Start of Transcript

Tim Poole: Well, good afternoon, ladies and gentlemen. It's just gone two o'clock. My name is Tim Poole and I'm your Company's Chairman. On behalf of the Board, I'd like to welcome you to Aurizon's 2018 annual general meeting. We are pleased you have taken the time to attend and thank you for your interest in Aurizon. I'd also like to welcome those shareholders listening to us today on the webcast.

Before we start the meeting, I'd like to go through some general housekeeping information. First, can I ask that you please ensure your mobile phones are switched off or turned to silent for the duration of the meeting? Also, please do not use cameras, video or sound recorders during the meeting. I'd now like to play a video from the Sofitel Brisbane Central to explain the emergency and safety procedures for this venue.

[Video playing]

Tim Poole: The Company Secretary has confirmed that a quorum is present and accordingly, I declare the annual general meeting open. The notice of meeting was mailed to all shareholders on 7 September 2018 and I'll take the notice of meeting as read. I'd now like to outline the format of the meeting today. My introduction and address will be followed by an address from our Managing Director and CEO, Andrew Harding. We will then turn to the business of the meeting, during which you'll have an opportunity to ask questions relating to the business of the meeting.

I'll now introduce your Board of Directors. So over on my right, the left of the room, is John Cooper. Next to John is Karen Field. Next to Karen is Kate Vidgen. Next to Kate is our Company Secretary, Dominic Smith. Next to Dominic is Andrew Harding, our Managing Director. Next to Andrew is Michael Fraser. Next to Michael is Russell Caplan. Next to Russell is Sam Lewis, and next to Sam is Marcelo Bastos. You'll actually hear from five of us today, so we hope you enjoy hearing from a range of people up here on stage with me.

Members of the Company's executive committee are also present in the room today and I encourage you to seek them out later on over coffee and ask them other questions you might have or discuss our business.

Nadia Carlin of PricewaterhouseCoopers, the Company's external auditor, is also in attendance today. Welcome, Nadia. She's just seated in front of me here. Nadia will be available to answer questions regarding the conduct of the Company's - conduct of the audit for the Company's annual financial report and the content and preparation of the audit report.

I'll now turn to my meeting address. I'd like to start by acknowledging the traditional owners of this land and pay my respects to the elders both past, present and future. I also extend my respect to all Aboriginal and Torres Strait Islander people here today. This was, is, and will always be the traditional lands of the Turrbal and Jagera people.

I'm pleased to report to you on the solid financial and operational performance of our Company during the 2018 financial year. As a result of transformation initiatives and improved earnings in our coal and bulk businesses, we increased our underlying earnings before interest and tax by 6% to $941 million and within guidance.

The Aurizon team has worked hard on transforming our business, and I'd like to congratulate them for exceeding the $380 million three-year transformation target with $134 million of benefits delivered during the 2018 financial year. These transformation benefits have taken costs permanently out of the business and improved our overall productivity.

The simplified Business Unit structure we implemented in mid-2017 is starting to generate results. Since 2017, the coal business has secured 10% growth in contracted tonnages, adding new customers and supporting growth for existing customers. Haulage volumes increased by 7% to 212.4 million tonnes during the 2018 financial year.

Last year, we outlined a turnaround plan for our Bulk business. I am pleased to say that this is making progress, returning to profitability during the 2018 financial year. The Bulk team's disciplined approach to lift efficiency, reduce costs and prioritise customer service delivered $32 million in benefits.

In the Network business, 229.6 million tonnes of coal were carried across our Central Queensland Coal Network on the back of the continuing demand for high quality Queensland coal in Asia.

Turning to safety, it is disappointing that we saw a deterioration in our performance in the 2018 financial year. This includes injuries to employees and operational incidents such as derailments. One of the reasons performance deteriorated was the introduction of tougher injury metrics and reporting in July last year. This higher hurdle was necessary to drive and stretch our safety performance.

This was just the first step in a broader program of work in safety that is now well underway across the business, and Andrew will speak in more detail on this program in his address shortly.

Looking now to the current financial year, we are facing some challenges and you may recall these were detailed in August during our 2018 financial year reporting. In Bulk, the ending of two iron ore haulage contracts in Western Australia will impact our earnings by approximately $50 million. However, we expect benefits from our turnaround plan to partly offset those lost earnings.

In our Network business, we continue to face regulatory challenges as we seek a fairer outcome from the Queensland Competition Authority in respect of the UT5 Access Undertaking. In the absence of receiving a fair price for the risks we are required to accept, we will be constrained in investing in the Central Queensland Coal Network and delivering the level of performance our customers want so as to grow their businesses.

The Aurizon Board and management team are determined to achieve a fairer outcome in respect of UT5 and we are actively pursuing commercial, regulatory and legal solutions.

The other regulatory challenge has been the divestment of our loss-making intermodal business, and there are three parts to this:

The first, the interstate intermodal business, which covered our intermodal operations outside of Queensland, was closed with effect from 31 December last year.

The second part is the Queensland intermodal business and you may have seen that last week, we announced that Aurizon has executed a sale agreement with Linfox to acquire our Queensland intermodal business. As part of this transaction, we are pleased that Aurizon will provide rail line haul services and some other terminal services to Linfox pursuant to a 10-year arrangement.

We note that the Australian Competition and Consumer Commission has confirmed it will not oppose the sale to Linfox. The sale to Linfox is subject to the Federal Court lifting an injunction that currently compels Aurizon to continue to operate the Queensland intermodal business until final orders of the court. This will form part of the Federal Court proceedings scheduled to commence on 19 November 2018.

We are absolutely looking forward to this matter being resolved, as the agreement with Linfox will offer job security to more than 300 operational employees and continuity of service to our customers.

With respect to the third part of this divestment, we will continue to seek clearance of the sale of the Acacia Ridge terminal to Pacific National through the Federal Court proceedings.

Exiting the intermodal market and focusing on bulk, coal and network are central to the Company's revised strategy which we released in June this year. We will concentrate our efforts on what we do well. We will pursue business in growing and profitable markets and we will leverage the talents of our employees to deliver strong customer and shareholder outcomes.

In resetting the strategy, extensive analysis was undertaken on bulk commodity markets to understand future demand scenarios. We expect there to be significant export growth in mineral markets and we will seek out opportunities that have scale, proximity and fit to our strategy and where we believe we can offer an efficient rail solution.

In our Coal business, we've started new railings in Queensland for QCoal, Baralaba and Bounty Mining, while in New South Wales, we expect to start railings for MACH Energy later this financial year. We are expecting to see 2% compound annual growth in the export of Australian thermal and metallurgical coal over the next 10 years, reflecting the strong demand for these products from Asia.

When we look at steel-making metallurgical coal over the coming decades, India is expected to be the single largest driver of seaborne demand. Australia supplies around 90% of India's imports, which is positive for our customers, the supply chain and the broader economy.

As a company, we have always been transparent about our acceptance of climate change signs and the physical and transition risks that could affect our business. We understand and support a sensible and measured transition to more renewable sources of energy.

I indicated earlier that we undertake thorough analysis to inform our outlook for the commodities that we haul. This includes assessing projections from external agencies such as the International Energy Agency. More than 95% of Australian thermal coal is delivered to Asia, primarily to meet demand for the continued reliance of and investment in coal-fired energy generation.

We also note that the International Energy Agency's new policy scenario forecasts thermal coal generation in Southeast Asia to increase by 113% percent to 655 terawatt hours by 2030. Given the growing metallurgical and thermal coal needs of Asia and the quality and cost competitiveness of Australian coal, we are confident in the opportunity for our business to support the transportation of our customers' coal into seaborne markets for many years.

