[START OF TRANSCRIPT]

Andrew Harding, Managing Director & Chief Executive Officer

Slide 1

Good morning and welcome to our investor briefing for today's announcement of the acquisition of One Rail.

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

Slide 2

Joining me on the call is:

- George Lippiatt, CFO and Group Executive Strategy; and
- Clay McDonald, Group Executive Bulk

We will go through the presentation that we lodged with the ASX this morning which is available on our website. At the end we will take your questions.

Slide 4

This is clearly an important day for Aurizon.

It signals a major step forward in the delivery of our strategy as we outlined at the Investor Day in June.

This strategy is to build on the very stable, cash-generative platform of our existing Network and Coal businesses, and drive towards our aspiration of doubling Bulk's earnings by 2030.

With this transaction:

- we extend our national footprint into South Australia and the Northern Territory;
- we deliver step-change increases in revenue and volumes in Bulk commodity markets; and
- we become the long-term lease-holder of a nationally-significant, integrated supply chain.

Importantly, we also add another pillar to the stable Aurizon platform that we will build upon for decades to come. We continue to seek to be a company that is strong, resilient and focused on creating value for shareholders.

Slide 5

Let me step through the highlights.

The acquisition involves the whole of the One Rail business. While we assessed several options, it was determined the combined package of One Rail assets would deliver greater value to our shareholders compared to acquiring individual components.

Aurizon was also uniquely positioned - with a strong balance sheet, operational scale and business synergies - to meet the vendors' requirements in selling the business as a whole package.

There are two major components in this transaction:

1. One Rail Bulk - the assets will be integrated with our existing Aurizon Bulk business, and
2. One Rail Coal which we are now calling East Coast Rail - the assets will be divested either through demerger or through a trade sale, whichever offers greater shareholder value.

One Rail Bulk is a significant and transformative acquisition for Aurizon which aligns with our Bulk growth strategy articulated at the recent Investor Day.

When looking at potential investment opportunities, we assess long-term trends in commodity demand and Australia's contribution to supply. This of course provides bulk haulage opportunities for Aurizon.

In this instance, One Rail Bulk also provides below rail assets and increased exposure to the growing demand for commodities such as copper, manganese and rare earths associated with new-economy markets for the manufacture of electric vehicles, batteries, telecommunications and wind turbines.

Clay will provide further detail on the business, its markets and the growth opportunity before us. I am confident that given the Bulk team's track record of performance under Clay's leadership, that this acquisition will be successfully integrated as soon as possible.

A reminder that it was only four years ago that Aurizon's Bulk business consisted of 17 haulage contracts that collectively lost money. The change that Clay and his team have led Bulk through has resulted in a business that is now making a positive contribution to Group earnings.

At an enterprise-level, and upon completion of the transaction, Aurizon will see a significant shift in its portfolio mix and a lift in non-coal revenue.

We have yet to determine the divestment option of East Coast Rail, either through a sale or demerger. Under the demerger option, we estimate that the IRR from the transaction exceeds the implied return from buying back Aurizon shares when comparing to last year's average buyback price.

The transaction is entirely debt funded – we do not need to draw upon new equity – and therefore we can use our strong balance sheet as a platform for growth and invest in this quality business.

With the balance sheet being deployed to support this opportunity and our ongoing commitment to our current credit ratings, there will likely be an impact to dividend payments for the next one to two years. Importantly we can retain our payout ratio range of 70-100% of NPAT and where we ultimately pay within that range will depend on the divestment option chosen.

We remain committed to maintaining the current BBB+ / Baa1 credit ratings and expect that this transaction will support Aurizon's credit profile over the long-term. This is due to the increased contribution Bulk will have to the Group cash flows which George will talk more about shortly.

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Clay and George will run through further detail of the respective businesses in their presentation, but here's an overview.

On the map, you can see the operational footprint of the business.

In One Rail Bulk, we acquire the nationally-significant north-south rail infrastructure from Tarcoola to Darwin along with the Above Rail operations including the associated maintenance facilities and terminals.

East Coast Rail is a highly cash-generative coal haulage business underpinned by long-term agreements. While Aurizon will not continue to own this business, shareholder value can be realised through either of the divestment options.

The estimated EBITDA numbers of both businesses represented here for calendar year 2021 are based on nine months of actual data and three months of forecast data and exclude any corporate and operational synergies.

Slide 7

Moving now to the headline numbers and structure.

The total cash consideration is $2.35 billion plus an estimated $80m acquisition and divestment related fees.

The divestment of East Coast Rail is to address potential competition concerns of the ACCC. Aurizon has already engaged with the ACCC prior today's announcement and we intend to commit to an enforceable undertaking to divest East Coast Rail. Until that time, East Coal Rail will be operated independently of the Aurizon Group with a separate board, CEO and management team and appropriate reporting arrangements with the ACCC.

Depending on regulatory approvals, we are working towards the divestment of East Coast Rail to take place by the latter part of calendar year 2022.

Slide 8

As noted earlier, this acquisition extends our national footprint into Central Australia through this integrated above and below rail business.

Consistent with the acquisition of the port terminals in Townsville and Newcastle over the past two years, today's acquisition is strategically linked to important minerals provinces and also allows an expanded service offering to our customers.

This acquisition also further diversifies the commodity and customer portfolio composition.

Mineral deposits across South Australia and Northern Territory are supported by global trends including:

- Population growth, urbanisation and industrialisation in Asia driving demand for infrastructure development;
- A focus on emissions from steel production which supports high-grade iron ore such as magnetite;
- A growing world population and changing diets driving increased crop production and fertiliser use; and
- The global energy transition through the development of wind turbines, battery development, electric cars and solar panels. As noted in the IEA World Energy Outlook released just last week, 3 billion electric vehicles and 3 terawatt-hours of battery storage is projected in a *Net Zero emissions by 2050* scenario. The IEA notes that in such a scenario, the total market size of critical minerals like copper, cobalt, manganese and various rare earth metals grows almost sevenfold between today and 2030.

Slide 9

At Investor Day, we articulated an aspiration to double the size of the Bulk business by 2030. As shown in the pro forma earnings on this slide, just over half of this aspiration has been reached through this acquisition. In addition, there will be a shift in our portfolio mix with Aurizon Bulk earnings increasing from 32% to 40% of haulage revenue.

Given the significant contribution One Rail Bulk is making to this aspiration, we will be reviewing this long-term goal and will update the market in due course. Clay's business development team will certainly not be taking the foot off the accelerator as a result of today's announcement and they remain engaged on many opportunities in the market.

Slide 10

Before handing over to Clay I wanted to highlight the key points of East Coast Rail.

East Coast Rail is a very strong, stable business underpinned by a long-term contract with a strong counterparty in Glencore.

It's highly cash-generative, with a simple operating model and a relatively young fleet of assets.

It has an experienced management team and will be led by John McArthur, the current One Rail Chief Commercial Officer with 30 years of rail industry experience.

With that I will hand over to Clay.

Clay McDonald: Group Executive Bulk

Slide 11

Thanks Andrew and good morning to everyone.

When I spoke to you at Investor Day in June, I shared our aspiration to double the size of the Bulk business. To do that we outlined our plan – grow our core, grow into new geographies and sectors and grow our supply chain services. I'm delighted to advise that the acquisition of One rail ticks all the boxes.

Let's take a look at the highlights.

Slide 12

The Bulk team is very excited with the opportunity and prospects the Acquisition of One Rail will bring to our operation.

