Debt Investor Update
1HFY2016 Results

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Agenda

Half year in review – Aurizon Group	› David Collins
Half year in review – Aurizon Network	› Pam Bains
Capital Overview	› David Collins or Pam Bains
Regulation & Customers	› Pam Bains
Global Markets	› David Collins

Half year in review

David Collins – VP Finance & Group Treasurer

Pam Bains – VP Network Finance

Aurizon Group

David Collins – VP Finance & Group Treasurer

About Aurizon

Aurizon (ASX: AZJ) is Australia's largest rail freight operator and a top 50 ASX company. Aurizon has four major product lines for customers: Coal, Iron Ore, Freight and Network.

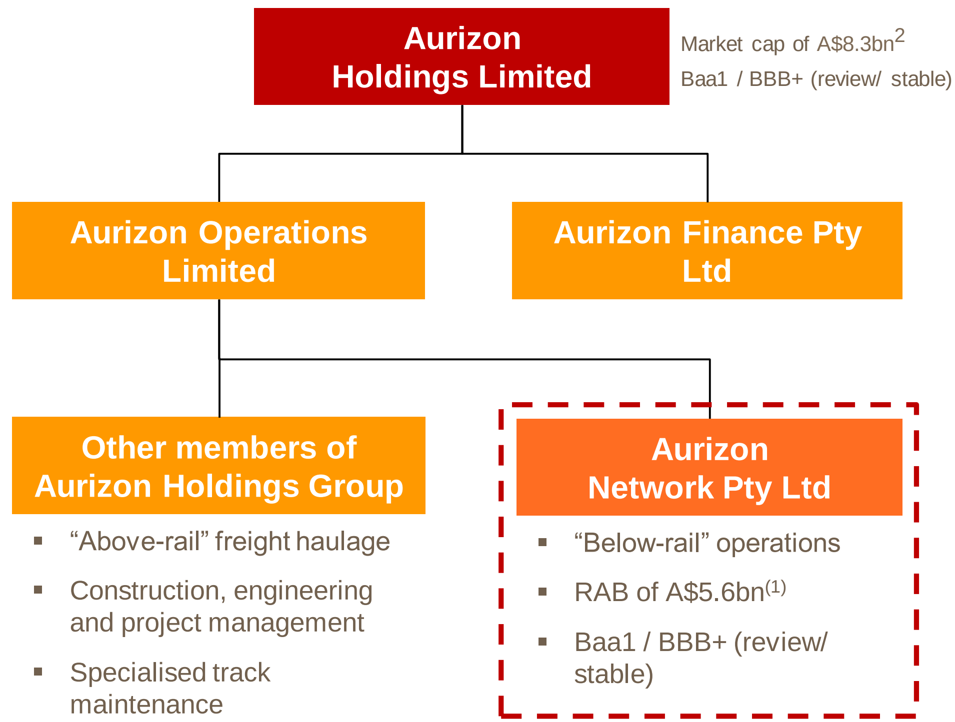
Above Rail

- Aurizon transports more than 250 million tonnes of Australian commodities, connecting miners, primary producers, and industry with international and domestic markets.

Below Rail (Network)

- Aurizon Network controls, manages, operates and maintains the fixed rail infrastructure "below rail" assets of the Central Queensland Coal Network (CQCN)
  - Regulated Asset Base (RAB) of A$5.6 billion[1]
  - Rated Baa1 / BBB+ (review / stable)
- The CQCN is Australia's largest export coal rail network and is the vital rail link between Queensland's coal mines and the various ports used to export coal
- The CQCN is a natural monopoly infrastructure asset regulated by the Queensland Competition Authority (QCA)
- Aurizon Network's regulated revenue is protected through a combination of contractual and regulatory mechanisms which limit counterparty and volume risk

Aurizon Holdings legal structure



1. Projection based on QCA's UT4 Consolidated Draft Decision December 2015. Excludes assets operating under an Access Facilitation Deed (AFD) of $0.4bn
2. As at 11 February 2016

Issuer under the A$ MTN Debt Issuance Programme dated October 4, 2013 and the EMTN Issuance Programme dated September 2, 2014

Group highlights – 1HFY2016

Safety	› ZERO LTIFR, a first for Aurizon. TRIFR increased 25% versus 2HFY2015
Results	› Revenue down 11% to $1.76bn, underlying EBIT down 17% to $403m › Excluding previously announced items, revenue down 4%, underlying EBIT down 2% against 5% volume decline › Statutory NPAT $108m loss reflects $426m asset impairments including $174m relating to West Pilbara (project costs and Aquila investment) › Interim FY2016 dividend of 11.3 cps (70% franked), up 12%
Operating Ratio	› 1HFY2016 77.1%, impacted by fixed costs on lower revenue › FY2016 target unlikely to be met, FY2017 target challenging › FY2018 target remains 70% underpinned by transformation, assuming volumes consistent with FY2016
Transformation	› $56m benefits delivered in 1HFY2016, $308m since July 2013 › FY2016-2018 transformation target set at $380m, with further initiatives being identified to accelerate program
Capital Investment	› Capex spend reduced $150-200m in next eighteen months
Shareholder Returns	› Continue strategy to return surplus funds to shareholders › Dividend payout ratio of 100% maintained, applied to underlying NPAT › 41% of current buy-back completed to date, 64m shares outstanding

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Group financial highlights

$m	1HFY2016	1HFY2015	Variance
Revenue	1,758	1,965	(11%)
EBIT – underlying[1]	403	486	(17%)
EBIT – statutory	(23)	486	(105%)
NPAT – underlying[2]	237	308	(23%)
NPAT – statutory	(108)	308	(135%)
EPS (cps) – underlying	11.2	14.4	(22%)
EPS (cps) – statutory	(5.1)	14.4	(135%)
DPS[3] (cps)	11.3	10.1	12%

- Sale of Redbank and impact of expired revenue contracts in FY2015 and 5% volume decline in 1HFY2016
- Includes $16m one off cost of employee shares and $18m QNI debt provision
- Operating costs decreased 12% with transformation benefits of $56m and $30m reduction in fuel price
- Depreciation increased $27m or 11% on commissioning of WIRP, Hexham and Rolleston
- WIRP revenue deferred pursuant to CDD
- Statutory EBIT includes $426m of impairments for investment in associates, major projects and other assets
- Dividend up 12%, based on payout ratio of 100% of underlying NPAT

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1. Underlying EBIT excludes significant items of $426m (1HFY2015 $nil)
2. Underlying NPAT excludes significant items of $345m (1HFY2015 $nil)
3. Difference between EPS of 11.2c and DPS of 11.3c is due to impact of weighted average shares in the EPS calculation. DPS uses actual share count at 31 December 2015

Coal customer update

Aurizon's customer quality remains strong and resilient through the cycle

- Volumes split by coal type
  - Total: 51% metallurgical, 49% thermal
  - Qld: 63% metallurgical, 37% thermal
  - NSW: 94% thermal, 6% metallurgical
- Customer credit ratings (by volume)
  - Investment grade 68%
  - Sub-investment grade 20%
  - Private entities 12%
- Cost curve position – 26% cost neutral or worse based on current[1] commodity prices and $0.70 AUD/USD
- Cash costs sensitive to currency – AUD/USD of $0.65 would see this improve to 11%, $0.75 diminishes to 36%
- Cost only one factor considered as part of customer risk evaluation – other factors include credit rating, expandability, mine life and portfolio fit
- Only out of cycle negotiation currently is Cockatoo Coal, which is under voluntary administration

Contract protection remains, delivering value for both parties

- New form contracts – 80% of 1HFY2016 volumes
- 96% new form by FY2018
- Weighted average[2] remaining contract length 10.4 years (QLD 11.0 years, NSW 7.0 years)
- No material contract volume ending until FY2021 (see chart)
- Underlying revenue remains stable when adjusting for fuel price (see chart)
- Contracts continue to be executed in current environment in line with prior terms and meeting or exceeding hurdle rates
  - 2.6mtpa Yancoal (Duralie mine)
  - 1.7mtpa Syntech Resources (Cameby Downs mine)

Below Rail

- Top six mining companies account for 80% of contract volumes
- Volume risk socialised by system for CQCN
- WIRP capacity of 27mtpa is protected by regulatory framework apart from the commercial fee