As a large Australian company with a predominantly regional footprint, we recognise the role we play in sustaining strong communities. More than 75% of our 5000 employees live and work in regional communities of Australia. While we have our grassroots sponsorship programs such as our Community Giving Fund, we also contribute by providing employment opportunities, contracting local providers and suppliers.

At Board level, we are committed to providing oversight and strategic direction to social, environment and economic risks and to ensuring appropriate disclosure through our annual sustainability report. If you haven't had the opportunity to do so yet, I encourage you to visit our website to read our 2018 sustainability report.

In November last year, we welcomed Marcelo Bastos as a director of Aurizon. Marcelo's operational focus and experience in the resources industry has added another dimension to board discussions, and you'll hear from Marcelo shortly.

Today we are also farewelling Karen Field as a director of Aurizon. Karen joined the board of Aurizon in April 2012. She has been the chair of our Safety, Health and Environment Committee since May 2013 and has overseen a significant improvement in our safety, health and environment performance during that time. Karen, on behalf of the board, can I say thank you for your outstanding contribution? It's been a joy to have you on board and we wish you the absolute best in your future endeavours, so thank you.

In closing, I'd like to acknowledge the support of our communities where our employees and work and where our trains travel each day. Thank you to our long-term customers and to those who are new to Aurizon this year. We thank you for your support as we reshape our company and strategy to deliver better outcomes for your business. Thank you to our shareholders. We are committed to managing your investment responsibly and effectively, and where possible, returning surplus capital to our shareholders.

This past financial year, we have distributed $762 million to shareholders through dividends and share buybacks, which demonstrates this commitment.

Finally, on behalf of our Board, I'd like to thank our employees for their hard work and commitment. It has been a challenging year in many respects but change and renewal are important to our long-term success.

The momentum achieving in continuously improving business outcomes is reflected in the company's solid financial results for 2018. For the 2019 financial year, I confirm we are on track with the EBIT and tonnage guidance provided at our results presentation in August.

The Board remains confident the business is well-positioned to deliver on its strategy and continue to drive value for our customers and our shareholders. With that, I'd now like to hand over to Andrew Harding to address you. Thank you.

Andrew Harding: Thank you, Tim, and good afternoon. The Chairman has provided an excellent summary of the 2018 financial year performance, major challenges for this financial year and the outlook in our key markets. I want to build on Tim's comments with examples of great work across the company that is improving performance and creating value for you.

I will talk to three topics: progress for the first quarter of the 2019 financial year: the technology opportunity for your Company and safety inclusion and community at Aurizon.

We have started the quarter well, finalising bargaining on two enterprise agreements - the staff agreement in Queensland and the coal operations agreement in New South Wales. Only last week, employees voted up the Western Australia rail operations agreement. These are modern, competitive agreements that cover approximately 1400 of our employees. They provide the Company with the flexibility to be more responsive to market changes and reward employees for their contribution to productivity improvements.

We are aligning our enterprise agreements with the new Business Unit structure. Bargaining has commenced on the coal agreement, the bulk agreement and the infrastructure agreement in Queensland. Workplace agreements should reflect the requirements of respective businesses and the need to be accountable for operational and financial performance.

Another positive was last week's announcement of the sale agreement with Linfox to acquire our Queensland intermodal business as outlined by the Chairman. We've been clear in our rationale to exit the loss-making intermodal business. It is a legacy business in a market that we're unable to effectively compete in and did not align with the Company's core strengths.

However, providing the rail linehaul services to Linfox fits our strategy and enables us to leverage our capability in bulk haulage. The transaction is a great outcome in creating new business for bulk, retaining jobs for employees and service continuity for customers.

Now to operational performance. Today, we released our above-rail tonnages for the July to September quarter, which show a decrease of 8% compared to the corresponding period in 2017. Tonnages in our bulk business are down 19% compared to this time last year. This is largely due to Cliffs' early termination of its iron ore haulage contract in June of 2018 following the sale of its mine to an operator with its own rolling stock fleet and their complete exit of the Australian market.

In coal haulage, tonnages are down 5% against the prior period. This was as a result of some one-off impacts, including industrial action and a major derailment caused by another operator's service in New South Wales and ongoing supply chain constraints in Queensland.

Despite these setbacks, our above-rail coal volume guidance for the year remains at between 215 and 225 million tonnes, taking into account no major weather incidents or market changes.

Going forward, our productivity initiatives will be largely led by technology improvements supported by the skills of our people. Technology investment will be at the forefront of our journey to be simpler, smarter and safer in delivering services to customers. I am sponsoring a project of work called Precision Railroading, which is centred around three principles. The first is to plan with precision, the second is to deliver with discipline, and the third is to always look for ways to continuously improve while delivering safely.

The goal is to improve the on-time departures and arrivals and overall performance of our trains on the Central Queensland Coal Network. In doing this, we deliver greater value for our customers and the total supply chain. To give perspective, in Central Queensland each week we carry more than 3 million tonnes of coal on 400 train services from 14+ mines to five export terminals on the coast.

There are many initiatives we are delivering under this multi-year project. For example, we've deployed train scheduling technology that replaces manual systems. Scheduling the 400-odd trains each week used to take around two days, given the huge variability across the logistics task. The new technology now assesses more than 300,000 train scheduling options within hours. It is done with a level of precision that delivers the absolute optimum in train scheduling and asset utilisation.

Other examples of technology being rolled out on our trains includes a system that transmits real-time information about the condition of the locomotive and the way the driver is handling the train. It is not unlike the telematics we are increasingly seeing in our cars that promote safer, more efficient driving.

Remember that our coal trains weigh around 12,000 tonnes, so there are benefits in improved operational and safety performance. This data helps deliver fuel savings, a smaller carbon footprint and less wear and tear on rolling stock.

We are also expanding our industry-leading condition monitoring program, which improves the reliability and dramatically reduces the maintenance cost for locomotives and wagons. We have six of these supersites deployed in central Queensland and are now installing this technology in the Hunter Valley.

These trackside supersites capture more than 200,000 photographs on each train passing at normal operating speed. It enables us to identify faults in real-time and to fix them before they become costly maintenance problems or safety issues for our employees. This means in a change in the routine for our rolling stock maintainers. Instead of inspecting trains with torches at night time and looking for potential issues, they now know about our issues in advance so that they can prepare to fix them rather than find them.

It also means we can extend our visual maintenance inspection schedules from 21 days to 42 days, which keeps trains safely in service longer. These examples highlight that productivity, cost and safety improvements should go hand in hand when it comes to new technology.

We're absolutely committed to our core value of safety. This core value does not change, regardless of our different priorities each day. Our safety culture has matured over the past decade and I see the commitment from employees to work safely and look out for their mates.

While performance has improved, it is not where it should be and we need to redouble our efforts towards our goal of ZEROHarm. We have seen a disappointing deterioration in our safety statistics over the past 12 months, including some significant derailments. Our goal is to drive down the frequency and ultimately eliminate these high-risk events.

We're implementing a long-term program to lift the bar on safety. It will improve capability of our leaders, strengthen safety culture and ensure our systems and technology are simpler to use. Rail safety isn't just important for our employees and contractors but also for the people in the communities where we operate.

Our employees play a key role in raising awareness of safe behaviour around the rail corridor, not only at work but also by presenting at schools and community events. This is just one role our employees play in building better communities. They also participate in community activities such as events to raise awareness of domestic violence, mental health or providing career advice to young people.