Not only is this acquisition aligned and consistent with our strategy and aspiration to double the size of the Bulk business, the One Rail Bulk Operation is a quality asset that will present revenue and cost advantages to Aurizon Bulk and continue to diversify our business through scope and scale expansion.

As Andrew highlighted, the acquisition is a unique opportunity to grow our national footprint across Bulk commodity markets by bringing together two quality businesses in Aurizon and One Rail.

The Bulk business is made up of three revenue generation divisions – two above rail operations in Intermodal and Bulk and the below rail network assets. I will get into more detail on each of these operations later in the presentation.

Today Aurizon Bulk operates in 3 states delivering over 50 million tonnes of Bulk products each year on 500 rail services per week. We have extended into the port space with acquisitions in Townsville and Newcastle and have been progressively developing inland terminals and first and last mile capability to support our customers

With the acquisition of One Rail we further diversify our Customer, commodity and geographical base. We increase our sources of revenue through the below rail and intermodal operations and increase the scale of operations by roughly 25% in train starts, 40% in locomotive power and 28 % in hauled volumes

Generating value through the integration of the two businesses will be a key focus and we intend to adopt the same customer focused, P&L accountable model in SA and NT that has been part of the rapid and successful turnaround of Bulk since 2017.

Slide 13

Post-acquisition the bulk business will assume responsibility for over 2400km of operational track.

This is not a new business for Aurizon , who has a long and proud history of building, expanding and maintaining below rail assets

The below rail asset is a significant piece of infrastructure. The corridor connects Adelaide to Darwin and traverses some of the most mineral rich regions in Australia.

I've had the opportunity to travel the length of the One Rail track. Having spent 5 years responsible for the below rail operations of the CQCN network My observations of the asset, in laymen's terms are: – it's flat, straight, long and fast. It's an ideal artery for enabling projects in SA or NT to get products and commodities to market. It has additional capacity that is accessible and connects directly into export ports in Darwin, Adelaide and Port Pirie.

As indicated the below rail business generates around 30% of the Bulk revenue with the revenue underpinned by negotiate, arbitrate framework that has a concession out to 2054.

Slide 14

This slide provides an indication of the size of the One Rail asset and the scale of rail infrastructure under management post the acquisition.

As shown in the chart, Aurizon's rail infrastructure will now extend to over five thousand kilometres when you add together the track lengths of One rail and the Central Queensland Coal Network.

To be clear, the below rail asset being acquired will be managed by the Bulk business and remain part of the integrated offer in South Australia and the Northern Territory as it does today.

The key call out here is the scale of the combined business and the ability to leverage off and interchange capability, procurement and asset management processes.

For example – The CQCN has a mature asset management model, build up over many years with the aim to smooth out and optimise capital spend. This model has required thousands of hours to develop and refine and can be successfully applied to the one rail track. Then think about the combined purchasing power of the two business. The shared opportunity across structures, rail, telecommunications and signals a great opportunity

Slide 15

The Bulk and intermodal divisions contribute 70% of the top line revenue.

We like the customer mix and balance between the intermodal and bulk business units.

These are vital and robust supply chains operating across terrain and distances that favour rail. The capacity of rail, its lower carbon output and the ability to transport heavy product, in large quantities over long distances realises customer, community and environmental benefits.

As the sole rail operator on the Tarcoola-Darwin corridor, One Rail operates Intermodal services transporting consumer goods, general cargo, construction materials, bulk liquids and special cargo between Adelaide and Darwin.

I'm impressed by the intermodal business. It's simple, efficient and operates over distances and terrain that gives rail a natural advantage.

It's simple - as It has less, larger customers, predominantly freight forwarders and Woolworths.

Its efficient - as It can run intermodal services up to 1800m long, approximately 3 times the length of our Linfox services in Queensland and 100m longer than our Blackwater Coal trains. Adding to the efficiency is the fit for purpose terminals in key locations including an excellent facility in Darwin.

And finally, The task suits rail - Due to the significant distances and the terrain between Adelaide and Darwin rail is in its natural sweet spot. At over 2900km, the Adelaide to Darwin haul is 1300km more than Aurizon's current longest haul from Brisbane to Cairns and almost 3 times longer than our longest WA haul from Perth to Leonora.

The road v rail competitive dynamics are very different in this corridor when compared to other markets.

On the Bulk side, the Operation has unit trains carrying bulk or containerised products including grain, magnetite, copper, gypsum, and manganese.

We are confident that the positioning of the asset and the high quality operations will continue to play a critical role in connecting the people of Northern Australia to vital southern supply chains and in the bulk space by enabling the growth of SA and NT export trade.

Slide 16

At our recent investor day we spoke about the expanding and evolving Bulk market.

You may recall I presented a map of Australia showing 1,400 mining projects from exploration through to pre-production. Over 250 of these are located in South Australia and Northern Territory which is a region where Aurizon had no operational presence prior to this acquisition.

As I said back in June, we know many of these projects may take some time to materialise, but it is illustrative of the level of activity going on in our expanded operational footprint.

Underpinning that growth are the demands from the modern economy for resources that are critical in the processes of connecting people, decarbonising the environment, creating and storing alternate power supplies and feeding a growing and transitioning world population

As outlined in the slide, the region accessed by the One Rail operation holds two thirds of Australia's copper reserves, is the second largest producer of export grain after WA with around 20% of Australia's total export grain volumes, has almost 50% of Australia's magnetite reserve and (with bordering Queensland) has almost all of Australia's phosphate rock resource.

The acquisition of One rail is not only a bet on those trends materialising but also a bet on Australia playing a critical part in the supply of those inputs via the quality, cost and reliability of its commodities and bulk supply chains. Aurizon has a depth of knowledge in building and operating vital supply chains – with over 100 years' experience in the coal fields and around 15 years in Iron Ore,……. it will be these skills and the lessons learnt over years of successful operations that we will apply to new economy supply chains on behalf of our customers.

In summary I am very excited about the opportunity this deal offers. It opens up new customers, new growth opportunities and a first-class asset and team that will move us closer to our aspiration of doubling the size of the bulk business.

George Lippiatt: Chief Financial Officer & Group Executive Strategy

Slide 17

Thanks Clay and good morning to everyone on the call. It's a pleasure to be speaking to you on an important day in the history of Aurizon.

Slide 18

East Coast Rail is a highly cash-generative haulage business underpinned by a long-term agreement covering approximately 85% of volumes. Beginning operations as X-Rail in 2011, East Coast Rail holds around a 30% share of the Hunter Valley export haulage market with almost 50 million tonnes per annum. East Coast Rail has also recently extended into Queensland.

As shown on the slide, there has been a step change in revenue and EBITDA this year driven by an increase in contracted volumes and this earnings profile is expected to be stable next calendar year.

Aligned with being the newest operator in Hunter Valley, East Coast Rail has an average fleet age of just nine years - a few years younger than Aurizon's Hunter Valley fleet and about half the age of the largest Hunter Valley operator. As well as being a young fleet, East Coast Rail's locomotives also have the ability to be deployed into other standard-gauge, non-coal markets if desirable longer term.

Although a very attractive business and close to our core operations, Aurizon will divest East Coast Rail by either demerger or trade sale. The rationale and process for this divestment is something I'll touch on in a few minutes.