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1. Based on estimated blend of contract and spot pricing as of January 2016
2. Includes contracted tonnes where extensions exist such as BMA (multiple mines), Anglo (Dawson), Glencore (Newlands Collinsville) and New Hope (multiple mines)

Aurizon's value focus remains

- **Investment fundamentals have not changed**
  - Stable, defensive, regulated Below Rail business
  - Resilient Above Rail business due to strong counterparties and revenue contract protection, but high fixed cost and sensitive to short term volume fluctuations
- **Revenue pressure reinforces focus on continuous operational improvement**
  - Transformational improvements and cost reductions continue to progress to plan
  - $56m delivered in 1HFY2016, $308m delivered since July 2013
  - Structural change required in the cost base to reflect operating environment
  - Target set at $380m for FY2016-FY2018, with further initiatives being identified to accelerate program
- **Coal fundamentals remain sound, however longer term volume growth expectations have slowed**
  - Stable Above Rail volumes expected for 2 – 3 years
    - Growth in WIRP and Hunter Valley
    - Offsets to be experienced due to end of mine life reductions
  - Longer term assumptions assume modest volume growth per year, consistent with IEA[1] forecasts
- **Cash flow generation remains strong, delivering returns to shareholders**
  - $150-200m reduction in capex in FY2016 and FY2017
  - Dividend payout ratio range remains 70-100% of NPAT, currently paying 100%
  - Return of surplus capital as business requirements allow

1. International Energy Agency

Aurizon Network

Pam Bains – VP Network Finance

Below Rail highlights

EBIT uplift driven by higher revenue based on UT4 Consolidated Draft Decision

Revenue	› Increased 10% to $581m with revenue based on Consolidated Draft Decision (CDD) from December 2015
EBIT (underlying)	› Increased 12% ($27m) to $245m, 61% of the group result › Operating costs flat and depreciation increased 18% ($19m) on commissioning of WIRP › EBIT expected to be similar in 2HFY16 – WIRP revenue deferral and final UT4 revenue outcome yet to be determined
Operational Performance	› Performance to Plan improved 3.2ppts to 92.7% - improved maintenance processes driving reduction in speed restrictions and Network caused delays and cancellations, facilitating above rail improvements › Technology to further improve planning and scheduling, facilitating above rail productivity improvements › All time Goonyella system tonnage record January 2016
RAB	› RAB post WIRP at 30 June 2016 estimated to be $5.6bn[1], 86% increase since IPO › ~$0.9bn WIRP fully commissioned, 2.9mt railed to date
UT4	› UT4 final decision delayed until April 2016, any revenue adjustments unknown until then › QCA draft proposes WIRP revenue to be deferred › WIRP fee – ongoing consultation with customers on outstanding issues

1. Excludes assets operating under an Access Facilitation Deed (AFD) of $0.4bn

Aurizon Network: Profit & Loss - Underlying

$m	1H		Variance fav / (adv)	2H
	FY2016	FY2015		FY2015
Tonnes (Million)	114.0	114.7	(1%)	111.0
NTKs (Billion)	28.9	28.4	2%	27.8
Revenue - Access	560	501	12%	547
- Services	2	6	(67%)	7
- Other	19	23	(17%)	24
Total Revenue	**581**	**530**	**10%**	**578**
Operating costs	(211)	(206)	(2%)	(203)
EBITDA	**370**	**324**	**14%**	375
EBITDA margin	63.7%	61.1%	2.6 ppt	64.9%
Depreciation and amortisation	(125)	(106)	(18%)	(109)
EBIT	**245**	**218**	**12%**	266
Operating Ratio	57.8%	58.9%	1.1 ppt	54.0%

Commentary

- Revenue increased 10% due to regulatory revenue yield increasing as revenue aligns with the QCA's UT4 Consolidated Draft MAR position
- Double digit growth in Segment EBIT from strong revenue growth and strong cost management
- Statutory NPAT increased 12% primarily driven by higher revenues
- Operating Costs in nominal terms increased 2.4% from H1 FY2015 primarily driven by increased Traction Costs partially offset by the capitalisation of rail renewal spend
- Operating Ratio improved 1.1% driven by higher revenue yields whilst operational costs (excluding depreciation) remained flat on an NTK basis
- Volumes railed over the CQCN declined 1% increase from H1 FY2015

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Aurizon Network Volumes (mt) (1)

	1H		Variance fav / (adv)	2H
	FY2016	FY2015		FY2015
Newlands	6.1	8.0	(24%)	6.6
Goonyella	59.8	60.1	(0%)	59.6
Blackwater	30.8	32.5	(5%)	30.3
Moura	6.5	6.5	0%	5.7
GAPE	7.9	7.6	4%	7.8
WIRP	2.9	-		0.9
Total	114.0	114.7	(1%)	110.9
Average haul length[2] (kms)	253	247	2%	251
NTKs (bn)	28.9	28.4	2%	27.8
Access Revenue/NTK ($/000NTK)	19.4	17.6	10%	19.7
Maintenance/NTK ($/000 NTK)	2.8	2.4	(17%)	2.6
Opex/NTK ($/000 NTK)	11.6	11.0	(6%)	11.2

(1) Represents Aurizon Network Billed Coal Volumes which is inclusive of all above rail operators railings across the Central Queensland Coal Network

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Aurizon Network Balance Sheet

As at ($m)	31 Dec 2015	30 June 2015
Total current assets	282	376
Property, plant & equipment	5,407	5,360
Other non-current assets	116	75
Total assets	**5,805**	**5,811**
Other current liabilities	(223)	(269)
Total borrowings	(2,973)	(2,935)
Other non-current liabilities	(789)	(794)
Total liabilities	**(3,985)**	**(3,998)**
Net assets	**1,820**	**1,813**
Gearing (net debt/net debt + equity)	**62.0%**	**60.9%**

Commentary

- Decrease in total current assets primarily due to a $113m decrease in cash holdings, which were higher at year end to ensure that liquidity metrics were maintained
- Increase in PP&E due to significant program of capital works undertaken during the fiscal year
- Increase in Other Non-Current Assets due to recognition of derivative financial instruments and increase in intangible assets from investment in new IT Systems
- Reduction in Other current liabilities primarily due to reduction in growth capex
- Borrowings increased to fund the completion of the WIRP Project
- Book Gearing increased 1.1% due to growth capex being funded from borrowings

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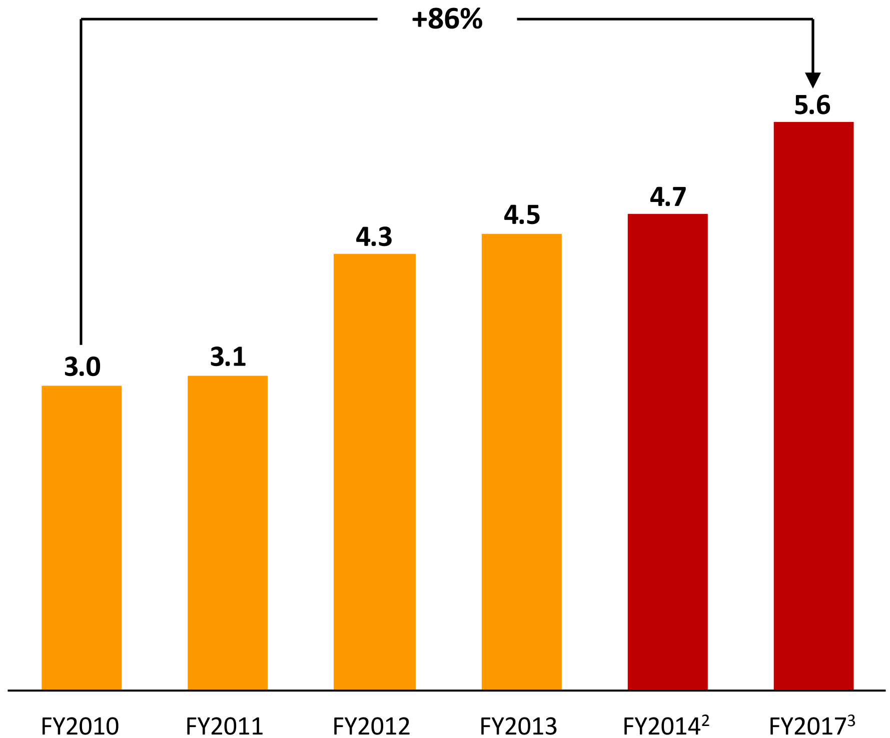
Growth in Aurizon Network's RAB

