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BY ELECTRONIC LODGEMENT

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Independent Expert releases Initial Capacity Assessment Report

Please see attached for release to the market an announcement about the Independent Expert finalisation of the Initial Capacity Assessment Report (**ICAR**).

Kind regards

David Wenck
Company Secretary

Authorised for lodgement by David Wenck, Company Secretary.

SGX Announcement

Date: 28 October 2021

Independent Expert releases Initial Capacity Assessment Report

Aurizon has welcomed today's release of the Initial Capacity Assessment Report (**ICAR**) by Coal Network Capacity Co Pty Ltd, the Independent Expert (**IE**)¹ jointly appointed by Aurizon and its customers under Aurizon Network's UT5 Access Undertaking (**UT5**).

The ICAR is an independent assessment of the deliverable capacity of Aurizon's rail infrastructure in each coal system in the Central Queensland Coal Network (**CQCN**) for the 5 year period 1 July 2019 to 30 June 2024. The ICAR is now available on the website of [Aurizon](#) and will also be published by the Queensland Competition Authority (**QCA**).

Aurizon now has 20 business days to provide a preliminary report on the ICAR to the QCA (which Aurizon confirms it will do). The purpose of this report is for Aurizon to set out its preliminary views in response to the ICAR. Provision of the preliminary report will trigger an increase in the Weighted Average Cost of Capital (**WACC**) that Aurizon Network earns from 5.9% to 6.3%. The WACC will be subject to a reset on 1 July 2023 for certain parameters, including the risk-free rate, debt-risk premium and inflation.

In preparing the ICAR, the IE was required to assess the deliverable capacity of the rail infrastructure in each coal system in the CQCN having regard to what happens in practice, with all of the constraints present in the network. This is a different way of assessing capacity than has historically been used by Aurizon and that has been required by previous access undertakings.

While the ICAR relates to a 5 year period, its main focus is on the deliverable network capacity for the period 1 July 2021 to 30 June 2024 (**FY22-FY24**) given that the financial years ended 30 June 2020 and 30 June 2021 have passed. The IE has determined that the average annual deliverable network capacity of each coal system in the CQCN for the period FY22-FY24, when measured as a percentage of the current contracted capacity for each coal system, is estimated as follows:

- Goonyella System: ~93%
- Blackwater System: ~96%
- GAPE System: ~64%
- Moura System: ~93%
- Newlands System: ~66%

UT5 provides a mechanism to align deliverable capacity with contracted capacity. Accordingly, the following options are available to address the capacity deficits that have been identified:

¹ The IE is an independent body that includes Board representation from the Queensland coal industry and Aurizon. It was established in 2020 following approval of UT5 by the QCA and is responsible for a number of key obligations under UT5, including the delivery of the ICAR and subsequent annual capacity assessments on each anniversary of the ICAR.

1. Customers may elect to voluntarily relinquish contracted capacity which they are not using at no cost;
2. Operational efficiencies can be undertaken either on the rail infrastructure by Aurizon Network, on rollingstock by rail operators or at load out facilities by mine owners; and,
3. Aurizon Network can undertake expansions in the relevant coal system to address the deficit.

A further update will be provided when Aurizon's preliminary report has been provided to the QCA.

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