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Turning then to the mines that East Coast Rail services. And what you'll notice is that the quality of East Coast Rail's asset base and earnings profile is matched by the quality of the mines it services - an average mine life of approximately 20 years and the majority of coal volume ranked in the top quartile of energy content.

The margin chart on this slide also shows the financial strength of the underlying mines. All profitable, noting that this chart is based on a thermal coal price of US$100/t - so we'd need a much higher y axis to show the margins today based on a coal price of over US$200/t.

This is the type of high-energy coal that we believe will be needed to effect an orderly transition to more renewable power sources, while acknowledging the sustained demand from rapidly-developing Asian economies for quality Australian coal will remain for many years to come.

For those that remember our Investor Day in June you might be asking how these mines fair under our six *Strategy in Uncertainty* scenarios. The short answer is that mines such as those serviced by East Coast rail that are characterised by long-life, high quality and lower cost are generally projected to continue to operate beyond the end of their rail haulage contract in four or five out of our six scenarios.

Slide 20

We intend to work with the ACCC on a timeframe to divest ECR within 18 months of the deal completing. This commitment is still to be worked through with the ACCC, and is aimed at securing and hopefully moving the ACCC approval process along as quickly as possible. We look forward to continuing our engagement with the ACCC.

The divestment will be achieved through either a demerger or trade sale, with the overarching objective being to maximise shareholder value.

The separation process will be structured to minimise costs and operational disruption. This will be important to the East Coast Rail customers, employees and financiers.

In the period up until divestment, East Coast Rail will operate as a separate and stand-alone business – with an independent board and management, ring-fencing of sensitive information, minimising the overall impact of separation, and ensuring it can operate independently of Aurizon.

John McArthur, the current One Rail Chief Commercial Officer with 30 years of rail industry experience, is to be appointed Chief Executive Officer of East Coast Rail and leads an experienced team. John is well known to the major East Coast Rail customers and we have confidence in his ability to deliver results for the business and shareholders.

Slide 21

Turning to transaction funding and process. And I'd like to start with shareholder returns, as that was the primary focus of our analysis as we considered buying One Rail.

Slide 22

This acquisition is consistent with our capital allocation framework, which we have applied for many years and is shown in the diagram at the bottom of this page. As you can see in the far right box in the diagram, our framework sees us consider doing one of two things with surplus capital - either returning it to shareholders via capital management or deploying it to grow our business. The assessment of which option we pursue is based on what growth options are available to us, and whether the unlevered IRR generated by that growth capex is superior to that available for shareholders from a buyback.

In prior years we've distributed surplus funds to shareholders through buybacks and we confirmed at our recent Full Year Results that we had $900m of surplus balance sheet capacity. We've considered the rate of return of this transaction, and I can confirm that it exceeds the return available to us from executing a buyback assuming the same price as our FY21 buyback at $4.06. In fact, this transaction is forecast to deliver a rate of return exceeding that available from buybacks at less than $4 per share.

As well as delivering a higher IRR compared with a buyback, this transaction:

- is around 10% EPS accretive in a demerger scenario compared to the status quo;
- it is also around 5% EPS accretive compared to assuming $900m of buybacks; and
- it should enhance the view of credit providers to Aurizon operations due to the infrastructure and new-economy aligned cashflows. It’s this point, and the strength of our balance sheet, that enables us to fully debt fund a $2.35bn acquisition while maintaining our BBB+/Baa1 rating.

Lastly on this page, it's important to touch on dividends. Aurizon has a proud history of consistent dividends, even through COVID and the recent China coal import bans. We confirm that we are committed to our existing 70-100% dividend payout range - noting that where we land within that range will depend on our divestment path. Should we demerge East Coast Rail, we expect to be towards the lower end of the range for 1 to 2 years, while a trade sale could see us towards the upper end of that range.

Turning then to valuation considerations.

Slide 23

Our primary focus was on the forecast cashflows from the acquisition and whether they deliver shareholders a more attractive return than a buyback - and I've confirmed our view that it does.

But we also spent time considering the EBITDA multiple implied by our acquisition price and how that compares with other industry transactions.

Our acquisition implies an EBITDA multiple of 10.5x based on the last twelve months. While that multiple reduces to below 10x when looking at next twelve months EBITDA, for simplicity and comparison purposes we've only shown last twelve months here.

Now there's two points I'd draw out from the chart. Firstly, you can see this acquisition multiple sits comfortably within the precedent range. Secondly, there are transactions with lower multiples - but these both occurred 5 years or more ago.

Turning back to this business and as we've said it is comprised of two parts, so we felt it important to show you how we thought about valuation drivers of those component parts on the right.

Firstly East Coast Rail, and before I get asked the question I can say that I'm not going to put a specific valuation on East Coast Rail - because that wouldn't make our trade sale process very interesting. But I will say that it has stable returns and cash flows, is solely above rail haulage and predominantly exposed to thermal coal. Therefore, its implied multiple would be lower than 10 times.

The Bulk business however is exposed to many commodities that are forecast to have strong demand due to investment cycles in new economy metals and agriculture. It is an integrated above and below rail infrastructure business and therefore should be viewed at a premium to 10 times.

When viewed on a combined basis and having regard to the growth profile of the Bulk business, we believe the acquisition price represents good value for shareholders in an environment where multiples for rail and infrastructure have been steadily climbing over recent years.

Let's now talk about funding.

Slide 24

It is the strength of the Aurizon balance sheet and our relationship with our banks that we believe gave us the advantage in this sale process.

As the headline suggests, we have achieved funding certainty for this transaction - and that's thanks to the strong support we've received from our relationship banks. Each of these banks has underwritten debt facilities for both Aurizon Operations and East Coast Rail.

For Operations, the above rail entity of Aurizon, the total debt required is $1.93 billion, which will come from a combination of existing and new underwritten bank debt.

We will be terming out this bank debt into capital markets consistent with our existing funding strategy. We have had recent success doing just this, with over $1bn in long-term debt capital market issuances in FY21.

This includes the intention to issue a hybrid in order to access what would be a new pool of capital for Aurizon. This further diversifies our funding sources, supports our credit rating and we like the long dated nature of this form of capital.

Slide 25

The next slide shows the illustrative sources and uses consistent with the debt numbers just mentioned. The one item I'll call out is our estimated acquisition and divestment costs, which we expect to be in the order of $80m. This figure reflects costs such as stamp duty and bank commitment fees, as well as advisor and insurance related costs.

Slide 26

Turning to the divestment process for East Coast Rail. As I outlined previously, there are two potential options for the divestment of East Coast Rail, with the final path dependent on whichever creates greater shareholder value.

Firstly, a demerger would involve regulatory and shareholder approval and we are working towards that being executed 6-9 months post Completion. In this scenario, Aurizon dividends would likely be towards the bottom of the current payout ratio range for a year or two, but shareholders would also benefit from additional distributions from East Coast Rail. To give you a sense, those distributions are likely to be higher yielding than Aurizon given the east Coast Rail funding structure and the strong contracted cash flows of the business.

Secondly, and shown on the right, a trade sale would result in Aurizon regaining balance sheet capacity and higher dividends are then possible, although shareholders would not benefit from ongoing East Coast Rail distributions. This option would also be subject to a purchaser tabling the right offer and receiving regulatory approval, as well as the consent of the banks to extend the current debt financing package should a purchaser require it.

Regardless of the decision taken we remain committed to our current BBB+/Baa1 credit ratings for both Aurizon Operations and Network.