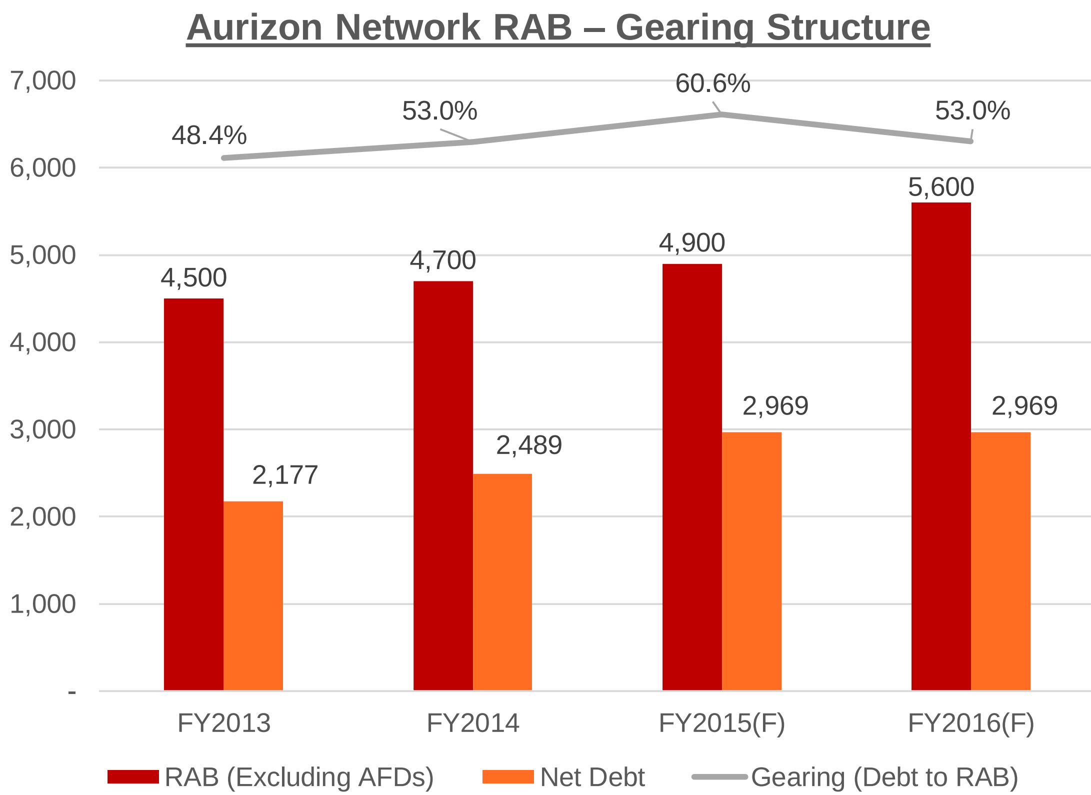
- QCA determines Aurizon Network's access pricing based on the estimated value of the RAB
- RAB value of A$4.5bn (excluding assets subject to access facilitation deeds1) as at June 30, 2013
- The QCA has deferred approval of RAB rollovers subsequent to FY13 until finalization of UT4
- Based on the UT4 CDD (December 2015) RAB (excluding assets subject to access facilitation deeds) is forecast to growth to c.$5.6BN by FY2017
- Value of the RAB determined by:
  - Opening balance
  - Add inflation
  - Add capex
  - Less depreciation
- UT4 and Standard User Funding Agreement (SUFA) seek to include a pre-approval mechanism for capital investment:

Aurizon Network's RAB[1] over time (A$bn)



1. Excluding Access Facilitation Deeds – these are assets that have the construction cost prepaid by the customer
2. FY2014 RAB is an indicative estimate based on an extrapolation of the QCA's Consolidated Draft Decision (December 2015)
3. FY2017 RAB is an indicative estimate based on an extrapolation of the QCA's Consolidated Draft Decision (December 2015)

Aurizon Network: Capital Structure



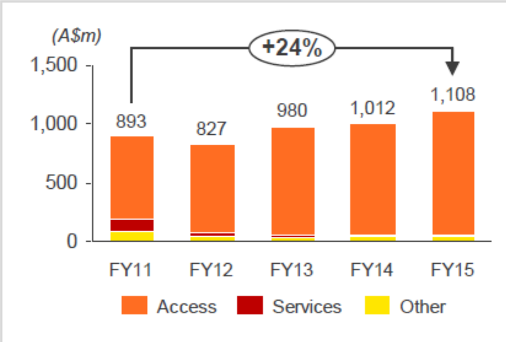
NOTE: The RAB Depicted in the Graph is a projection of the RAB based on the QCA's UT4 Consolidated Draft Decision (December 2015), excluding Mine Specific Infrastructure on which Aurizon Network does not earn an economic return

Commentary

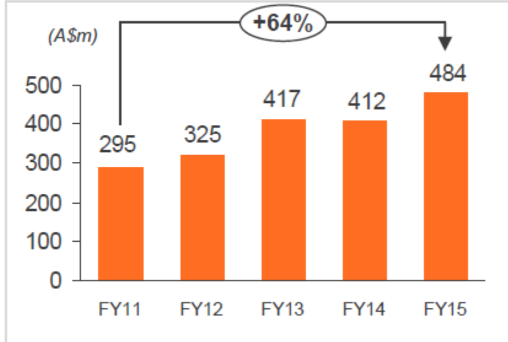
- All material growth projects were completed by December 2015
- Aurizon Network's Net Debt position in the medium term is expected to remain flat given no further grow projects
- Sustaining Capex is completely funded through operating cashflows
- Once all growth capex has been rolled into the RAB gearing will remain slightly below the regulatory assumed gearing level of 55%
- Borrowings increased to fund the major growth projects comprising:
  - The WIRP Project
  - The Rolleston Electrification
  - Goonyella System Expansion

Aurizon Network: Key Financial Metrics

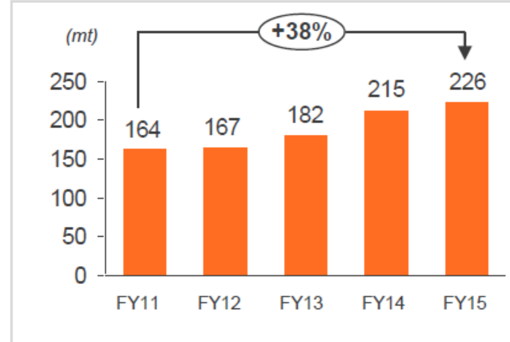
Revenue



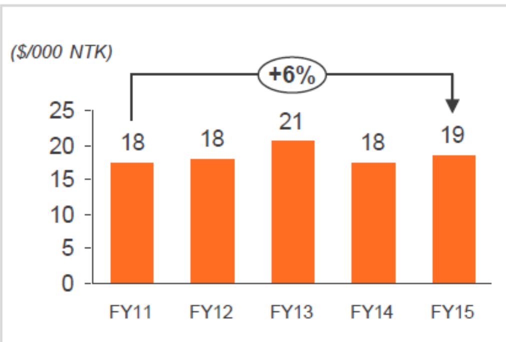
EBIT



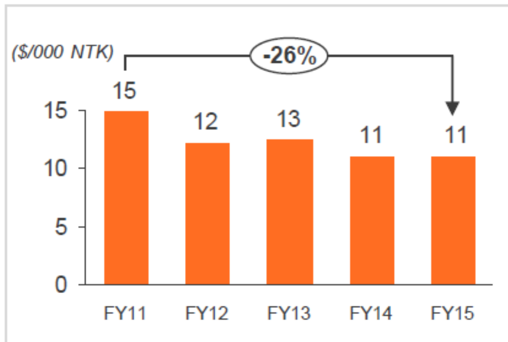
Volumes



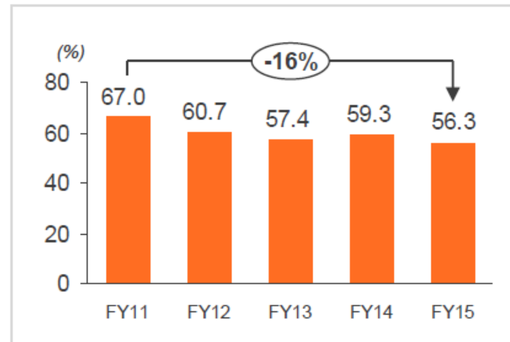
Access Revenue / NTK



Opex / NTK



Operating Ratio[1]