Teams across our operations also get behind initiatives such as NAIDOC Week, Wear It Purple Day and RU OK? Day. I'm proud to lead a company where employees, regardless of their role, are keen to contribute to a more inclusive and resilient community. More inclusive workplaces are also more productive and profitable and likely to have engaged employees who stay with the company.

In the lead-up to this year's NAIDOC Week, we released our second Reconciliation Action Plan, or our RAP. Our new RAP sets out our commitments to reconciliation for the next three years. The priorities are building relationships in local communities, supporting local suppliers and career opportunities for our existing Aboriginal and Torres Strait Islander workforces. We've made great progress in doubling the percentage of Aboriginal and Torres Strait Islander employees in our workforce from approximately 2.5% in 2012 to more than 5% today.

With our operations spanning Queensland, New South Wales and Western Australia, we recognise the importance of contributing in the communities where we operate. One of the ways we give back is through our Community Giving Fund, a cash grant program aimed at supporting not-for-profit community programs.

In the past financial year, we supported 42 very worthwhile projects and charities. Our current round is open for applications until next Friday and includes additional funding support for drought-affected communities.

The outcomes we've achieved in the past financial year could not have been possible without our talented and dedicated team of employees. I would like to thank them for their contributions and for striving to reach our vision of being the first choice for bulk commodity transport solutions. I also reiterate the Chairman's appreciation to our customers, our shareholders and to the communities where we operate for your ongoing support.

The changes we have made and are continuing to make at Aurizon are designed to support our strategy and ensure the ongoing success and sustainability of our business. Thank you.

Tim Poole: Thank you, Andrew. Ladies and gentlemen, we have now come to the formal business of the meeting. There are a number of procedural matters which I'd like to draw your attention to. As this is a shareholders meeting, only shareholders, their attorneys, proxies and authorised representatives are entitled to speak or vote at this meeting. Each item will be discussed in turn and members will have the opportunity to ask questions on that item of business. Please save your questions on individual items until we reach that specific item of business.

As indicated in the notice of meeting and in order to ensure that the views of all shareholders are taken into account, all items of business before the meeting where a vote is required will be determined by way of a poll. All eligible shareholders and proxy holders will have been issued white voting cards on entering the meeting. If you are both a shareholder and a proxy holder, it is important you complete two voting cards, one in your own right and the second as a proxy. All eligible non-voting shareholders will have been issued green voting cards on entering the meeting.

Proxy holders should note that all directed proxies - all directed votes received thus far have been accumulated and recorded. Proxy holders with open votes are asked to record a vote in favour of or against a resolution. If proxy holders want to vote percentages of their vote in different ways, you will need to specify the relevant percentages on the voting card. The sum of the votes cast cannot 100%.

Following questions on each resolution, details of the proxies received by the company from shareholders will be displayed on the screens behind me. Subject to the voting exclusions detailed in the notice of meeting for items 3 and 4 and the shareholder having marked the appropriate box, any open proxies will be voted in favour of each resolution.

As mentioned earlier, all items of business before the meeting where a vote is required will be determined by way of a poll. In respect to conducting the poll, I appoint Niamh Murphy of Computershare Investor Services as the returning officer. During the course of the meeting, I'll ask you to mark the reverse side of your voting card and at the end of the meeting, they will be collected by the returning officer and her colleagues.

For the convenience of those who may wish to leave early, I open the poll now. You can therefore mark your voting cards now and as you leave, pass them to the returning officer and her colleagues who will be standing by the exits.

The first item of business listed in the notice of meeting is to receive and consider the financial statements, director's report and independent auditor's report of the company and its controlled entities for the financial year ended 30 June 2018. In accordance with the Corporations Act, there is no vote on this item. This item of business provides shareholders with the opportunity to ask questions about the reports and management of the company.

I am happy to take any comments or questions you may have in relation to the financial report or the management of the company in general. Can I ask that if you have a question, please move towards one of the attendants, present your shareholder admission card which will be white or green in colour, state your name and then ask your question? Hopefully that's clear. So, can I ask whether there are any general questions? Michael?

Michael Waterhouse: (Australian Shareholders Association, Analyst) I'm here to echo the voices of approximately 100 proxies representing 400,000 shares which is equivalent to about $1.7 million. I wish to make a comment on behalf of the retail shareholders to get a response from the Board, particularly from yourself and from the CEO.

This past year, we've seen at the end of the buyback program a reduction in the total number of shareholders. Also, I recognise that the retail shareholders are very much a minority and that's the reason why a lot of them don't come to the annual meeting, they send us. But, 92% of the shares are held by the top 20 shareholders, and so what we've seen this year is a downgrade in total equity by about 2% and also an increase in debt load.

This is the quote quote dumb comment that I want to reflect that I think most retail shareholders have: why are we increasing debt and thereby reducing equity and shareholders' value, particularly this year when we've lost about $0.75 in total shareholder return because of share price decline? It seems to me 40% of your business is regulated and the regulation allows you to be in a good deal of debt to carry, but the other 60% is not regulated and from a shareholder point of view is - are you eroding our value in our shares? Because our shares don't seem to reflect the value in the company.

Tim Poole: Thanks, Michael. I think there's - I'd like to answer two parts to that question and series of comments you made. Firstly, in relation to our debt levels - yes, we have been increasing our debt. That's been a stated strategy of the company for some time now. As you alluded to, approximately half of our business sits in a regulated utility, which is the Central Queensland Coal Network and associated infrastructure.

The regulator sets a gearing for us at 55%, so we see that to be a minimum level of debt that we should be carrying against that asset and over time we've moved up to that level. So, that's been a stated strategy to increase our debt against our regulated asset.

It's interesting because whilst your reflection, looking at our accounts sitting here today is that we've been increasing debt and is that a concern? Many others would comment that we're actually under-geared relative to our peers. Whilst we have been stepping up our debt in our regulated business, our operational business, our above-rail haulage business, is essentially - it carries a small amount of debt but it's essentially ungeared. Whereas competitor businesses - so if that was a standalone operation - would be carrying probably somewhere between 2 and 3 times EBITDA in terms of debt.

So, as a corporation, yes, you're right, we have been steadily increasing our debt, but as a total package for our corporation, I'd still suggest to you that we are on the very conservative side of the debt ledger and that I think there is the opportunity over time to appropriately look at that.

The second point I'd make in response to your question sort of more generally or underlying is what's happening to the share price? The 2018 financial year, if you just look at our accounts and what we promised in terms of guidance, the team absolutely delivered. We delivered on our transformation - our three-year transformation target, we delivered on our earnings guidance, we delivered on our tonnages. The numbers actually for 2018 financial year were very good and we're very pleased to present those to shareholders.

What's disappointing is that in December last year, the all-important UT5 draft decision came in and it came in at a level that quite frankly we were shocked at. In terms of the bounds of what's reasonable and acceptable, we believe it was outside that range and once we announced that to the stock market in December last year, the share price reacted as you would expect. Essentially, we've lost approximately $2 billion of market capitalisation, approximately $1 a share, since that announcement and we haven't recovered it.

So notwithstanding, 2018 was a very good performing year for the company. The impact of the UT5 draft decision so far has had a very negative impact on our share price. As I said in my opening remarks, the board and management team are working exceptionally hard to try and get a different outcome when the draft decision becomes a final decision.