For East Coast Rail, as I've mentioned we have the commitment of underwritten bank debt with the potential to term out in capital markets. We are targeting an investment grade credit rating and we've done a lot of work on this point so we say with confidence that it is achievable. Available debt markets for East Coast Rail include private placements in US dollars, where there have been recent trades in coal related companies in recent years.

Slide 27

Lastly, the transaction timetable.

In terms of key steps to completion, the focus is on regulatory approvals - with the main item being our ongoing engagement with the ACCC for its approval. We are hoping to complete the transaction early in CY22.

From Completion, there will then be two parallel streams - mirroring the separation of the current One Rail business.

The Bulk business will be integrated under the leadership of Clay. While that will happen from day 1, we do expect it to be a 6 to 9 month process for full integration and that's when we should start to see benefits of the larger footprint.

The East Coast Rail business as I said earlier will go through a dual track demerger and trade sale process. The preparation for that has well and truly commenced - we're aiming to make a decision on which pathway crates the most shareholder value in the months post Completion. In terms of executing the divestment, whether it's by demerger or trade sale, we're expecting the earliest completion would be towards the end of CY22.

Finally, I'd like to finish by saying that we're excited about this acquisition. The geographic and infrastructure footprint of the Bulk business provides us with a great platform to enable the growth of the minerals and agricultural sectors of South Australia and Northern Territory.

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

Slide 29

Thanks George.

Just a recap on the key points and the strategic significance for Aurizon.

It is a transformative transaction that:

- achieves a step-change growth in bulk revenue
- secures quality assets in new locations; and
- opens up opportunities in new markets.

It's an investment in growth in the long-term drivers of demand for commodities that are needed for new-economy markets.

Having worked in and alongside the mining industry for 30 years, I have learnt that the best and most reliable investments are large, long-life, low cost assets that are resilient regardless of the prevailing commodity market conditions. One Rail Bulk in South Australia and Northern Territory is such an asset, in a region rich with commodities of which the world needs more.

I look forward to the next chapter in the Bulk story.

Happy now to take your questions.

Questions and Answers

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question. Your first question comes from Anthony Moulder with Jefferies. Please go ahead.

Anthony Moulder: Good morning all. If I can start with Clay please did, obviously we, we set through the presentation in Newcastle. So you talked about doubling the size of Bulk. How important is One Rail to achieving that as an objective, please.

Clay: Yeah, thanks Anthony. You can see the on the chart, it moves us from 140 today to 220 with the acquisition. And I think Andrew was quite clear in that might to some reviewing and resetting of some of the targets that we've got today. It does open up a whole new region for us to grow into Northern Territory and South Australia. So gives us a great opportunity to achieve that growth aspiration, but certainly accelerates it for sure.

Anthony Moulder: But I guess the other way to ask it is, did you need to have One Rail to double Bulk's EBIT growth or EBIT level?

Clay: No. You know, as we indicated that the, the bulk market's about 10 billion today, moving to 13 billion in the future. So there's plenty of opportunities. This, this is just, it accelerates that doubling in size, I guess, but no, there's plenty of other opportunities, but Brownfield, Greenfield, other small M&A's and bolt-ons that we're looking at.

Anthony Moulder: Okay. So appreciate Northern Territory, South Australia seems like a, a different market to the other ones in which you're currently in. How important is that integrated offering to capturing a lot of that growth that's coming out of that corridor, please.

Clay: When you think about that, what we like, we like an operation that's close to number one, number one, or number one in close, number one in its, in its market. That is that's One Rail in the South Australian Northern Territory market. And we've always said we like a preference to assets that have strong land and location fundamentals, where they're located and what their exposure is. So in the NT & SA in this deal, it, it kind of ticks of those boxes. They are number one in their market. And we like the, we like the land and location exposure we get through the asset. But if you look at the customer mix and the portfolio customer, they're not too dissimilar to the customers we have today in the rest of Bulk or be it that we get, we get exposure to below rail and we get exposure to a strong intermodal market. Moving, connecting supply chains from, from the south up into the Northern Territory.

Anthony Moulder: Yeah. But I guess the integrated offering that we've seen in Queensland, you're now bringing that into South Australia, Northern Territory. How does the customer benefit from that integrated offering, as opposed to someone else turning up to run trains on the network that you are leasing in that market?

Clay: Yeah. What we like about the integrated offer here is kind of the improved operational investment coordination you can get from it. So you, when you look at it, you, you know, if the benefits integration give you is you're not going to sub-optimise below rail for above rail or vice versa. So that's the first thing. And then very much taking that supply chain view and supply chain mindset. When you look at integration, but as far as expanding our supply chain services here, we'll go where the customers want us to go. And so if there's an opportunity to expand other services, connect into the, the one rail asset and the one rail core, rail proposition, we'll look at those opportunity is we get our feet under the desk.

Anthony Moulder: All right. Thanks, Clay, and just a question for George on the debt, obviously, a lot of debt going in for this acquisition, you talked of a hybrid, is that hybrid necessary to free up capital for further acquisitions, if that's a large part of how you grow from here in Bulk.

George: Yeah. Anthony, the short answer is it could do we like a hybrid though, our capital structure for a range of other reasons, including the long dated nature of it and the flexibility it gives us. Of course the other point around funding and balance sheet is that if we are to trade sale the business, as opposed to de-merge it, we will regain more balance sheets like, so I still feel we've got a strong balance sheet. We're still a strong investment grade rating at BBB+/Baa1, and we have flexibility going forward.

Anthony Moulder: Very good. Thank you.

Clay: Your next question comes from Jakob Cakarnis with Jarden Australia. Please go ahead.

Jakob Cakarnis: Morning guys. Just one off the top for Andrew. If I can please. What was the motivation for the deal structure as you've structured it at the moment? Obviously there's a focus on Bulk, but I just want to get a better understanding of the divestment process and then the potential for an in specie distribution or de-merger.

Andrew: Yeah, look. Sure. Look at the thing that drove where we're up to is that the, the seller wanted to sell a whole package, that was the primary starting to point, as far as the decision to divest East Coast Rail, that that is driven by a ACCC proposal that we think allows us to best position to transaction from both our final approval and also from making it timely in execution. So that's actually what drives it. George, I don't know if you wanted to add anything as well?

George: Well, look, I think the second part was around the, the de-merger and in specie distribution process. And I, I think that's important to touch on because that drove that comfort with some of the structure in that we could fund an acquisition of the whole, but importantly, we've got committed debt for the horizon operations side and committed debt that would go with east coast rail if it was to de-merge. So that gives us funding certainty and our shareholders funding certainty if we are how to de-merge. But just to underline a point I made earlier, we will go through a dual track trade sale and de-merge a process and make that decision post completion.

Jakob Cakarnis: Okay. Thanks guys. Maybe one for Clay or maybe George, if you can continue, are there any differences in the cash flow profiles between the one rail business that you're picking up and your existing operations?

George: Did you want me to tackle that? Yeah. Well look, let's tackle one rail in two parts there, these coasts row, which as we say for calendar year 21, about 140 million of EBITDA the sustaining CapEx generally less than 10 million. So highly free cash flow generative. When you look at east coast rail. In terms of the Bulk business, it is different because it's got track infrastructure and with that becomes a higher sustaining CapEx level. So the way to think about that is probably 20 to 30 million of sustaining CapEx. When you normalise it over time, there will be some investment that may be made depending on customer growth, but that's how to think about the sustaining CapEx over time.