Source: http://www.aurizon.com.au/investors/overview/ Historical Financials to 31December2015

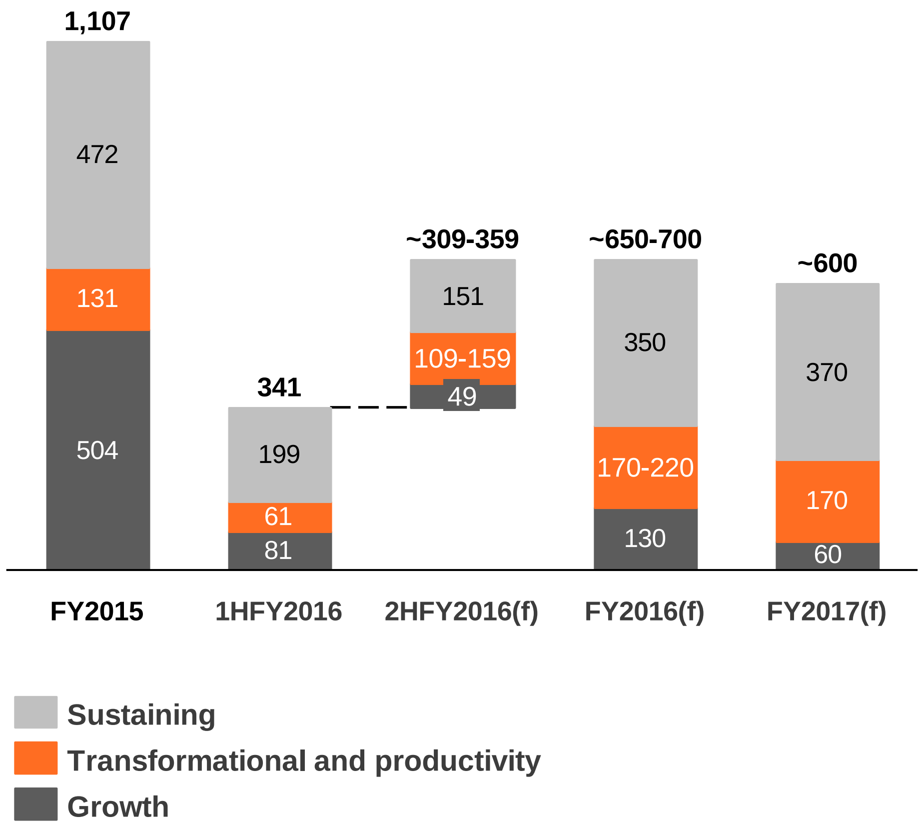
Capital Overview

David Collins – VP Finance & Group Treasurer

Pam Bains – VP Network Finance

Capex update

Capital expenditure FY2015 – FY2017 ($m)[1]



- Forecast capex spend reduced $150-200m over next 18 months in light of current trading conditions
- Committed growth programs winding down – WIRP, Whitehaven rollingstock and Hexham
- Transformation and sustaining capex re-prioritized and re-sized following review of returns and benefits delivered
- Forecast for FY2016 reduced $50-100m to $650-700m
- Forecast for FY2017 reduced $100m to $600m
- Capex for FY2018 targeting $600m
- Longer-term non-growth capex remains ~$500m - $600m per year

1. Includes capitalised interest but excludes strategic projects

Aurizon Network: Capital Program Delivery

Wiggins Island Rail Project (WIRP)	› WIRP is the staged development of new rail lines and upgrading of existing lines to service the new Wiggins Island Coal Export Terminal at the Port of Gladstone › Commenced: FY2012 › All rail infrastructure required for the railings to the Wiggins Island Coal Export Terminal was commissioned on 30 March 2015 › All remaining rail infrastructure was commissioned by December 2015
Hay Point Rail Expansion	› Construction of the Goonyella system expansion to support the Hay Point Port upgrade (a further 11mtpa, lifting the Goonyella system capacity to 140mtpa) has been completed › Commissioning of this infrastructure was reliant on the commissioning of the Wotonga Feeder Station which was completed in June 2014 and was connected to the Powerlink Network in July 2015 › The Hay Point Coal Terminal expansion was commissioned in September 2015 › Commenced: late 2011 › The total project spend has come in under budget at $121m[1]
Rolleston Electrification	› Scope of work includes 5km of additional electrification (Kinrola line), 107km of electrification (Rolleston Line), Feeder Station and associated power systems infrastructure. Purpose is to harness the operational efficiency and cost benefits by enabling new high capacity electric trains to operate › Commenced: July 2013 and completed in December 2014 › First railings commenced on 15 December 2014 › The total project spend has come in under budget at $150m[1]
Mechanised Fleet Upgrade	› Delivered and commissioned 24 MFS Spoil Management Wagons › Two High Production Tampers & Regulators delivered and commissioned into service

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1. Excludes capitalised interest

Aurizon Network: Capital Expenditure

Major Growth Projects	Completion / Estimated Completion[1]	Construction Period (years)	Total Capital ($m)	Capacity Increment (mtpa)	Notes
GAPE	January 2012	2.0	1,100	33	On time, on budget
WIRP	March 2015 / December 2015	4.0	799	27	On time, on budget
Hay Point (second road)[1]	April 2014	1.5	121	11	On time, under budget
Rolleston Electrification	December 2014	1.5	150	N/A[2]	On time, under budget

Capex ($m)	FY2015	FY2016 – FY2018 Expected	Projected
Growth	281	~80[3]	No major projects committed beyond the above at this date
Sustaining	288	~800[4]	~ 250 - 300[4] p.a.
Total	569	~880	~ 250 - 300[4] p.a.

- Network has strong capability in delivering major projects on time and on budget
- Capital expenditure to decline with no new growth projects committed at this point in time

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1. Completion of Aurizon Network works
2. Electrification works only – No increased capacity
3. The majority of this expenditure is on existing projects such as WIRP and GAPE
4. Excludes Rail Renewals

Wiggins Island Rail Project (WIRP)

- WIRP is a project designed to link mines in the Southern Bowen Basin with the new Wiggins Island Coal Export Terminal (WICET) at the Port of Gladstone and will increase the total capacity of the Moura and Blackwater systems by 27mtpa (30%). Total estimated spend of $0.8bn[1]
- The first rail works were commissioned in March 2015, with the commencement of export coal railings in May 2015
- The remaining rail works were completed and fully commissioned by December 2015
- Draft pricing for the regulated tariff was released 31 July 2015. WIRP Moura and Blackwater Revenues will be socialised within their existing systems with Moura and Rolleston WIRP traffic subject to a system premium, and all other WIRP traffic paying the respective system tariff. During the remaining UT4 period the QCA has decided that WIRP regulatory revenues will ramp-up in line with the WIRP contracts. This approach was reconfirmed in the QCA's UT4 Consolidated Draft Decision of December 2015 (UT4 CDD)

- Subject to QCA approval, the WIRP capital expenditure claim will be submitted for inclusion in the Regulated Asset Base (RAB) in two tranches:
  - The commissioned capital spend up to and inclusive of FY2015 in the FY2015 capital claim for inclusion in the FY2015 RAB
  - The remaining capital spend to be included in the FY2016 capital claim for inclusion in the FY2016 RAB
  - The QCA has proposed in its UT4 CDD that a portion of the WIRP Blackwater capital expenditure be deferred until the commencement of railings