We're pursuing a range of things to achieve that and we'll be working very, very hard to try and arrest that decline in value that we've seen since December last year. Can I ask, were there any other questions?

Clyde Ashton: (Shareholder) How're you going? I note that you've got this long-haul arrangement with Linfox. Now, I guess Linfox expect that they can make a profit from the operation, therefore I wonder why Aurizon wasn't able to make a profit and be competitive? Is it the management structure or some other cost?

The second part of my question is, I'm aware of the culture within Queensland Rail operation employees impacting on morale and a fair turnover of operation staff. Now, I'm sure this impacts on profit and productivity, but I guess the WA operations are thankful of you training people for their benefit.

Tim Poole: Thank you, sir. In relation to the first part of your question, it's a fair comment. We've done a lot of soul-searching in relation to the performance of our intermodal business and we believe our strength and our skillset sits in hauling bulk commodities. It doesn't sit in terms of our hauling and delivering containers.

So, since the time that Aurizon has been involved in intermodal business since 2006, the Company hasn't made a profit absent subsidies. So, it hasn't been a profitable business for us at all. We haven't done it well. It isn't a strength of ours and so we made a decision some time ago to exit the business and either close parts of it, as I alluded to earlier, or sell parts to others who can do it better than we can.

Linfox is a company that's been in the intermodal market for decades. They're very successful at it. They've got a very successful trucking fleet. They've got a long history of relationships with customers and they're confident that they can make the best of that business. As I said in my address, we're delighted to be playing our role and it's the role that we do much better, which is running trains, and we're looking forward to providing that service to Linfox.

In relation to the culture question that you asked, Andrew I might ask you to comment about that because that's something we talk about a lot at board level and I know it's something that you're particularly passionate about.

Andrew Harding: Ysh, I'm going to have to ask for the question to be repeated because I didn't understand it. I apologise.

Clyde Ashton: (Shareholder) It's a culture that's been created within the operations employees, lowering the morale and causing them to leave and go to greener pastures.

Andrew Harding: Oh, okay. So, we've been through quite a comprehensive change in the business going from a functional structure to a business unit structure. The vast amount of the time that I spend in the field, the feedback on actually doing that has been that it has been a very sensible and a very engaging thing to do.

So, it actually allows people to work in a unit that actually - and have responsibility and accountability for what they do. So, that's been by far and away the biggest change that we've had and has actually been very positive. But notwithstanding that, it has been a very large change.

The other thing that we've noted is that the continuing transition from a government business at IPO to a more competitive business [unclear] above-rail has meant that we've actually had to manage our costs much more tightly. Those things don't necessarily suit some people that were more interested in the old way of doing business rather than the newer way of doing business.

All that said, the feedback that I get is not about a lowering morale and I hope we are still talking about Aurizon and not Queensland Rail, because you referred to Queensland Rail and we are different. So, the feedback I get, notwithstanding the fact that we have gone through a very big and very necessary change, which does impact people, is that it's actually been positively received.

Tim Poole: Thanks, Andrew. Can I ask whether there's another question? Yes?

Michael Williams: (Shareholder) My name's Michael Williams, I'm from Mackay. I've been a shareholder since the float. Just following up on your earlier comments, I think it's fair to say we're all fairly frustrated with the Queensland Competition Authority's discarding of our network and our revenue and hence our share price. I'm glad the Company is challenging the decision in court.

I read that Aurizon is trying to get compensation for stranded asset risks and I just wanted to ask, can you please explain what those risks might look like and how compensation might work?

Tim Poole: Thanks, Michael. Compensation's probably not the right word. What we're looking to do - so, when the regulator on a four-year period sets the amount that we can charge our customers in terms of a maximum allowable revenue, there's a whole series of things that get put into that. We get our operating costs paid for, we get our maintenance paid for, et cetera, and we get a return on our capital. The return on the capital that we get should reflect the risk we're taking.

One of the big debates we're having with the regulator is what is the risk profile of this asset? Now, some might say that our Queensland Coal Network has the same risk profile as another utility like a water company or an electricity company.

Others might say that at some point in the next 50 years, renewable energy might be such that we might not be hauling as much thermal coal as we are today, and if that happens, part of our system might no longer be required. Then you get into, well, if the infrastructure's not required, the asset might get what's called as stranded, and should we be compensated for that in the way the maximum allowable revenue is calculated?

So, that's the debate that we have. So, it's not actually compensation but it's the return we believe in the calculation of the maximum allowable revenue should be higher to reflect the fact that there is that risk. There are probably some in the room today that think that risk is much closer to today. We think that's probably a bit further away, but we think it is a risk and we think it does - our asset does have a different risk profile to some other utilities.

The reason why I say compensation's not the best way to explain - not the best term for it is that maximum allowable revenue is calculated. We then charge that to the customers on a per tonne basis, and it's actually the mining customers that pay for it. So, it's not a compensation that's paid for by government or federal or state, it's actually paid for by the customers in the charge that we levy for hauling across our network.

Michael Williams: (Shareholder) Can I just ask a follow-up just related to that? If we're already concerned about stranded asset risks, it's pretty galling to see that now we're being asked to clean up after Adani's failures to make their own project work by accommodating them on our network.

Are there any concerns amongst the board about what Adani's proposal would mean for the market share of our other customers in Queensland and New South Wales and would opening up the [unclear 49:20] just amplify the stranded asset risk that we're already perhaps exposed to?

Tim Poole: In relation to the question of customer demand and impact on customer demand, as I said before in my earlier presentation, we see the coal market demand for coal increasing at approximately 2% a year for the foreseeable future. So, we see growth in tonnes, so that growth is going to have to be fulfilled by miners in some shape or form. So, we don't see necessarily a scenario where if the Adani project gets up, it's displacing other coal that's currently being produced. What's more likely is it's probably just taking some of the growth tonnes that will probably come into the market over a period of time.

In relation to does it add to a potential stranding risk. Well, there's a couple of issues there, so if the Carmichael project, or any other project in the Galilee Basin was to get up, and they were to connect to our Newlands System, our Newlands System is already built, and we've already got the infrastructure. Having other mining customers actually hauling across our Newlands System, actually strengthens the viability of our Newlands System. That is I suppose the first point.

Then the second point is if someone - if a mining company needs a spur line built to their mine in the Galilee Basin, that's still to be determined as to how that spur line is to built and funded. We have the option to do that, but not the obligation to do that. Obviously, that would be something that we'd assess at the time, but there's currently no proposal in front of the Board in relation to that.

I think there was a question over here.

Marie Carvell: (Shareholder Proxy) Good afternoon, Marie [Carvell] as a shareholder proxy. I understand the Company is considering a proposal to provide network access for the Adani Carmichael project. How would the network have to adapt to support that extra capacity?

Tim Poole: It's important to note that we are an open access regime, the Central Coal Network of Queensland is regulated as an open access regime, so we are obligated to assess that proposal. We also have a series of other obligations, one of which is confidentiality, and so we have to treat each application as confidential.

It is difficult for me to comment greatly in relation to the specific proposal. But you can imagine that in relation to any proposal to get access to the system, we have to look at a range of factors, impact to capacity, impact to other customers already railing. There's lots of things that we have to do in assessing any proposal to get access to our system.

Marie Carvell: (Shareholder Proxy) Part of that, can you give an indication of the costs of adding that sort of capacity to the network and how would those costs be met?

Tim Poole: The costs in assessing the proposal or the costs...

Marie Carvell: (Shareholder Proxy) In adding the sort of capacity that would be required to accommodate the Adani Carmichael project onto the Aurizon network.