Jakob Cakarnis: Okay. One final one for me guys with the facility increases, is there any amortisation schedule on either of the facilities for the Bulk business or ECR, or maybe Aurizon operations and ECR, if you can separate those and how do we think about those repayments if there are any through the cashflow profile please?

George Lippiatt: Yeah. So on operations, no, it's pretty, pretty similar to our existing term debt facilities on the Aurizon operations side. And we will look to turn that out in debt capital markets, as we've had success doing. On the East Coast Rail side, yes there is an amortisation profile, those facilities for the 500 million range from a term of two to five years, the profile is aligned with the, the longer period of time, but we will look to term out some of that debt in capital markets, which should give us a more flexible profile. So that's something we're going to be looking at over the coming month.

Jakob Cakarnis: Okay. One final one, sorry. Andrew, are there management incentives aligned to any of this process, including the divestment and or integration please?

Andrew: No, there's no specific incentive that targeted there is a general incentive about growing the bulk business over long term.

Jakob Cakarnis: Okay. Thanks guys.

Operator: Your next question comes from Andre Fromyhr with UBS. Please. Go ahead.

Andre Fromyhr: Hi guys. Good morning. Just curious the potential improvements in the One Rail Bulk business. Are you able to give some colour about how the above rail margin compares to the existing Aurizon Bulk margin? Is any of that potential part of your synergy estimate? Or is there sort of potentially more on top?

Andrew: George? I might get you to talk about margin, then I'll get Clay to talk about synergies.

George: Yeah, sure. Thanks for your question. You can see from the material we put out that the EBITDA margins and the EBIT margins are slightly higher than our existing business. That's just a function of it being above and below, right. But they're not dissimilar, so they're not a world away from our existing business. The EBITDA margins about 32% when you look at calendar year 21. So, that's hopefully goes to your EBITDA margin question. I might hand them to Clay.

Clay: Yeah, thanks. I think we highlighted in the presentation. We're estimating synergies to be between 7 to 10 million annually. That'll be achieve through a range of opportunities and in a structured process, when we look at procurement, leveraging assets and rolling stock, leveraging capability and systems. And then applying the bulk operating model on to the South Australia / Northern Territory business. But like we said, this is a good business, so expect benefits and opportunities to flow both ways. And we look forward to the value we can unlock when we combine the two business.

Andre Fromyhr: Okay. The undertaking with the ACCC, how progressed is that? I think you indicated it hasn't been signed yet, but is there still some uncertainty about specifically what assets or what combination of assets need to be divested. As in, could it be less than the One Rail Coal business as it stands today, or potentially would you sell some other existing Aurizon assets with that deal?

Andrew: George, I might get you to run through that part.

George: Sure. I'll tackle that first part, which is how progressed is it? It can't be finalised until the ACCC goes through their approval process. So we have put a draft undertaking to the ACCC and we're looking forward to engaging with the ACCC through their approval process. In terms of what we'll look to divest, we've tried to keep it as simple as possible because that's the best way to expedite, we hope, the approval process. So it is the One Rail Coal business, we call it East Coast Rail that will be divested. We haven't looked or proposed to divest anymore, or less than that. That keeps it simple, it keeps it clean and the last thing I'd note is that, that's a business that ran independently before One Rail or Genesee & Wyoming Australia as it was then called acquired that business 2016.

Andre Fromyhr: Okay, and just one more, if that's okay. Can you just describe a little bit of the nature of the regulation of the new rail assets you'll be acquiring? Is it comparable to the Queensland assets and in particular you made a comment of sort of additional capacity sitting on those assets. Is it potential value to grow into that capacity? Or is it like other sort of regular assets where you need to invest for the right to earn more?

Andrew: That sounds like a great question for Clay.

Clay: Yeah. Well, first of all, there's existing capacity on the line today. So that capacity as demand comes on is can be accessed immediately. On the second part on the regulation, it's a Negotiate and Arbitrate Model, which most of you would be very familiar with. It's regulated by the Essential Services Commission of South Australia. Fundamentally it provides access seekers with the right to access the infrastructure and arbitrate if we can't come to or there's agreement can't be reached on those below rail access charges.

Andre Fromyhr: Okay. Thanks

Clay: Sorry. So can I add, it's not comparable to the CQCN access arrangements. No, it's different, it's light touch regulation more comparable to probably Brookfield's ownership of Arc, in West Australia

Operator: Your next question comes from Cameron McDonald with Evans and partners. Please go ahead.

Cameron McDonald: Oh, good morning. Just a couple of questions from me. Can we get a split on the assets that have been acquired between East Coast Rail and the Bulk business, please? What's the value of them in aggregate terms?

Andrew: George? I will let you to deal with this.

George: We'll give more detail on that, Cameron, obviously when we go through our half year results and we look at the net asset value, what we've tried to give you though, to give you a sense is the breakdown by revenue and EBITDA. And also how we've thought about valuation at an aggregate level.

Cameron McDonald: Yeah, I suppose the question goes to the point though, that to work out the accretion that you've highlighted, we need to sort of understand what the depreciation levels are across it. And obviously any goodwill isn't being depreciated.

George: No correct, that's right and that acquisition accounting and purchase price allocation is something we'll go through over the coming months and we'll give further detail at our half year results and beyond.

Cameron McDonald: Okay, thank you. In terms of the incremental debt facility that you've taken on. So the 500, you said that you had an existing bank relationship and new bank relationships. How much was contributed by new bank relationships, please?

George: Yeah, Cameron, just to clarify. We have existing facilities we're drawing on and new facilities but the banks that supported us on this, were three of our existing relationship banks. We have 10 relationship banks to give you a sense of that.

Cameron McDonald: Okay, so three of those banks and were any of those domestic banks?

George: Yes.

Cameron McDonald: Okay. If I look at the split of the debt, so you've previously said you had $900 million worth of additional headroom at the Aurizon level. And then if I then look at that, take that 900 off the 1.9 that you're incurring for the Bulk business, you're incurring a bit over a billion dollars worth of incremental debt on 80 million worth of revenue, sorry, 80 million worth of EBITDA. That's a 13 times leverage so, how do we think through that, please?

George: I wouldn't say that's the right way to think about it. The way I think about it is, this takes the rise in operations debt profile to 3.1 times Net Debt to EBITDA and we think that's very sustainable. To go to the specifics of your question. How do you go from a $1.9 billion debt facility for Aurizon Operations, from what I've said at full year results, where we had 900 million in capacity, you're adding 80 million of EBITDA. So think about that as three turns of EBITDA takes you to about 300 million and then the other 600 million broadly to bridge the gap is a combination of two things. Firstly, we're of the view having done a lot of work that the rating agencies will look at lowering our thresholds. Given the nature of these earnings, infrastructure earnings, leverage to non-coal high growth commodities. That's the first driver of the 600 million. The second driver is obviously, we are talking about lowering the dividend to the bottom of our payout ratio range for one to two years. That assumes that the merger scenario, if we are to trade sales, then it will be different. It will give us more balance sheet capacity and would be towards the upper end of that payout ratio range.

Cameron McDonald: Yeah, understood. So final question from me, you've highlighted the strong cashflow conversion in East Coast Rail. Can you give us a sense of what that sort of percentage conversion of EBITDA is, please?