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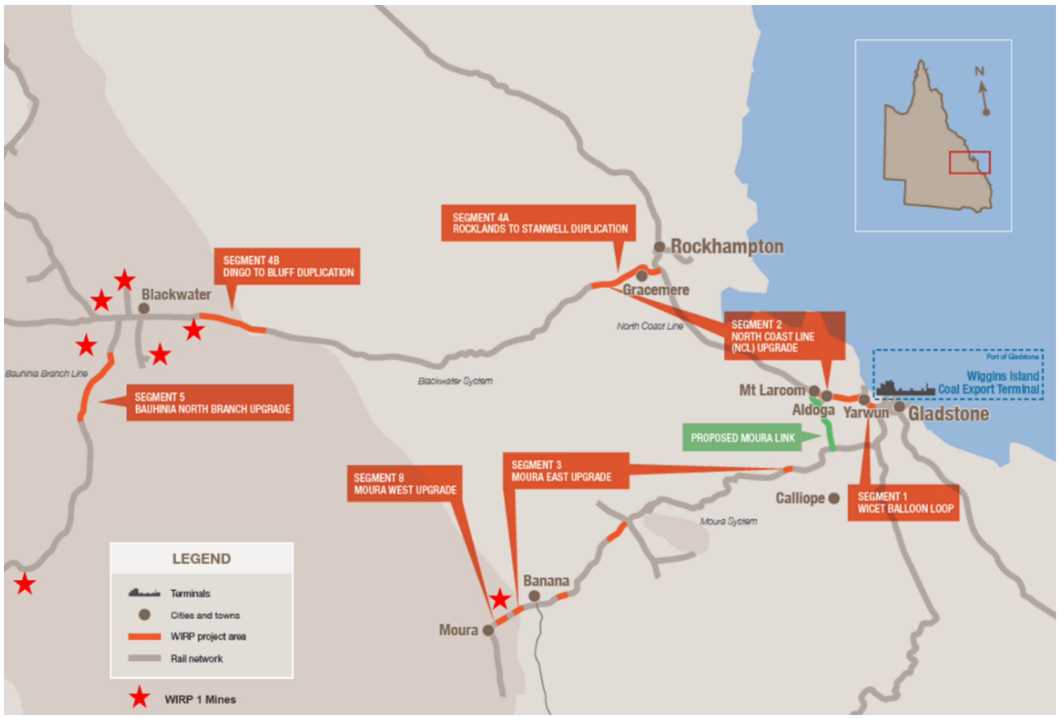
1. Excludes capitalised interest of $0.1bn

WIRP Fast Facts

- Wiggins Island Rail Project (WIRP) Stage 1 will facilitate transport of 27mtpa of coal to the new Wiggins Island Coal Export Terminal (WICET)
- 33% increase in export tonnage transported in the Blackwater and Moura systems (81mtpa to 108mtpa)
- $0.8bn[(1)] investment in new and upgraded infrastructure in the Blackwater and Moura systems
- The cope of works has been divided into 6 segments



Customer	Mine	Mtpa
Aquila	Eagle Downs	1.6
Bandanna[(2)]	Springsure Creek	4.0
Caledon	Cook	4.0
Cockatoo[(2)]	Baralaba	3.0
New Hope Coal	Colton	0.5
Wesfarmers	Curragh	1.5
Yancoal	Yarrabee	1.5
Glencore	Rolleston	10.9
TOTAL STAGE 1[(3)]		27 Mtpa

1. Excludes capitalised interest of $0.1bn
2. Currently in Voluntary Administration
3. Source: WICET / Company Annual Reports / Aurizon Market Intelligence

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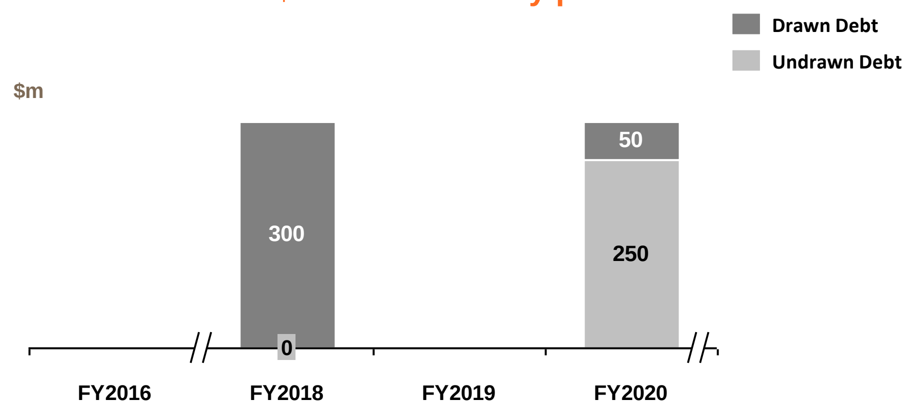
Funding Update

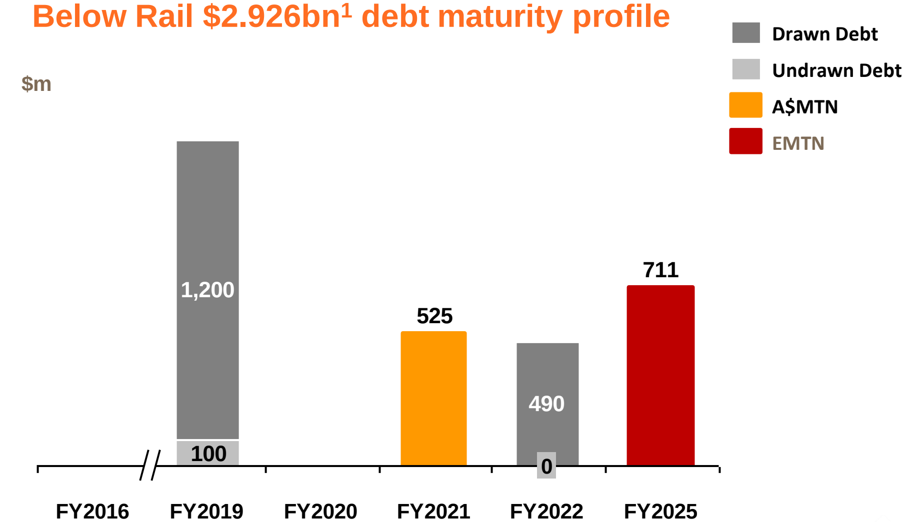
Funding activity

- Bank debt facilities of $490m repriced in December 2015 and maturity extended to FY2022
- Interest cost on drawn debt 4.65%, down from 4.9%
- Liquidity at 31 December 2015 $613m (undrawn facility + cash)
- Weighted average debt maturity is now 4.5 years, (FY2015 4.3 years)
- Approximately 70% of interest rate exposure is fixed
- Group gearing now 35.4% - Below Rail broadly consistent with QCA gearing assumptions
- Board committed to maintaining investment grade credit rating
- Credit rating metrics close to tolerance levels

Above Rail $0.350bn maturity profile



Below Rail $2.926bn[1] debt maturity profile



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1. Excludes working capital facility

Regulation & Customers

Pam Bains – VP Network Finance

Aurizon Network's 2014 Draft Access Undertaking ("UT4") Status

- The Queensland Competition Authority ("QCA") published its Draft Decision on Aurizon Network's UT4 Maximum Allowable Revenue ("MAR") for the period of the next undertaking on 30 September 2014
  - The decision details an unsmoothed MAR of $3.906 billion including a vanilla Weighted Average Cost of Capital return of 7.17%, excluding Capital Carryover
  - Aurizon Network responded to the Draft UT4 MAR Decision on 19 December 2014
- QCA published its Draft Decision on Aurizon Network's 2014 Draft Access Undertaking – Policy & Pricing on 30 January 2015
  - Aurizon Network is disappointed with the draft decision and its potential impact on investment in the CQCN
  - Aurizon Network submitted its response to the draft decision on 17 April 2015
- QCA published its Consolidated Draft Decision ("CDD") on Aurizon Network's 2014 Draft Access Undertaking ("UT4") on 16 December 2015
  - The decision details an unsmoothed MAR of $3.928 billion including a vanilla Weighted Average Cost of Capital return of 7.17%, excluding Capital Carryover
  - Consultations and submissions are due on the CDD by 26 February 2016
  - Release of the final UT4 Decision expected by the end of April 2016