Tim Poole: Again, I'm not at liberty to talk about a specific proposal. But we have to look at whether it's an existing - as I said in relation to the response to Michael's earlier question, we need to look at whether it's coming into - accessing our existing operations, or whether there's a new development required, and a range of other factors. But I don't propose to go into any more detail than that.

Marie Carvell: (Shareholder Proxy) Could I just follow up, I know that Adani wants to ramp up the Carmichael mines production over time to 60 million tonnes per year, and so I'm wondering what is the capacity of the network to handle that sort of volume.

Tim Poole: Again, I'm not at liberty to talk about a specific proposal at this time. Thank you. Can I ask whether there's any other questions? Yes, thank you.

Unidentified Participant: (Shareholder) My name is Mark, I'm from Brisbane. In our 2015 sustainability report, it mentions Aurizon as a member and regular contributor to Business Council of Australia. However at present there's no mention of the membership. Is Aurizon still a member of the Business Council of Australia?

Tim Poole: No, we're currently not a member. Did you have a question?

Tracy Naylor: (Shareholder Proxy) I'm Tracy [Naylor], I ask this question as a proxy on behalf of a shareholder. I understand there is a limited scope for Aurizon networks to block any proposal from Adani to use the network, but I've also seen how divisive this project is in the community's eyes. I'm worried Aurizon could become public enemy number one if we're actively working to make this project happen. Even if we need to give them access to the network, would Aurizon be able to rule out hauling Adani's coal or providing engineering or operational services to Adani?

Tim Poole: Yes, so we're absolutely concerned about being public enemy number one as well. We've already had disruptions to our business, and our people and equipment have been put at risk because of impacts over several years now in relation to this project.

It concerns the Board and senior management team greatly in relation to the ramifications. But as I said earlier, and I reiterate, the Central Queensland Coal Network is an open access system, we have an access undertaking with the Queensland Competition Authority, that access undertaking requires us to go through a process and we don't have a choice. We will assess any proposal put to us validly by an existing customer, or a potential customer. We have a fixed process we go through and that's something that we'll continue to do, and it’s something that we're legally obliged to do.

In the meantime, I hope and pray that our people and our equipment remain safe, notwithstanding that it is everyone's right to protest against a project, I absolutely understand that, but I sincerely hope that no human life is put at risk in the process.

Yes, sir.

Peter Dard: (Shareholder Proxy) Peter [Dard] acting as proxy for a shareholder. In the 2017 sustainability report Aurizon provided some analysis projecting a decrease in

Australian coal exports out to 2030 under the National Energy Authority's scenario, 450 scenario. Following that demand scenario, adding a massive new coal basin to Australia's export mix would have to displace current exporters. Aurizon's existing clients, wouldn't they, be displaced? Has the Company had any feedback from existing clients about the impact of opening up the Galilee Basin would have on their profitability?

Secondly, in relation to that, the IEA 450 scenario gives just a 50% chance of limiting global warming to 2 degrees. Given that the dire findings of the IPCC's latest report, I'd like to know if Aurizon has analysed any scenarios that are actually consistent with the goals of the Paris agreement to limit warming to 1.5 degrees, not just well below 2 degrees of course.

Tim Poole: Yes, so in each of our sustainability reports in recent times we've modelled a range of scenarios. I encourage everyone to have a look at those, and we actively think about those scenarios. But let's take the IEA's 2% plan out to 2030, and I think, I recall that under that scenario there's about a 33% reduction in global seaborne coal demand out to 2030, which I think equates to about 2.8% down each year out to 2030.

Now let's say that scenario plays out, that will have obviously a very serious impact on global seaborne demand for coal, but remember that Australian coal, both thermal and metallurgical, is much higher quality than almost any other jurisdiction in the world. We believe that even under some of those scenarios, there'll still be demand for Australian coal.

There might not be the demand that I talked about before that will require new mines to come on board, but certainly the demand for Australian, for existing mines, and existing coal production, we still see a bright future even under some of those more negative scenarios that we published in some of our past sustainability reports.

Peter Dard: (Shareholder Proxy) I did ask about the 1.5 CC scenario, the Paris accord, which has been signed up to by Australia, has that been - has your modelling taken that into account? I don't see it in the sustainability report.

Tim Poole: No. My understanding is that was only announced a month or so ago, so that's something that we haven't formally looked at as yet.

Peter Dard: (Shareholder Proxy) The agreement was signed some time ago.

Tim Poole: No, sorry, I was talking about the - I can't actually recall which report it is. Andrew, can you?

Andrew Harding: The IPC.

Tim Poole: That one, yes.

Andrew Harding: It was only a month ago.

Tim Poole: That was October?

Andrew Harding: Yes.

Tim Poole: Yes.

Peter Dard: (Shareholder Proxy) This is the Atomic Energy Authority's report.

Tim Poole: Yes, the one that said that under that scenario thermal coal would be extinct by 2050, is that they one you're referring to?

Peter Dard: (Shareholder Proxy) It's 50% chance that it would - if we're going to limit to 2 degrees, then it's the IEA 450 scenario.

Tim Poole: Yes. In our sustainability reports, you can see each of the scenarios we have modelled. We consider the IEA's downside case, which I alluded to which is the 2% case, 33% reduction in global demand. I think that's a very significant downside case, that's one that we have looked at, we have considered. But as I say, it will have an impact on global demand, but we believe a less significant impact on Australian coal demand. It may impact whether new mines get up, but we believe existing mines will still be well placed in Australia.

Can I ask whether - yes?

Jan McNichol: (Shareholder) My name is Jan [McNichol] and I'm from Brisbane. Given the changes in coal demand projected in our own scenario analysis, what is the Company doing to diversify? Are we stress testing the major strategic decisions, and diversification timelines against and aligning them to a particular energy scenario? If so, which one?

Tim Poole: We are not looking at one scenario and saying we are locked into that scenario. The scenarios are changing on a regular basis, so we're attentive to all of the scenarios. As I outlined in my address earlier, we still see growth in the global coal demand, both metallurgical and thermal coal. We still see growth in the market, but as I say, we watch the upside scenarios, and we're very attentive to the downside scenarios.

In relation to your question, or your point around diversification. Yes, that's a topic that exercises the Board and senior team's mind on a regular basis. We consider regularly opportunities for diversification, but let me say this, even if we did something very significant in the non-coal space in terms of diversifying our business, because of the size of our exposure through the Central Queensland Coal Network, and our above rail business to coal, the prospects for Aurizon are inextricably linked to the coal market.

We are service provider and we're delighted to be a service provider to the coal market. Whether we have and/or execute diversification options, we'll continue to be a service provider to the coal market on a long-term basis. Andrew?

Andrew Harding: There's a point I'd make about diversification is that we don't intend to diversify for the sake of diversification, because you end up chasing business opportunities for the wrong reason. We will look at business opportunities that are actually value adding to the business, and if they actually have a diversification outcome then that is a good thing.

The second thing that I'd point out about our Queensland operations is that 70% of the material produced in coal actually goes into the metallurgical market which is steel, which is not exposed to the same energy debate currently, because there is no sensible option technically available to allow us to produce steel to continue to grow our cities and infrastructure around the planet. That is something that should be added to the debate.

Tim Poole: Thanks, Andrew. Are there any other - yes, sir? Sorry, madam, were you - please.