George: Let me answer that question like this, the sustaining CapEx profile - generally less than 10 million. So if you're talking about free cashflow price, pre-tax, you're talking about 120 to 140 million is the way to think about it. Now, obviously what East Coast Rail does and their management team does to grow that business would have an impact on that free cashflow range, but it's really strong, free cashflow conversion. When you look at the earnings relative to the CapEx, and that's a function, as I said before of a really young fleet average age of nine years.

Cameron McDonald: Great. Thank you very much.

Operator: Your next question comes from Paul Butler with Credit Suisse, please go ahead.

Paul Butler: Thanks so much, Zach. Congratulations on the deal. I just had a question for Clay. You mentioned before that there's spare capacity on the North/South infrastructure, how much spare capacity is there?

Clay: Oh, Paul I'll have to, we'll have to do some more work to understand fully how the business operates, but you know, it's running sort of six to seven intermodal services a week going to traversing the whole length of that track. So fundamentally there's a fair bit of capacity there. Then it's got some or six kind of Bulk circuits, if you want to think about it that was kind of. Whether they be unit trains for copper, manganese, iron ore, magnetite, et cetera. So, but in comparison to networks that we operate on and networks that we manage today, there's sufficient capacity there to grow.

Paul Butler: Right. And is it relatively straightforward to increase the capacity if at some point in the next 32 years, that makes sense.

Clay: It made it, yeah. I'd love to be able to say that I'm building additional capacity on that line as volumes increase significantly it's building passing loops and we've got a pretty long and deep history in doing that sort of stuff in the CQCN. That's fundamentally what it is. It's just giving the opportunity for more trains to diverse, which is kind of building a little bit of additional infrastructure, something we know a fair bit about, but it'll be a long time before that's required.

Paul Butler: Right. One of the things you flagged is the nature of this asset puts it in the sweet spot for the sort of the road versus rail option. Is there an opportunity to attract more volume from road to rail in this corridor, as you see it at the moment?

Clay: Listen, it's performing pretty well in that kind of talked about the road to rail dynamic. If you think about the 2,400 kilometres that the track traverses, not all of that is One Rail track. It goes across ARTC and then it hits Tarcoola and heads north to Darwin, but 2900 kilometres from Adelaide to Darwin, there are trucks that traverse that. We think the market share is somewhere around 80% to rail 20% to road. So there's some opportunity there, but if you think about that 20% a road, it's probably very dedicated road for specific products, et cetera. There's always a place for road and rail together. And, in our existing businesses, we look at how you get the product to the railhead, how you get the product to the track. And so there's always that opportunity to integrate road and rail. And, when we get to understand this business and the market a bit more, we'll have a look at those opportunities.

Paul Butler:	Okay. And you mentioned before, there's a business improvement opportunity here of seven to 10 million per annum. So what's the sort of the total quantum over what period of, I mean, what number of years are you sort talking about that sort of rates of increase?
Clay:	Yeah, I think that's what would be targeting annually that seven to 10. Yeah.
Paul Butler:	So is that business improvement or is that driven from growth?
Clay:	No, that synergies, when you put the two businesses together, the seven to 10 million annual annualised synergies.
George:	So for seven to 10 is pure business improvement. Growth of the corridor, which Andrew and Clay talk through would be on top of that.
Paul Butler:	Okay. Okay. So it's seven to 10 in total
George:	In total synergy. Synergies would be on top of the seven to 10.
Paul Butler:	Yeah. Yep. No I understand. And just a couple of others I just wanted ask about. You've said that the court case Genesee & Wyoming is still on foot. Does this transaction change your view of what you could get out of that case, in terms of the magnitude of the outcome, if you like?
Andrew:	Paul, I understand where you're headed with the question, but because it is in front of court as we speak, it's just not safe for me to talk about it, but it is, but the court case is proceeding.
Paul Butler:	Okay. Can you give us any colour on timeline and where exactly it's up to?
Andrew:	Unfortunately no, it's in progress. It's a slow moving court case, but one that I will now be proceeding, progressing with enthusiasm.
Paul Butler:	Okay. And, and just one final one, is in the Bulk business that you're acquiring is a pretty high exposure to iron ore customers. Where do those customers sit on the cost curve and, what's your view on the risk around those customers?
Clay:	Thanks Paul. There's currently three iron ore customers in there and like the rest of the iron ore customers in our portfolio, they sit sort of high on the third quarter or into the fourth quarter. We were discussing this earlier the first second, and sort of most of the third quarter I was made up of the majors, Rio, BHP, Fortescue, Vale et cetera. So they're kind of consistent with our existing portfolio. We like the fact that the region has high exposures to magnetite and you can see in the pack, what that exposure is. And if you believe in the move to green steel, magnetite has got a big role to play in that. So we're excited about the future facing opportunities with the magnetite region that South Australia and Northern Territory hold.
Andrew:	Look, Paul, as somebody who's spent a long lifetime in mining and a hell of a long time in, or I'd say the mag, if you want to believe the hydrogen green steel, steel manufacturing industry, particularly probably driven first out of Europe that whole

magnetite's going to play extremely well into it. I will say, Paul though, I'm not a believer that is going to happen quickly. It's some as quick as a lot of the proponents that currently talk about how quickly it's going to happen, but it will happen eventually.

Paul Butler: Thank you very much.

Operator: Your next question comes from Rob Koh with Morgan Stanley, please go ahead.

Rob Koh: Oh, good afternoon. And yeah, congrats very much on the deal. Obviously, a huge amount of time and effort going into these. My first question, just around the East Coast Rail, which you mentioned will have a separate board and, and management. Can you give us a sense of, is that additional cost kind of already embedded in the numbers here? Or is it material?

Andrew: George? Do you want to go through that?

George: Sure. So, no, it's go forward cost, Rob. So when we talk about 140 mil, that's not in those numbers at the moment to give you a sense of what we think that will be round about 5% of EBITDA is probably the way to think about it.

Rob Koh: Okay. Sorry. Just did you say 5%,

George: 5% of EBITDA.

Rob Koh: EBITDA. Great, thank you very much. That's very helpful. And then I guess just following on, I guess from Cam McDonald's question about the debt headroom, and I wanted to make sure I understood in your de merger scenario where you were going to be taking the dividend at the Aurizon to a lower payout ratio at the lower end of the payout ratio that might save, I guess, 120-130 mil a year kind of thing. And I guess that that over a couple of years fills half of your 600 mil gap, is that the right way to be thinking about that?

George: That is Rob. And then the other half of the gap is, as I mentioned, we've done a lot of work on this. We believe rise in operations rating thresholds for BBB+/Baa1 will be reduced as part of this deal. Our current rating threshold is 50% of FFO to debt posted transaction. We believe it will reduce that gives you the other half of that 600 that I talked about.

Rob Koh: Yeah, yeah. Kind of a quality and improvement type headroom measure.

George: Exactly.

Rob Koh: Yeah. Cool. Sounds good. Okay. And then for the below rail part of One Rail bulk, I guess it sounds like the intention is to just keep that integrated for now. Is there an option to divest that as a separate infrastructure asset at some point?

Andrew: Yeah. George, I know you thought a bit about that.

George: Yeah. I mean, I think I talked about the quality benefit and you, you call it out, Rob, the quality benefit that we get from a rating agency perspective, that's partly due to infrastructure and the quality of that infrastructure asset being part of our operations business. The other thing Clay touched on, is the ability to provide customers with an integrated service, we think gives customers a better outcome. And so that's another reason that we don't think strategically we would want to separate and divest the below rail from the above route. Works well today, we want keep it that way.