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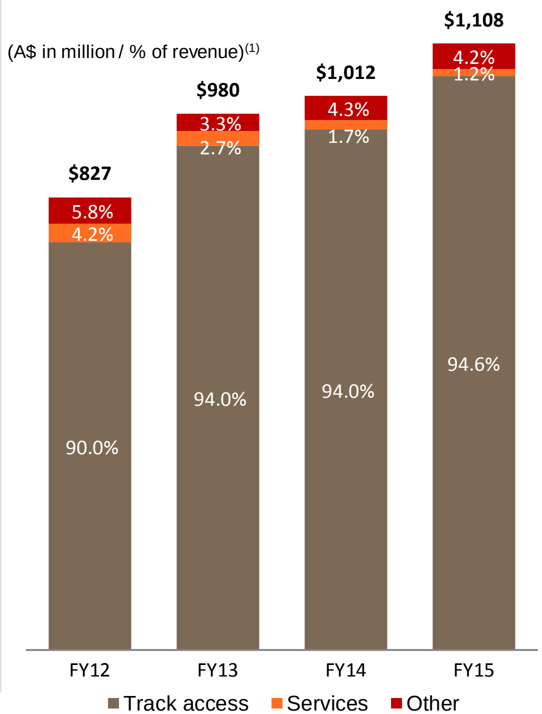
Regulated revenues within a stable and well-established regulatory regime

1 Well established regulatory regime

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

2 Stable regulated revenue base

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



3 Well developed building block approach to revenue determination

1 ■ RAB is approved by the QCA on a Depreciated Optimal Replacement Cost basis

2 ■ “Building block” approach adopted to determine the CQCN’s maximum allowable revenue

3 ■ Reference tariffs determined, taking into consideration forecast volumes and under and over recovery in prior periods

BUILDING BLOCKS

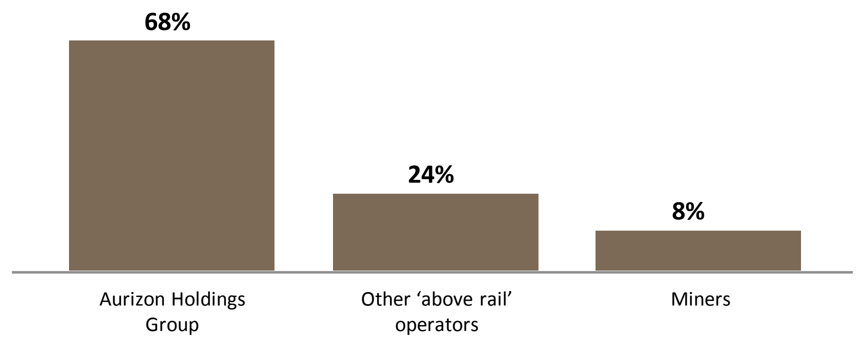
WACC (return on capital)
+
Depreciation net of inflation (return of capital)
+
Opex
+
Maintenance
+
Gamma adjusted tax
=
Aurizon Network’s maximum allowable revenue

1. ASX market announcement, Aurizon Network – Segment note reinstatement January 13, 2014

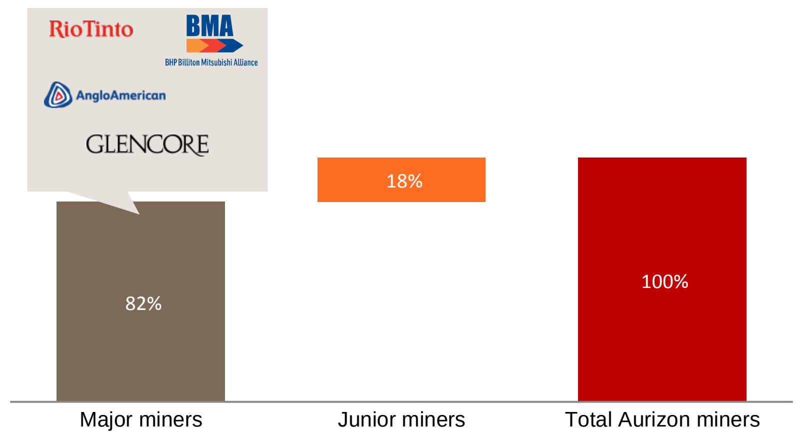
Long term customer relationships

- In FY15, ~68% of our regulated coal access revenue was derived from access agreements with Aurizon Holdings, while ~32% was derived from other above rail operators (including Pacific National) and miners
- The CQCN delivers rail infrastructure to over 40 operating coal mines in the Bowen Basin coal region[1]
- The mines are operated by a diversified group of coal miners, predominantly large, global, investment grade[2] companies, including:
  - Anglo American
  - BHP Billiton Mitsubishi Alliance
  - Glencore
  - Rio Tinto
  - Wesfarmers

FY15 revenues (split by Aurizon Network customers)



FY15 railed volumes (split by customer group)



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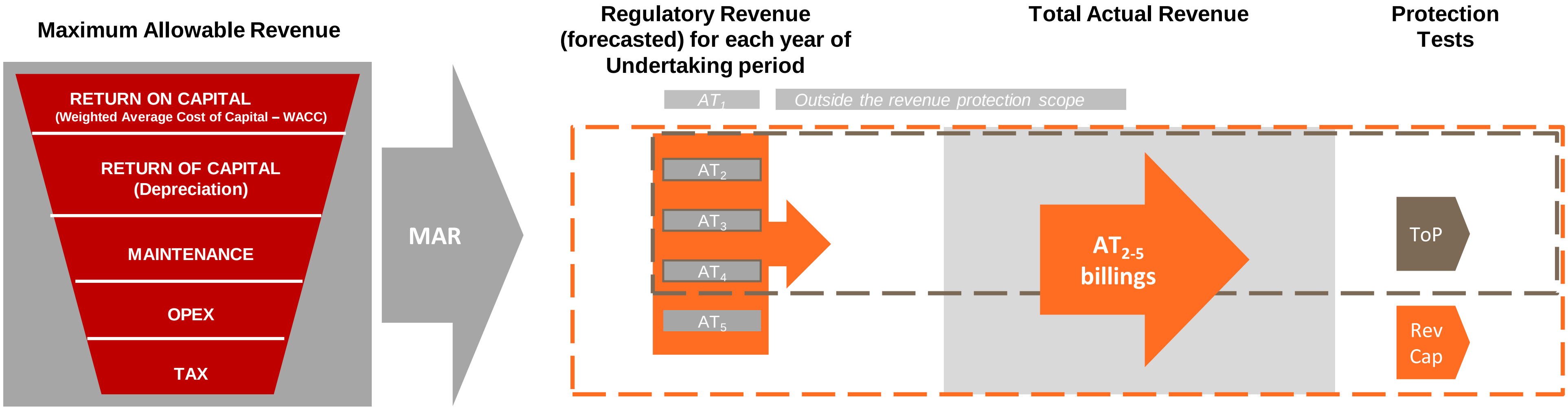
1. Based on Aurizon management estimates as at December 31, 2014
2. Refers also to mines that are owned by parents with investment grade credit ratings

The CQCN regulatory framework provides revenue protection through a building block approach



These building blocks represent Capital and operational costs that Aurizon Network can recover for CQCN access

The QCA approves the Maximum Allowable Revenue (MAR) that can be earned by Aurizon Network.

Revenue for each year determined by individual system, based on regulatory approved forecasted volumes

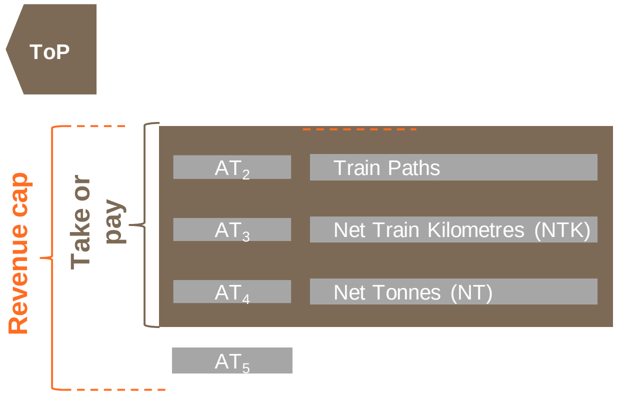
These five different reference tariffs reflecting different recovery categories

