracts.

Ed McKeiver: No. That's most certainly the case, yes. Mostly, the contracts that were -- approximately a decade old that have been recontracted in the current environment that we'd announced in over the last couple of years.

Cameron McDonald: Yep. And then just given the lower export volumes that we've seen come out of the ports versus your railings and volume haulage, have you got a sense of what the stockpiles look like at the ports and how full they are and will that impact your railings in the second half?

Ed McKeiver: We watch the port stocks pretty carefully. And then yes, you're right, the stocks are built but that has not changed significantly the last 3 months. So we were watching it

carefully as we entered the second quarter, but we've not seen it impact our volumes significantly. So, for example and I think partly due in the CQCN to our contract basis with some very large customers and which have stockpile space and sufficient capacity at the port.

Cameron McDonald: Okay. And last question, is there any update on the Galilee and sort of potential developments there?

Andrew Harding: I'll hand over to Pam in a second to add anything to this, but the reality is for -- the main action in the Galilee port is with Adani. And if you want updates on what's going on with - sorry, Bravus. If you want updates with what's going on with the Bravus business, it's absolutely a need to actually talk to them, but I might just hand over to Pam for anything else.

Pam Bains: Yes. Not too much. Cameron, not too much to add to Andrew's comments. The construction work continues and we're doing what we're legally required to do for any customer wanting to access the network.

Cameron McDonald: Okay, great. Thank you.

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

Ian Myles: Hi guys. Couple of quick ones you mentioned in Coal that you received a one-off revenue payment for a disputed capacity charge. So just wondering how much that it was?

Andrew Harding: That's very eagle eyes, Ian. I'll hand that over to Ed, if you just talk if you can.

Ed McKeiver: Yeah. I can't specifically reveal the number Ian. It is, but it is in the low single digits and it's related to a dispute going back about four years. Which we've had on the books.

Ian Myles: Okay. And in terms of OneRail coming to market, what's your attitude towards that? Is it-historically, you actually did have an attempt to go and bid for that asset through the -with the actual- apply through the ACCC. What would be your approach this time?

Andrew Harding: George, do you want to talk through our approach?

George Lippiatt: Sure. Thanks for question, Ian. I mean there's two parts to that OneRail business. The first is the South Australia Northern Territory assets. The second is the old G-Rail business in the Hunter Valley. Both of those we're interested in. We actually had a right of first refusal relating to the South Australia Northern Territory business, going back to 2006. So we're interested in it then. And we're interested in it now. And in 2016, when Glencore ran their sale process, we competed in that auction, and nothing really has changed. We'd still look at that business now. So it is something we're interested in and we'll see what the current owners do with that business going forward.

Ian Myles: And does that influence the outcome of share buybacks? And the other thing on share buybacks, I was just trying to clarify, if you were to lose the tax - the court dispute with the tax office, when you do a share buyback, your dividend in the subsequent 12 months is unfranked? Is that what you're trying to say, which would change their advantages of doing share buybacks?

George Lippiatt: Yes. So let me tackle those two parts of those questions. Firstly, the decision on share buyback is more about just being steady state and predictable. But the opportunities we have to grow bulk are a factor in it. They're not the dominant factor in terms of share buybacks. On the second question around the tax impact. So firstly, we expect to have a hearing in the Federal Court this year. And post FY '21, we'll have a share capital account balance of around $200 million. Beyond that, should we undertake an on-market buyback after the share capital account is exhausted, the dividend paid in the same 6-month period is likely to be unfranked with any franking credits retained for future years. So it's 6 months, not 12 months, Ian. And the other thing I'd reiterate is that in a worst case, it's a timing issue, where the use of franking credits is delayed, but the credits aren't lost.

Ian Myles: Okay. Look that's great. Thanks.

Operator: Thank you. Your next question comes from Scott Ryall from Rimor Equity Research. Please go ahead.

Scott Ryall: Andrew, just following on to Ian Myles' question on OneRail. What ended up happening with the court case trying to assert your first right of refusal on that one, please?

Andrew Harding: Well, it's just, I think, very few words I said is there's nothing much has changed. And to date, nothing much has changed. It's still a matter in front of the courts we're still pursuing vigorously. Yes, it's just not safe to say anything else. Sorry, Scott.

Scott Ryall: Okay. What's the timeframe over which that gets resolved, calendar year?

Andrew Harding: It's definitely not a short-term resolution. It's a fairly long slog.

Scott Ryall: Okay. All right. And second question is on Bulk. The first part of it, is Clay okay? Like is he going to be the one presenting in June?

Andrew Harding: Yes. It's just a personal issue that he's dealing with. It's not about his health.

Scott Ryall: All right. Partly good to hear, I guess. Hopefully, the other bit of that is okay. In terms of the ConPorts acquisition, these are hopefully just really a quick question to answer, but is CBH the only party using that port at the moment? Is there opportunity for more and capacity for more? And is this -- can you offer integrated offers into there from Broken Hill and Cobar? Is that the idea, is to actually have a path to market that involves a little bit more than just rail services, similar to what you've done in Townsville?

Drew Prescott: Yes. Scott, it's Drew here. Thanks for the question. Pretty much yes to everything you've said there. There's 4 major customers for the site. And yes, we'll be looking to

provide integrated solutions into that site, and we'll also be looking to grow that site from what it is today.

Scott Ryall: Okay. Great. That's easy. And then maybe it's Andrew, maybe it's Ed on TrainGuard. So are we now, the implementation of this, particularly around what you were calling ETCS back in your 2018 Investor Day, seems to have come reasonably about slower, I guess, and we always sit on the outside and think things go slower than what they've perhaps taken once you get into the company. But are you now satisfied with the trials around the technology that goes behind single-driver trains, and that is going to be, for sure, implemented in the Blackwater system next calendar year, and then you would expect that, that will roll out to other systems after that? Is that a fair summary of where we are at?