Rob Koh: Yeah. Okay. Sounds fair. And then just final question. If I can throw in an ESG type question as obviously pretty big physical footprint here, are there any kind of special flora and fauna requirements? Are there any biodiversity offsets with the business?

Andrew: Look, we did obviously did a very strong due diligence, particularly in the whole ESG space. And we're very comfortable that we're not exposed in any of those areas.

Rob Koh: Yeah, no, thanks, Andrew. That answers the question and we can get into detail separately if you wish that'd be great. Thank you very much. Yes.

Andrew: Sure.

Operator: Your next question comes from Scott Ryall with Rimor Equity Research, please go ahead.

Scott Ryall: Hi there. Thank you, Andrew. This is probably for you as it's more a high level question. I guess the One Rail asset value itself looks fine to me. I guess the question I have is looks to me as though given Macquarie didn't want to sell the two assets separately that you've basically taken on the risk for on selling the East Roast Rail business. Given the two are pretty easily separable. It's not, it's not that I don't think it's necessarily obviously cheap in terms of taking that risk, despite the multiple chart that George talked to, partly because of where Aurizon trades itself. So I guess I'm wondering why take that risk? And I know they wanted to sell the business together, but presumably that's because they thought it would be difficult to sell East Coast Rail. So can you actually do anything interesting to that business. In order to make it more saleable when, when it comes time to divest, because to me, if you're going to sell it as it is. The biggest upside for you is you don't have a, an active competitor for 12 months while you go through this process, but maybe we've got to wait until you sell it. And then we get a chance to look at what the actual multiple. For the one rail business, but that's only a little over one third of EBITDA. I guess it's a long-winded question and it's kind of rambling, but I'd love you to talk through the risk transfer and why you are better off taking that risk than Macquarie, please.

Andrew: Sure, and thanks Scott. We have clearly, honestly thought hard and long about the issue. Just one point I'd say, just from an ACCC point of view, competitive point of view, the East Coast Rail is held completely separately from Aurizon management. So your comment about some sort of effect on competition is not correct. They are currently a competitor and they will be a competitor through the regulatory process and they'll be a competitor after the regulatory process. So just to clear that one up. Building on that, the reality is we won't be running East Coast Rail. So we are not going to be a very, very competent individual that has been chosen to run that business. Indeed, an individual that was involved in setting up many franchises ago,

	the original forerunner services. I believe it was Freightliner at the time. A very competent management team, but not something that Aurizon itself is going to get involved in. The reality is we have a dual tech process in play, and that gives us an alternative. And I think that allows us to manage this with something that was available, a tool that was available that's not readily available to others. And from my point of view, we are able to execute this in one way or the other. We haven't made our mind up about what that will be. From my point of view, while I totally acknowledge your point of view about risk transfer, the reality is that ability to run a dual track process from my point of view, negates the risk. And then when I balance it against the strategic opportunities that exist for One Rail and many of the ancillary benefits that come as an outcome of finally doing the bulk integration, it wasn't a difficult decision, although I would not for a second want you to think we didn't think through it long and hard.
Scott Ryall:	Are you trying to suggest Macquarie couldn't do an IPO?
Andrew:	I'm not going to get into what Macquarie's issues may or may not have been. What I'm going to get into is how we thought about the process and the reality of where we got to in the transaction.
Scott Ryall:	Thank you. That's all I had.
Operator:	Your next question comes from Ian Myles with Macquarie. Please go ahead.
Ian Myles:	Good afternoon guys. Thanks for taking the question. A really simple one first up, you've given us a bit of a profile for East Coast Rail over the last three years of earnings. Can you maybe articulate the actual earnings EBITDA profile of the Bulk? Cause my maths might suggest it hasn't actually improved in the last three years.
Andrew:	George. I'll get you to take this one?
George:	It's been pretty flat the last three years.
Ian Myles:	What's changed to make this actually turnaround from the last three years where the resource boom has still been occurring, to becoming a growth business.
Andrew:	Clay, I might get you to talk about the growth business.
Clay:	Yeah, thanks Andrew. I think how we're thinking about it, getting in there, we'll take a short and long term view of the asset. In the short term, we need to learn about the business, learn about the market, learn about the customers. And if you think about sort of Bulk's track record in growing businesses, we'll apply some of that mindset back into the One Rail asset. We know that this is not a turnaround task, but it's an opportunity to bring two quality businesses together. During that early phase we'll be looking at extracting those synergies, seven to 10 million annually. But it's about the positioning of this business in its market, and as I said, it's number one in its market and the fundamentals that we like about the land and location and exposure to future markets. And we can already see that in some of the work we did in the due diligence. So the opportunity to grow based on those macro forces that we've all

talked about, it'll be our job to make sure that the business is well positioned and capable of capturing those growth opportunities as they come.

Ian Myles: How significant is the Beetaloo gas development for the business? Is it actually something where you can tap in by providing equipment services or is that sort of pie in the sky stuff?

Clay: No, it's not material.

George: The only thing may be Ian inputs into that operation, but that's not factored into our business case. That'd be the upside to how we modelled it.

Ian Myles: The track itself has a contingent liability of one hundred million or an obligation to spend one hundred million up to 2030. Can you give a little bit of colour of what triggers that obligation?

Andrew: Clay, do you want to go?

Clay: That's an obligation by the concession holder to make sure that the track is maintained at a certain level, and some of that work is under weighted. I saw it. There's about one hundred kilometres of rail renewal underway.

Ian Myles: Is that the upgrading from the light rail to heavy rail track?

Clay: That's correct. That's just an obligation to make sure the asset is maintained at a certain level.

Ian Myles: So is that sort of the forward, we should think about that as the maintenance CapEx for the asset, or is that above and beyond that maintenance CapEx?

George: Yeah. Generally be above and beyond Ian and track being the way it is. It'll depend on the growth profile. That'll be more one off, those types of CapEx spend that you've just touched on and Clay touched on.

Ian Myles: On the debt side, I have to say, I got a little bit confused by the numbers and apologies for being ignorant. You talked about that 900 million of delta, of borrowing extra and you mentioned retaining 300 million of dividend and there's that 600 million difference, where you inferred lowering of thresholds. Of that 600 million, how much is actually going to be taken up by using hybrid security to give you an element of equity count in there?

George: It's probably not you Ian, it might be my way of explaining it. So let me break down the 900 million into three parts. There's the benefit of the earnings we're acquiring. The second part is the dividend lowering for a year or two, assuming a demerger. And the third part is the rating agency thresholds coming down. Those are the three parts.

Ian Myles: So the need for the hybrid is to essentially give the balance sheet capacity to do further transactions, which Clay may dream up.

George: (Laughing) That's one way to describe it Ian.

Ian Myles: Well I can't imagine you doing anything in Coal?

George: Consideration of the hybrid will be in parallel with the dual tracking merger and trade sale process. Trade sale in the business will give us more flexibility as well, if we choose to go down that path.

Ian Myles: You said 5% drag costs to list for East Coast Rail. Is that including listing? Because I haven't seen many companies able to put a listing together with less than 10 to 15 million.

George: Yeah, we think that will be achievable Ian, but we are still working through our preparation for the demerger process. And the last thing we want to do is spend too much money on the de merger process if we've got a buyer to trade sell to.

Ian Myles: And one final question, is there any tax benefits or is this company coming clean to you?

George: Coming clean is the way to think about it when you model it.