Suzette Markwell: (Shareholder Proxy) [Suzette Markwell], proxy. Based on our annual report and company filings, it's clear that Aurizon acknowledges the strong scientific consensus that climate change is occurring and supports the objective of the Paris Climate Agreement to find a pathway to limiting global warming to 2 degrees. That's page 7 of the 2018 annual report.

Is the business strategy of Aurizon aligned to, or consistent with, the goal of holding global warming below 2 degrees centigrade?

Tim Poole: Yes.

Suzette Markwell: (Shareholder Proxy) What has the Board done specifically to educate itself on climate risk in the last year?

Tim Poole: I hope given you've obviously read our annual report, and many others in the room have read our annual report and our sustainability report, hopefully you get a sense that we take sustainability exceptionally seriously. Therefore, we are keeping well up to date with what's going on globally around good sustainable practices.

Our sustainability report I think, well I know we're ranked leading by ACSI, which is the peak body group for the superannuation fund industry investors, I think we're one of 35 in the top 200 or thereabouts that are ranked as leading. Our practices in the sustainability space, our sustainability reporting, are regarding as leading edge. You can't have that without having a Board and management team who are attuned to what's going on in this space.

Sir, I think you had a question.

Clyde Ashford: (Shareholder) Clyde Ashford again. If you're still looking at the project of automating Queensland coal trains, what proposed timeframes do you have?

Tim Poole: Yes, thank you. Andrew, do you want to talk about that?

Andrew Harding: Yes, this is a question about automating?

Tim Poole: Automating Queensland coal trains.

Andrew Harding: Queensland coal trains. We don't have any current plans to automate the Queensland coal trains. As somebody who previously has had experience to the automation of trains what I can tell you is that it is vastly more complicated and more expensive to automate trains in the train system in Queensland. You've got a number of above rail operators competing with each other, you've got a great degree of variability in the engineering at each one of the very different mines, often owned by many different companies, going to lots and lots of different ports.

You also have a great many crossings with road that require protection, that technically can be done, but each one of those is actually quite expensive. The business case for automating trains in Queensland is nowhere near as satisfactory as a business case for automating trains in other parts of Australia.

Improving how our trains operate through providing better signalling systems, better protection systems, cruise control to allow us to better optimise the use of fuel, which are all subsets of the technology that you would use to automate trains, is the very likely pathway that we're going down. But the full automation of trains would be a very, very big step, and not currently something that I'd expect we could undertake.

Tim Poole: Yes, ma'am.

Unidentified Participant: (Shareholder) Hello, Anne [unclear] from Brisbane. Given that you've discussed about projections of 4% increase in the coal market as well as the risks for climate change, it appears as a central contradiction in what's implied in your annual report on page 14 that says long term implications of climate change may impact Aurizon on several fronts. Is the Board satisfied that all the potential climate change related financial risks to the performance and prospects have been either adequately disclosed or resolved as not material?

Tim Poole: Sorry, can you just repeat that again, the final part of that question?

Unidentified Participant: (Shareholder) I'm interested in the issue that the climate change can actually have impacts other than just reduction in the market for coal, because climate change can affect a number of other factors beyond them.

Tim Poole: I see, okay. Look, that's an interesting question. We obviously operate quite a unique system in that our Central Queensland Coal Network operates in a tropical environment where we are exposed to some pretty interesting weather patterns from time to time. Yes, that is something that exercises our minds, because Aurizon has been, and its customers and employees have been subject to some pretty severe weather events over time. I think we're in the land of speculation though as to whether that's in relation - whether those weather events are due to or partly caused by what's going on with the climate.

I think a number of people have some very strong views on that, but I think we're in the land of speculation. But we certainly have to manage those risks, i.e., weather related risks, very intently. But one of the things in the time that I've been involved with Aurizon I've been incredibly impressed on is our preparedness and the way we organise ourselves around getting ready for, in the lead up to the cyclone season. Also, in those terrible situations where there is one, and it's impactful, the way we deal with it.

Anne: (Shareholder) Can the Board demonstrate that it's actually adopted a positive and proactive approach to deciding whether or not climate change poses a material risk?

Tim Poole: We absolutely take weather, we take a range of risks into account in everything we do. I suppose what I'm pausing on is I think what's underlying your point, is you're suggesting that climate change is the reason for some of these things happening. What I'm pausing on is, yes, weather is an impact, has a significant impact, or potentially significant impact on our business. Yes, we do take that into account, and as per the last 20 minutes or so of discussion, in relation to major capital programs that we have, in relation to big decisions in the Company, yes, we do take climate change into account, and we do absolutely take long-term impacts of where we see the coal market going into account as well.

Thank you. Can I ask whether there's any other questions? Yes.

Unidentified Participant: (Shareholder) My name is Marie, I'm from Brisbane. In our current - is the current business strategy aligned to a particular energy outlook? If so, which outlook and what policy scenario does it consider?

Tim Poole: Our capital allocation process at the moment hasn't needed to make decisions around a particular scenario, so we look at a range of scenarios as I've said before, and we continually assess a range of scenarios.

What I'm saying is, we're not saying to you that we're locked into one scenario, what I'm saying is we look at a range of scenarios and we continually assess the changes in those scenarios.

Yes, sir.

Peter Dard: (Shareholder Proxy) Thank you. Peter Dard, I just have a second question, and this is to Mr Fraser. Aurizon's business is heavily geared towards hauling coal with the model's continuing viability dependent upon a slow transition away from the carbon intensive fuel. Mr Fraser, you are currently also chair of the ASX listed energy company, APA, and APA advocates that natural gas is a transition fuel away from coal and promotes expediting the switch. How do you and Aurizon reconcile the apparently conflicting director's duties to the two companies given the divergence between APA and Aurizon's growth prospects?

Michael Fraser: What I would say is first of all APA's business is primarily related to the domestic gas market, there are certain assets that we have that are related to the export market, which goes to countries that are also in receipt of coal which comes out of the Central Queensland Coal Network. But the Central Queensland coal business is primarily focused on the export market, in fact almost exclusively focused on the export market, whereas Australia is - sorry, APA's business is focused on the gas market.

In either case these two things are quite complementary. If you look at why are we talking about growth scenarios in the coal market for Australian coal, that is because there is extensive demand for that coal in the destination countries that are still building coal-fired power stations. We have better quality coal than other parts of the world, so if we don't do it other parts of the world will do it, and we can provide a better outcome.

In any event, when you look at being able to reliable and affordably supply energy out into the future, we actually have to have a sensible transition. Either way you look at it, I think we would all agree, that over time we are moving to a lower carbon future. The debate is really about how quickly we get there. I see the high-quality coal from Queensland has got a very important role to play in that transition, I equally see that natural gas, both in Australia and globally, has a very important role to play in that transition to a low carbon future.

Peter Dard: (Shareholder Proxy) Yes, but there is a thermal coal uptake in Australia, and that's in direct competition with the gas story that you're involved in.

Michael Fraser: Sorry, no, there isn't a thermal coal uptake in Australia, in fact if you look at...

Peter Dard: (Shareholder Proxy) Sorry, I didn't mean an increase, I meant that it was in competition, I wasn't implying that there is an increase.

Michael Fraser: Well, without getting into the technical details of it, there is no real competition between base load coal in Australia and gas in Australia. They operate in different segments of the market.

Tim Poole: Thanks, Michael. Can I ask whether there's any other questions? If not, I declare that the reports have been received and considered at the meeting. We'll now move onto the next item of business.