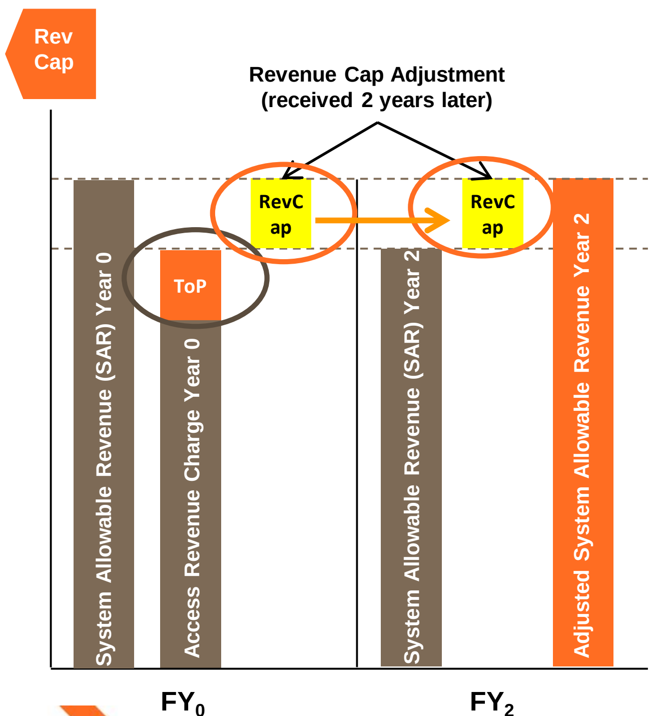
Total Actual Revenue (TAR)

Total Actual Revenue for revenue protection calculation purposes = System Allowable Revenue (SAR) (including ToP if triggered) adjusted for rebates, cross system traffic and transfer/relinquishment fees

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

… with Take-or-Pay protection should revenues fall short (with a revenue cap)





1 Take-or-pay mechanisms

- Primary revenue protection mechanism available to Aurizon Network
- Allows Aurizon Network to recover revenue shortfall directly from the access holder

2 Revenue cap mechanism

- Comes into effect in the event take or pay mechanisms do not recover a revenue shortfall
- Revenue cap mechanism allows for remaining shortfall to be recovered two years later through a WACC adjusted tariff
- In the event that total allowable revenue collected exceeds the Maximum Allowable Revenue **(MAR),** the revenue cap mechanism will return the surplus revenue two years later through an adjusted tariff

3 Socialisation of counterparty risk

- Counterparty risk occurs when certain mines are no longer in operation
- If a counterparty fails, the total allowable revenue will be shared among the remaining users and so Aurizon Network will continue to earn its aggregate regulated revenue

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The regulatory process has become more complex, resource-intensive and time consuming since the rail network was first declared in 1998

CQCN Regulation Overview

CQCN Regulation Evolution

- **2016** – **Undertaking 4 (UT4)**: Final decision to be issued
- **2011** – **Access Regime Certified**: Queensland Access Regime certified under the Trade Practices Act (TPA) as an effective access regime for 10yrs
- **2010** – **Undertaking 3 (UT3)**
- **2006** – **Undertaking 2 (UT2)**
- **2005**
- **2001** – **Undertaking 1 (UT1)**
- **2000**
- **1998** – **Rail Network Declaration**: Queensland's narrow gauge rail network declared an asset under the QCA
- **1997** – **QCA Enacted**: Rail access regime commenced
- **1995**

Role of the Queensland Competition Authority

- Queensland Competition Authority (QCA) is the economic regulator under the state access regime
- QCA administers the open access regime which regulates Aurizon Network as the access provider for rail transport infrastructure in the CQCN

UT4 Overview

UT4 Development and Key Milestones

2016
- Jun 2016 – UT4 Implemented
- Apr 2016 – QCA expected to issue UT4 Final Decision

2015
- Dec 2015 – QCA issued UT4 Consolidated Draft Decision
- Jul 2015 – QCA issued its supplementary Draft Decision on WIRP Pricing[1]
- Mar 2015 – QCA Issue draft UT4 Pricing & Policy decision

2014
- Sep 2014 – QCA issue draft UT4 Maximum Allowable Revenue decision
- Jan-Aug 2014 – Network submit revised UT4 submission incorporating policy decisions agreed in collaboration with customers and QCA
- Apr 2013 – Network submits first UT4 submission to QCA

Key Policy Elements

- **Socialised Pricing –** customers pay their access charges via a five part tariff which allocates the Maximum Allowable Revenue
- **Reporting –** Aurizon Network provides operational reports to customers highlighting the performance of the system
- **Ringfencing –** Aurizon Network has the obligation to keep access seekers and holders information confidential which enables an efficient and effective competitive in the above rail haulage market which benefits the supply chain efficiency
- **Standard Form Access Contract –** the QCA approves a standard form access contract which enables all users to contract on the same basis providing customers and Aurizon Network contract certainty

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1. WIRP decision to be part of UT4 Final Decision
2. Subject to the QCA's Final UT4 Decision expected in April 2016

Global Markets

David Collins – VP Finance & Group Treasurer

Strong underlying macroeconomic drivers support long term coal volumes

1. Australia is the world’s largest exporter of seaborne coal
2. Close proximity to Asia gives Australia a competitive advantage
3. Queensland has the largest coal resource in Australia with a long production life
4. Queensland’s coal producers are globally cost competitive
5. Many of the end users of Queensland coal have specifically set up operations to use Bowen Basin coal

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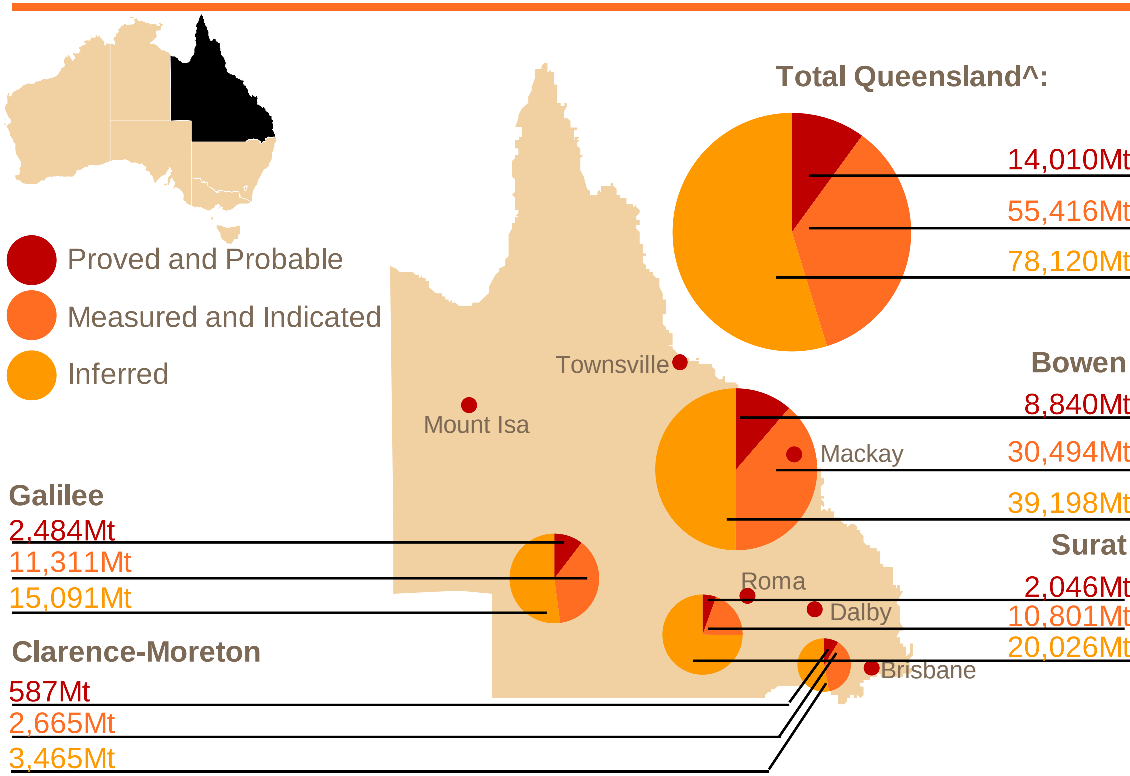
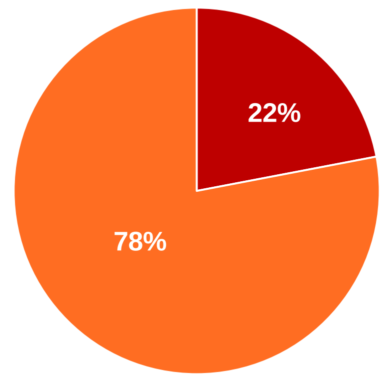
Queensland has the largest coal resources in Australia with a long production life