Andrew Harding: Scott, it's not myself or Ed will talk to that. That the responsibility for TrainGuard rests with Mike Carter, who is thankfully in the room and can give you a pretty good update on where we're up to.

Michael Carter: Scott, yes, high level is pretty close. We did our operational demonstration. There's normally 4 phases to a project like this: one, the initial proving of the system; two, put it onto the system and operationally demonstrate it: three, implement the system; four, implement the operational changes with the drivers. We've done the first 2, and they went reasonably smoothly. We had allowed a fair bit of time for discovery of issues that would be different on our systems, and we found a few. And now we're into the phase of implementing the system into the Blackwater. And as we've gone from operational demonstration to the full system, there's been a few schedule delays with a few particular areas where we've got to adjust the system for some of the operation. It's not an issue that the system won't work. It's just adapting the system for the particular operation. So if you went back a couple of years, yes, you would find we've got a little bit of a schedule delay. But I'm happy to confirm that the business case remains intact, and we will implement next year, and then we will go on to the other systems.

Scott Ryall: Okay, great. Thank you. That's all I had.

Operator: Thank you once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question is from Rob Koh from Morgan Stanley. Please go ahead.

Rob Koh: Yes. Good morning. Just one quick question for me, possibly for the treasury team. I guess there were some media reports that one of the big 4 banks has a policy of not lending to coal infrastructure. And just wondering how you guys are factoring that into your debt capacity and capital structure plans?

Andrew Harding: So, Rob I'll get George to deal with that one.

George Lippiatt: Hi Rob. Rob, yes, look, it's something we watch, and we saw the news. And as Andrew mentioned before, we have a plan to increase leverage, but we're doing it progressively over the next three years. That's always been the plan. More recently, though, we're pretty confident in the availability and cost of debt capital for our business. And the two data points I'd point you towards, we did a AUD 500 million

bond for network at a 2.9% coupon with a 10-year term. That was oversubscribed. Very happy with that outcome. And secondly, on the operations side, we actually added two new banks to that facility about three months ago. So we haven't seen the impact in terms of availability or cost of capital at this point.

Rob Koh: Okay, great. Sounds good. Thank you very much.

Operator: Thank you. Your next question comes from Nathan Lead from Morgans. Please go ahead.

Nathan Lead: G'day Andrew and team. Just 3 questions for me. So first up, the federal government budget allowed for media expensing of CapEx. I would have thought with your fairly heavy CapEx programme, there might have been some opportunities there on the tax and -- or at least the tax front that has an impact on franking. Maybe if you can just talk through that?

Andrew Harding: Go for it, George.

George Lippiatt: Yes. Sure, Nathan. Yes, we saw that announcement and looked at it with interest. It will have a cash tax benefit to us for FY '22 and '23. We're working through as well what capital we can bring forward to do further capital spend while those arrangements are in place. As you identify, because we're paying lower cash tax in '22 and '23, that could have an impact on franking and bring it down slightly from the current 70%.

Nathan Lead: Do you have the potential to wipe that, you admit the tax you actually pay?

George Lippiatt: Yes. It would effectively bring forward your write-off of your assets sooner and then reduce your cash tax. So it brings forward the timing benefit of that write-off.

Nathan Lead: Yes. Okay. Second question just on Bulk. You previously said about how the Bulk margin is competitive in sort of at commercial levels now, but it looks like it really stepped up in the first half '21. What's the sort of the go-forward run rate now? I noticed also your -- is it part of those access costs that now are being directly paid by customers? So if you could just sort of talk through what that sort of run rate is going forward?

Andrew Harding: Yes. I'll give Drew the opportunity to really land the commitment for Clay. So when Clay's back, he has to live with it.

Drew Prescott: Thanks, Andrew, and thanks for the question, Nathan. Listen, that growth year-on-year in the margin would definitely be a result of the new contracts coming online, particularly the Mineral Resources contract. Moving forward, I would, as we talked about before around the competition within the Bulk, I'd like to think we can hold that margin. I wouldn't think that, that margin would increase.

Nathan Lead: Right. And then third one, maybe for Pam. I think there was a reference there in the presentation about $3 million spend below the OpEx allowance within the regulatory revenues. Could you just talk through, I suppose, there's a pretty big cost-out

opportunity there. Are you really starting to get going on that now? And have you revised your targets on just how much you think you can take out?

Pam Bains: Nathan, thank you for the question. In terms of OpEx, there was a $2 million on maintenance and a slightly larger -- OpEx was $16 million down in total. That includes fuel and energy, lower reg OpEx and in addition to construction costs. We haven't provided a target in terms of that number, but we are continuing to focus on costs, both operating costs and maintenance. So at the half, there is a benefit, and that will flow through into the second half.

Nathan Lead: Okay. Thank you very much.

Operator: There are no further questions at this time. I'll now hand back for closing remarks.

Andrew Harding: Okay. Well, thank you very much all for attending this conference call where you've heard that we've delivered on our guidance and boosted dividends despite the impacts of COVID-19 and the Chinese import restrictions. We've shown you how that underlines the strength and resilience of Aurizon and the work that we've done in the past to simplify and optimise the business. You've also heard how our confidence remains in the long-term demand for Australian coal, and it's based on hard data out of Asia for steel production and coal-fired power generation. And several times, we've reinforced how the Bulk business is growing rapidly, its profitability and customer base, and it delivers now more than 25% of profit for Aurizon's rail haulage operations. Thank you very much.

[END OF TRANSCRIPT]