Item 2 relates to the election of directors. Samantha Lewis and myself retire in rotation in accordance with the Company's constitution, and seek re-election. Marcelo Bastos, as a director appointed during the year, and in accordance with the Company's constitution will seek election as this year's meeting. Each re-election, and election motion, is an ordinary resolution, and will be voted on separately. As a matter of process I'll ask each director standing for re-election or election to introduce themselves to the meeting.

Item 2A is the re-election of myself, and as such I'd like to hand the chair of the meeting over to Russell Caplan.

Russell Caplan: Thanks, Tim. Item 2A is the re-election of Tim Poole. Tim Poole retires by rotation in accordance with the Company's constitution, and he seeks re-election. Tim joined the Company's Board on 1 July 2015, and he became chairman on 1 September 2015. Details of Tim's background, qualifications and experience are set out in the Notice of Meeting. The Board with Mr Poole abstaining recommends that shareholders vote in favour of the re-election of Tim Poole as a director of the Company.

The resolution before the meeting is that Mr Tim Poole, who retires by rotation and being eligible, be re-elected as a director of the Company. Is there anyone who wishes to ask a question in relation to this motion? Michael?

Michael Waterhouse: (Australian Shareholders Association) There is no question in my mind, as the local monitor for Aurizon, the chairman's, Tim, dedication to the Company. However, the guidelines of ASA indicate that anyone that has the equivalent of about six Board positions of which of a chairperson is usually equivalent to two. Now in Tim's case, it comes to the equivalent of seven, because he holds three chairs. The concern ASA has always had in terms of what they recommend as no more than five equivalents, is that where, whether you want to call it a black swan event, or whatever, but if two of the companies that the person is a chair of has a simultaneous catastrophic event, whether they can dedicate themselves to both at the one time.

Now I know it's all hypothetical, et cetera, but if two of the companies that the chair, or three if you want to go to the extreme, but had a catastrophic event on the same week, et cetera, requiring full time attention of the chair, how would they handle that particular event, which might take out, could be a takeover bid, could be anything, but it could stretch out to over a month, et cetera, disastrous events and so forth.

This is the reason why the guidelines, and they're only guidelines, they're not policy, the guidelines is to look at any person that has more than five equivalent chairs, five equivalent directorships. We as ASA have actually put forward we're undecided. I'm looking for guidance from the deputy chair to say, why would you recommend that Mr Tim Poole return as the chair? That's got nothing to do with history in terms of - I think he's - you've done an excellent job. It's when the unexpected occurs is what I'm concerned about.

Russell Caplan: Thanks for the question, Michael. The Board unanimously is of the view that Tim is a person of extraordinary capacity, demonstrated in his service to this Company, that we can talk about, with a perfect record of attendance. As well the Board believes that we have assembled a diverse range of skills and experience which working together will see us through issues and incidents that may or may not affect the Company in future. That's led to our unanimous recommendation that Tim be re-elected as chair.

Are there any other questions? If there are no more questions I will now put the resolution to the meeting. Displayed on the screens behind me are details of the proxies received in relation to this re-election of Mr Poole. As this item will be determined by poll, if you have not already done so, you should mark the reverse side of your voting card in relation to item 2A. I now hand the meeting back to Mr Poole.

Tim Poole: Thanks, Russell. Rest assured there will be a Royal Commission into those 252 million votes out there. The next item is the election of Ms Samantha Lewis. Sam joined our Board on 17 February 2015. Details of Sam's background, qualifications and experience are set out in the Notice of Meeting. I'll now ask Sam to introduce herself and say a few words.

Samantha Lewis: Thank you, Tim, and good afternoon. I've now been on the Aurizon Board for three and a half years. Whilst it's been a challenging period for the Company, I've thoroughly enjoyed working collaboratively with my fellow directors and management team to best position Aurizon for the future. I'm therefore very pleased to be here today standing for re-election.

I'm currently a full time non-executive director, serving on a number of listed company boards and committees. These roles, coupled with my 14 years as a partner at Deloitte, where I acted as auditor and adviser to a number of major listed companies in the mining services, FMCG and manufacturing sectors, mean that I bring strong financial risk and governance experience to your Board, and in particular to my role as chair of the audit, government and risk management committee.

If re-elected I look forward to continuing to work with my fellow Board members and our extremely professional management team to continue to add value as Aurizon's journey continues. I thank you in advance for your support.

Tim Poole: Thank you, Sam. The Board with Ms Lewis abstaining recommends that shareholders vote in favour of the re-election of Samantha Lewis as a director of the Company. The resolution before the meeting is that Samantha Lewis, who is appointed to the Board and being eligible, be re-elected as a director of the Company.

Is there anyone who wishes to ask a question in relation to this motion? Yes.

Jeff Dean: (Shareholder) Yes, my name is Jeff Dean, my wife and I have a small shareholding. I notice that in the documents received here from Aurizon that Sam has been the - involved in APRA, the Australian Prudential Regulation Authority, who have had serious publicity and exposure because of the problem with the banking situation in Australia.

Now in as much as Sam was the lead auditor of that organisation, I wonder why the bank's got into such terrible trouble and had such a poor showing in the enquiry, when the Australian Prudential Regulation Authority should have been watching over these things in the bank. It seems that Sam had a leading role in seeing that the banks did perform properly.

I'm wondering with this sort of a blemish if you like, or shadow, whether she can make a moral and worthwhile contribution to Aurizon?

Tim Poole: Thank you, sir, for your question. I might get Sam just to clarify exactly what her role at APRA is which has only been in very recent times I might add. But I think it's going to be important for Sam just to clarify exactly what her role is at APRA, but before I do, can I say Sam is an exceptional director, she's an exceptional chair of our audit, governance and risk management committee, and we're absolutely lucky to have her on board. I just wanted to say that at the outset. Sam, you might just clarify what your role is at APRA, because it's not actually a prudential role.

Samantha Lewis: No, thank you, Mr Dean, for the question. My role at APRA, I don’t actually sit in any executive committee, nor do I sit on their Board of Directors. I'm involved in the audit committee and their risk committee, which involves just a number of meetings a year. It's really looking at APRA's internal processes of how they manage their own governance, it is not involved in any prudential capacity in terms of I don't get involved in the regulation of the institutions that they regulate. I hope that clarifies.

Tim Poole: Thanks, Sam. Also, I think you mentioned that Sam might have been the auditor of APRA as well, which is not the case either, just to clarify in relation to that part of your question as well.

Jeff Dean: (Shareholder) Thank you both. I just want to congratulate you, Tim, on your fielding of the questions, it's impressive. I have been very disappointed with the banking performance in Australia, and also with the APRA's lack of ability to control their extravagance and illegal activities.

Tim Poole: We should have a chat about that over a cup of tea in 20 minutes or so. Thank you for your comments. Are there any other questions in relation to this item of business?

If there aren't any more question, I'll now put the resolution to the meeting. Displayed on the screens behind me are details of the proxies received in relation to the re-election of Ms Lewis. As this item will be determined by poll, if you have not already done so, you should mark the reverse side of your voting card in relation to item 2B.

The next item is the election of Marcelo Bastos. Marcelo joined our Board on 15 November 2017. Details of Marcelo's background, qualifications and experience are set out in the Notice of Meeting. I'll now ask Marcelo to introduce himself, and also to say a few words. Thank you.

Marcelo Bastos: Different altitude here. Thanks, Tim. Thank you very much, and good afternoon to all our shareholders here with us today. I was delighted when I was invited to join the Board of Aurizon. I firmly believe it's a company I can make real contribution to as a non-executive director. I've been working in the mining industry for 32 years, the last 12 years I have been in Australia. I have been involved with a variety of commodities, including iron ore, gold, copper, nickel, zinc and coal. I've held positions including Director of Vale, CEO of BMA, and this is the largest of Aurizon's customers, President of Nickel Americas in Australia for BHP, and COO of MMG, which is a global mining company whose major shareholder is China Minmetals.