Ian Myles: Okay, that's great. Thank you guys.

Operator: Your next question comes from Owen Birrell with RBC. Please go ahead.

Owen Birrell: Hey guys, I've just got just one quick question. On my numbers as a diversification benefit, it looks like it's only extending your non-coal EBITDA from about 9% to about 14 to 15% on a proforma basis. And it looks like it's hardly a game changer for Aurizon as a group, on what appears to be fairly complex and high risk transaction. I'm just wondering whether the, amount of balance sheet resources you've used to execute this transaction. Is that an indication that the cupboard is relatively bare in terms of other near term opportunities to diversify through M&A?

Andrew: I've been saying ever since I arrived at Aurizon, that the opportunities for M&A are few and far between, and the reality is the situation. I mean it's your view that it's a complex transaction, but the reality is it's just, there's a number of steps in it as opposed to complex. Maybe that's just a different reaction to that one word.

Owen Birrell: That's fine. I understand the strategic opportunities that this may provide up and down that North/South corridor- the corridor growth opportunities that you referred to previously, does this increase the upside of the previous guidance of doubling Bulk earnings? Or is this just getting you to that point of doubling?

Andrew: It'll increase the upside.

Owen Birrell: And are you to give us a sense of how much beyond that we can kind of think about over the new term?

Andrew: No, I don't I'll be doing that today.

Owen Birrell: Okay, that's great. Thanks, Andrew.

Operator: Your next question comes from Andrew Hodge with ACC. Please go ahead.

Andrew Hodge: Thanks guys. I just had two quick questions about the Bulk business. The first one was in terms of Above Rail - I think you'd mentioned for East Coast Rail, that there was a mine life of 20 plus years. On these ones looks like iron is probably about two thirds of your volume. It's caught nine-ish million tonnes. Can you give us a rough idea about how long those three mines that you said that are there have left as mine lives?

Clay: The best way to think about it is, the customer base or the Bulk customer base of One Rail is very similar to that of the rest of the Aurizon Bulk businesses. So we've got a whole diverse range and portfolio of customers who have a range of mine life and a range of extension plans and a range of exploration plans that contribute to that portfolio. I don't think I was going to get into each individual mind life, but through the due diligence we can see that some of those mine lives have a longer and more tailored mine life compared to others, but it's kind of a mixed portfolio.

Andrew Hodge: Peak iron's only meant to have two years. Nathan Rivers meant to have similar, and then Simec is probably the only one left. So I guess I was just trying to work out how much of it is based on the steel plant staying open to be able to try and keep exporting at those levels?

Clay: I think we talked again about this earlier, when you think about when the global financial crisis hit, that iron ore continued to be exported. It's around 60% Fe. It has a good end market. We like where it's positioned. So we are confident that'll continue on. There's other juniors in that portfolio, as there are in the rest of the Bulk portfolio, but there's also other growth opportunities that One Rail are in discussion with, on bringing new volumes onto the track.

Andrew: One of the things that I got my head around was if you absolutely, and you always worry about what happens in the next year or two, that's one thing, but you balance against this being a set piece of enormously long infrastructure, running through the heart of 1400 projects that, and they won't all come on at all. And they'll take a long time and we are not in control of any of them. But the thing we have is the asset and it's there. And many of those projects will have to come to the asset over time. And a lot of those products, or a lot of the materials that would be sourced from those projects are ones the world wants more of, not less of, like coal.

Andrew Hodge: Thanks, Andrew. And my only other a question is just on the Below Rail side, I think sort of 30-ish percent of the revenue, the review about potential excess revenues is meant to be coming out next month. Has the south Australian government given you any kind of indication about what's happening for that rail line and how to think about things over the next five years?

Clay: I think that we're confident with the report that the regulator will support, how the business is managing the Below Rail asset.

Andrew Hodge: Thanks guys.

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

Nathan Lead: G'day guys, just two or three for me, if I could. The first one, just on the trade sale option for the East Coast Rail. Could you just talk about how deep you think that the pool of potential bidders is given the coal exposure and the ESG headwinds out there and how you've got confident on the price you might be able to achieve in such a transaction?

George: Nathan, George here. I think the one thing that we've done that's important is put in place our debt package for East Coast Rail. And that's one of the big questions expect any potential bids in a trade sale will ask, and we've got that locked in, so that's critical. In terms of have we thought about valuation. I talked through thematically that we see that business trading at less than 10 times EBITDA. EBITDA being 140 million. In terms of the debt of the buyer universe, we've done for elementary work on that. Obviously the first step in that process is this announcement today, and then we'll find out more as we go through it and consider that in parallel with the de merger. I Mentioned the free cash and the free cash flow yield. It's very strong, free cash flow yield from this business, so whether it's emerged or trade sale, we think that'll be attractive.

Nathan Lead: And then secondly, I suppose this goes into the rating agency considerations in terms of quality, but could you talk through just average contract term for the retained business that you'll have from One Rail, or is it just really pure volume risk?

Clay: It's again got a whole different portfolio of contract lengths. Some have been renegotiated recently, some undergoing renegotiation, some that have been negotiated are in place. If you think about it though, you guys quite often ask and are interested in the take-or-pay side of the business, if that's sort of the question on exposure. The take or pay positions are different for each of the customers across the One Rail portfolio, but as an indicator, the aggregated take or pay is better than we have in Bulk today and probably more akin to our Coal business.

Nathan Lead: And then finally, I suppose you guys have been looking at picking up little port acquisitions around the country. Is there opportunity for this to sort of fit in with opportunities in Darwin and Adelaide?

Andrew: I'd say Nathan, we're very focused on this transaction. As far as what may happen in the future posted, it's very much about where our customers' needs are and we'll follow that lead.

Nathan Lead: Okay, thank you.

Operator: Your next question is a follow up from Jakob Cakarnis with Jarden Australia. Please go ahead.

Jakob Cakarnis: Hi guys, just conscious of time. Can I just ask again about management alignment with the deal and incentives. Andrew, if you could maybe outline why it wasn't decided that there'd be KPIs for management or any sort of milestone attached to this, please?

Andrew: For when you're talking management, are you talking me or are you talking…

Jakob Cakarnis: The EGM team please. For yourself, including Clay.

Andrew: Yeah. Okay. The way I think about it is, we have, and it's particularly around the long term incentives. I'm proud of the work we do on improving the ROIC, and we get strong feedback and support from shareholders around that. Because of the strategic shift that the business is going through, there has been introduced a component which is around delivering more revenue that's not associated with coal. And what I like is that's balanced by the ROIC, so you have got to be sensible about it, Jakob. So that by itself, I think, is absolutely sufficient. We have over the last couple of years, instituted a very strong internal management process around deliverables for every individual, which is just business as usual. And for a business development team, while this has multiple steps as a transaction, the reality is that it's their day job to do that sort of thing. From our point of view it's to manage and grow the business sensibly into the future, and that's why I think we don't need any very specific metrics and targets and KPIs. I think it's much better to run it at a general strategic level. It probably puts more risk on the employee or the management employee, but it also encourages them to work harder.

Jakob Cakarnis: Thanks guys.

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

Andrew: Thank you very much everyone for joining the call and sitting through it. Just to reiterate, this is a transformative transaction for Aurizon. It particularly hits three markers for me, which is a step change growth for Bulk revenue, it secures quality assets in new locations, and it opens up opportunities in new markets for us. Thank you very much.

[END OF TRANSCRIPT]