The Queensland coal industry is the largest in Australia, with more than 78bt of coal resource, including 39bt located in the Bowen Basin region serviced by the CQCN

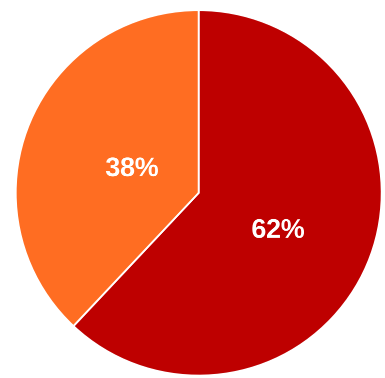
Queensland coal endowment (Reserves and Resource as at June 30, 2014, Mt)[1]



Bowen Basin coal reserves[2]



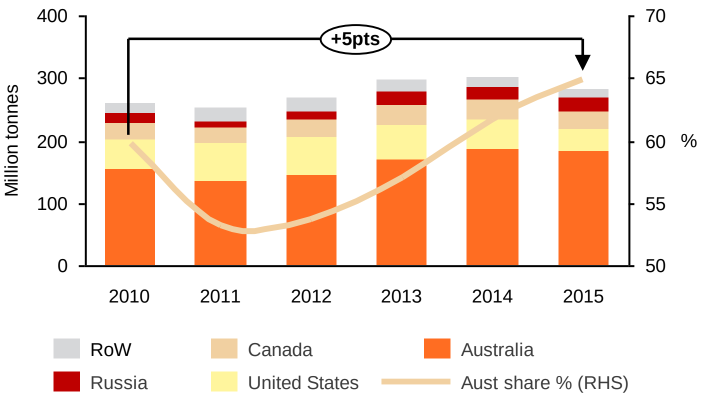
Queensland coal reserves[2]



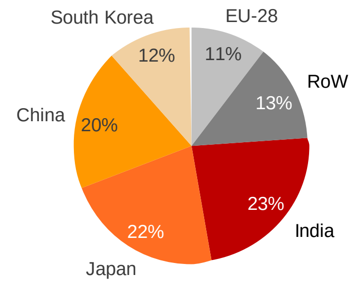
1. Queensland Exploration Scorecard 2014, ^includes Tarong and Maryborough basins (400mt resource)
2. Wood Mackenzie Australia Coal Supply Service - February 2016 (marketable reserves)

Close proximity to Asia gives Australia a competitive advantage

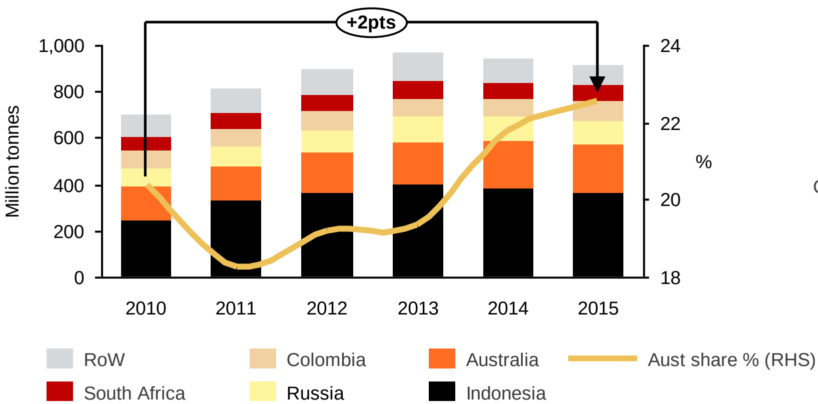
Metallurgical coal seaborne exports
Volume and market share, calendar years



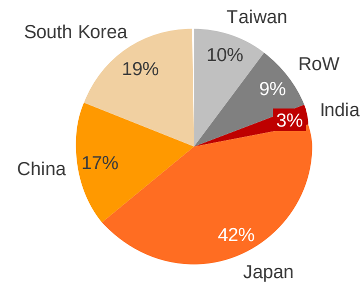
Australia's metallurgical coal exports by destination (CY15)



Thermal coal seaborne exports
Volume and market share, calendar years



Australia's thermal coal exports by destination (CY15)



- **Australian volume resilient to date** with 2015 export volume broadly steady on the previous year despite weaker global demand.
- Lower coal exports to China was offset by strength from alternate end markets in 2015. Australia exported **record high annual volume** to each of Japan, South Korea, Taiwan and India in the year.
- Australian metallurgical coal supply dominance was reinforced as seaborne **market share is expected to have increased** to 65%, up 3ppt. Similarly, seaborne thermal coal market share is expected to have increased to over 22%, up 1ppt.
- Australian coal supply has responded to a challenging price environment with **ongoing unit cost reduction**, further improving position on seaborne cost curves.
- Over the twelve months to November 2015, Wood Mackenzie estimates that Australian export coal mine cash costs (USD basis) declined 27% and 24% for metallurgical and thermal coal mines respectively

Source: Wood Mackenzie Coal Markets Tool (2016), Australian Bureau of Statistics, Wood Mackenzie Coal Costs Benchmarking (November 2014 and November 2015)

Questions & Answers

Definitions

Metric	Description
Access Revenue	Amount received for access to the Network infrastructure under the Access Agreement
Average haul length	NTK/Total tonnes
Contract utilisation	Total volumes hauled as a percentage of total volumes contracted
CQCN	Central Queensland Coal Network
dGTK	Diesel fuel used per Gross tonne kilometre. GTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of vehicle and contents including the weight of the locomotive & wagons
DTC	Deficit Tonnage Charge. A form of protection for the above rail coal business, whereby the Group is able to recover extra charges where the revenue receivable, based on tonnage hauled and agreed price, falls below minimum levels set in contractual arrangements with customers
Footplate hours	A measure of train crew productivity
Free cash flow	Net operating cash flows less net cash flow from investing activities. Interest payments have been classified as Financing and Investing Activities rather than Operating activities.
FTE	Full Time Equivalent - The number of unique employee positions filled by all Aurizon employees (excluding contractors/consultants) as at period end. The NTK/Employee metric for the half year is annualised for comparative purposes and uses period-end FTE
GAPE	Goonyella to Abbot Point Expansion
Gearing	Net debt/(net debt + equity)
Gross Contracted NTKs	Gross contracted tonnages multiplied by the loaded distances (calculated on a contract by contract basis)
Maintenance	Maintenance costs exclude flood repairs, mechanised ballast undercutting, derailment repairs and electric traction maintenance
MAR	Maximum Allowable Revenue that Aurizon Network Pty Ltd is entitled to earn from the provision of coal carrying train services in the CQCN
Mtpa	Million tonnes per annum
New Form contract	New form contracts provide substantial improvements in commercial terms including pricing (minimum weights and escalation), capacity charges, fuel and access pass through provisions as well as performance bonuses & penalties
NTK	Net Tonne Kilometre. NTK is a unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons
Operating Ratio	1 – EBIT margin. Operating ratio calculated using underlying revenue which excludes interest income & significant items
Opex	Operating expense including depreciation and amortisation
ROIC	Return on Invested Capital. Rolling 12-month underlying EBIT/(Net PP&E including assets under construction + Investments accounted for using the equity method + current assets less cash, less current liabilities + net intangibles)
ToP	Take-or-Pay. Contractual ToP provisions entitles Aurizon Network to recoup a portion of any lost revenue resulting from actual tonnages railed being less than the regulatory approved tonnage forecast
TSC	Transport Services Contract entered into between the Queensland State Government and Aurizon for the provision of regional freight and livestock services
Turnaround time	The average hours between when a train departs its origin empty to its next departure time
Underlying	Underlying earnings is a non-statutory measure and is the primary reporting measure used by Management and the Group's chief operating decision making bodies for the purpose of managing and determining financial performance of the business. Underlying results differ from the Group's statutory results. Underlying adjusts for significant/one-off items
VRP	Voluntary redundancy program
WACC	Weighted average cost of capital
WIRP	Wiggins Island Rail Project

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