In these various roles I have had responsibility for oversight of all aspects of the mining business from feasibility to operations, and from mining to logistics and marketing. Within this broad exposure in the resources sector, safety aspects and operational improvement of capital-intensive business are part of my core skill set, and highly relevant for Aurizon.

Our Chairman, Tim Poole, asked me when I joined the Board to bring to Aurizon all of this experience across four continents, so that's my experience in operations, project implementation, development of new businesses. I should also note I'm currently a member of Aurizon's safety, health and environment committee, and a member of Aurizon's network board.

I'm also a non-executive director of two other ASX listed companies, Iluka Resources and Oz Minerals. I believe my background and experience leaves me well placed to make valuable contributions to the Company's future. I will be delighted to be elected as director by the shareholders today. Thank you very much.

Tim Poole: Thank you, Marcelo. The Board, with Mr Bastos abstaining, recommends that shareholders vote in favour of the election of Mr Marcelo Bastos as a director of the Company. The resolution before the meeting is that Marcela Bastos, who is appointed to the Board and being eligible, be elected as a director of the Company. Is there anyone who wishes to ask a question in relation to this motion?

If there aren't any questions, I'll now put the resolution to the meeting. Once again displayed on the screens behind me are details of the proxies received in relation to the election of Mr Bastos. As this item will also be determined by poll, if you have not already done so, you should mark the reverse side of your voting card in relation to item 2C.

Let's move onto item 3. Item 3 is an ordinary resolution, which relates to the grant of performance rights to the Managing Director and CEO. As explained in the Notice of Meeting on pages three and four, these performance rights will be granted in accordance with the terms and conditions of the Company's long-term incentive plan.

The resolution before the meeting is that approval be given for all purposes under the Corporations Act 2001, and the ASX listing rules including ASX listing rule 10.14, to issue to the Managing Director and CEO, Mr Andrew Harding, 459,911 performance rights pursuant to the Company's long-term incentive award to be termed the 2018 award, on the terms summarised in the explanatory notes to the Notice of Meeting.

The Board, with Mr Harding abstaining, considers the grant of performance rights to the Managing Director and CEO appropriate in all the circumstances and recommends that shareholders vote in favour of the grant. Is there anyone who wishes to ask a question in relation to this motion?

Yes, sir.

Ken Royal: (Shareholder) Thank you, Mr Chairman, Ken [Royal] is my name. Just a very quick question, maybe I'll need a bit of education on this. When you were working out the performance rights and the number to grant, I see that you used what you call the volume-weighted average price over a five-day period. I've got three other AGM things here, various companies around Australia, and they use very different periods to calculate that price, one is a 30 day, and another well-known company is 90 days - two of them are 90 days, and the other one is 30 days.

I'm wondering any reason why you just picked the five-day period to work out the number of performance rights?

Tim Poole: No, not really. It's just something that has been something we've done consistently. I think my antenna would go up if one year it was five days and the next it was 30 days, and the next is was 90 days, and then you're back to five days, because that might suggest that someone is trying to game the system. But if it's always been a certain way, and the Company is consistent with that, and that is its practice, then I think that's a reasonable basis.

I think the other thing that a number of institutions talk to us about is, whether the calculation is done based on a face value calculation, or a fair value calculation. Certainly from an institutional investor point of view, they prefer the face value way of doing it, which is what we do, and that's supported by the market as well. But as I say, I think consistency in approach and that's what we've tried to do. Thank you.

Michael?

Michael Waterhouse: (Australian Shareholders Association) I promise this is my last comment. It's the thing that we're for this motion, the reason being it's transparent. Last year we approved the framework and all the five day, and the volume-weighted average, et cetera. We might have some discussions around whether it should be five, 10, et cetera. It doesn't matter, the fact is it's transparent, and that to me is the most important thing for shareholders, particularly retail shareholders, and that your report is transparent. You've spelled out all the hurdles, you've spelled out percentages, et cetera, and this is the maximum performance rights to be allowed for the CEO to compete for.

I'd like to give you one big tick, you're ahead of the game in terms of the general population of companies in terms of being transparent and fair. Whether the appropriate amount and everything else that comes, there's always a debate of how much money a person is getting paid for a fair day's pay for a fair day's work. I don't know what that number is where you cross that boundary in terms of quantity of money that people receive. But in terms it's all basically transparent and fair. Thank you.

Tim Poole: Thanks, Michael. You've also been pushing us to go longer with the LTI and we took that advice and we've gone to four years, so you've impacted us there, but thanks for your comments in relation to transparency. I've read way too many remuneration reports for my liking, and as you've highlighted I'm chair of too many companies, but in my experience Aurizon's remuneration report is as good as I've seen. Tina and Tim, who are responsible for that, and Kelly who works with them, are here today, and to a fantastic job. Congratulations, Tina, I think it's a great endorsement for what you guys do.

Are there any other questions on this motion? If there aren't, I'll now put the resolution to the meeting. Once again displayed on the screens behind me are the details of the proxies received in relation to item 3. I think it's important to note that the Company will disregard any votes cast on item 3 by Andrew Harding, and his closely related parties, except where that vote is cast as a proxy for a person who's entitled to vote and in accordance with the directions on the proxy form.

As this item will also be determined by poll, if you have not already done so you should mark the reverse side of your voting card in relation to item 3. Thank you.

Let's move onto item 4, which is the last of the items to be dealt with as part of the formal part of our meeting. Item 4 relates to the adoption of the remuneration report of the Company for the financial year ended 30 June 2018, and is set out on pages 25 to 38 of the 2018 annual report.

The remuneration report sets out the Board's remuneration policy for its executives, employees, and directors. The Company strives to ensure that its remuneration report is clear, transparent and demonstrates the Board's objective of ensuring the alignment of executive reward with the creation of shareholder value, and that current market practices have been duly considered in terms of both quantum and structure of the Company's remuneration framework.

The resolution before the meeting is that the remuneration report for the financial year ended 30 June 2018 be adopted. The Board unanimously recommends that shareholders vote in favour of adopting the remuneration report.

Is there anyone who wishes to ask a question in relation to this motion? If there aren't any questions, I'll now put the resolution to the meeting. Displayed on the screens behind me are details of the proxies received in relation to item 4. The Company will disregard any votes cast on item 4 by all the key management personnel and their closely related parties, except where that vote is cast by them as a proxy for a person who's entitled to vote, and in accordance with the directions on the voting card.

Once again, as this item will be determined by poll, if you have not already done so you should mark the reverse side of your voting card in relation to item 4.

Ladies and gentlemen, this completes discussion of all the resolutions contained in the Notice of Meeting. Could all shareholders please complete and sign their voting cards as required, and ensure they place their completed voting cards into the ballot boxes held by Computershare attendants as you leave the meeting. If you require assistance, please raise your hands and a representative from Computershare will be delighted to come and assist you.

Given that's probably enough time to complete our voting cards, I'll now close the poll. The results of the voting will be notified to the ASX in accordance with the Corporations Act and will also be placed on the Company's website as soon as they become available.

As there is no further business, I declare the meeting closed, and I invite you all to join the Board for refreshments outside the meeting room. Thank you, ladies and gentlemen.

End of Transcript