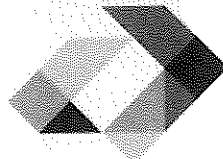


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QR NATIONAL™

04 April 2011

Ms Jane Moynihan
Executive Director
Queensland Floods Commission of Inquiry
Executive Building
GPO Box 1738
BRISBANE QLD 4001

Your Ref: 1555575 and 1555226
Our Ref: DJW

Dear Ms Moynihan,

COMMISSION OF INQUIRY – QUEENSLAND 2010/2011 FLOOD EVENTS

Please accept the attached statement from Martin Moore, Senior Vice President and Deputy Chief Financial Officer of QR National and head of QR National's Flood Recovery Task Force. This statement is in response to:

- The letter to me of 18 March 2011;
- The subsequent letter of 18 March 2011 to Mr Moore including a Requirement to Provide Written Information to the Commission of Inquiry under section 5 of the *Commissions of Inquiry Act 1950 (QLD)*; and
- The email from Ms Pearce of the Queensland Floods Commission of Inquiry of 24 March 2011 granting an extension in time to provide Written Information from 25 March 2011 to 4 April 2011.

The information contained in Mr Moore's statement is commercially sensitive to QR National's operations. The material will be of interest to our competitors. I, therefore, request that the Commission exercise its power under s16 of the *Commissions of Inquiry Act 1950 (QLD)* to withhold publishing of the statement.

Should you wish to discuss this statement please contact me in the first instance.

Yours faithfully

[Redacted Signature]
[Redacted Name]
**Senior Vice President &
Chief Legal Officer**

QFCI

Date: 11/11/11 JM
Exhibit Number: 1014

STATEMENT

OF

MARTIN MOORE

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STATEMENT OF MARTIN MOORE

This statement is provided in response to the Queensland Floods Commission of Inquiry (the "Inquiry") Requirement to Provide Written Information under section 5 of the *Commissions of Inquiry Act 1950 (QLD)* dated 18 March 2011 and due for submission by 4 April 2011.

The information in this statement is prepared from my own knowledge and from obtaining relevant information from within QR National Limited ("QRN"). I have not separately identified the source of each such matter as I understand the request of the Inquiry is for me to provide a statement as a representative of QR National.

PART 1: BACKGROUND

Personal

After 10 years as a consultant, I was Chief Information Officer and General Manager, Information Technology of MIM Holdings Ltd for the period of 2002-3, and then held a number of positions at National Transport Insurance from 2004-8 before joining QRN, in 2008, as Group General Manager, Shared Services.

I have a Masters of Business Administration from the Queensland University of Technology and I have completed the Advanced Management Program at Harvard University Business School.

QRN

By way of background, QRN is the largest rail freight haulage operator in Australia by tonnes hauled, operating in key freight sectors and supply chains across the country. It has business operations in Queensland, New South Wales, Victoria, South Australia and Western Australia. QRN is focused primarily on large, heavy haul rail tasks such as the transportation of coal, iron ore, other minerals, agricultural products and general freight as well as containerised freight. In addition, QRN operates and manages approximately 2,300km of largely dedicated and purpose built, heavy haul rail infrastructure, known as the Central Queensland Coal Network ("CQC�")¹. QRN was privatised in 2010 and listed on the Australian Securities Exchange ("ASX") on 22 November 2010. It is distinct from Queensland Rail Limited ("Queensland Rail"), which is the Government Owned Corporation that operates the State of Queensland's retail passenger service, metropolitan rail network and regional non-coal freight networks.

General Flood Comments

The 2010/2011 flood events, combined with the affects of Tropical Cyclones Anthony and Yasi which occurred in quick succession to the floods, created a number of operational issues for QRN. In particular, ensuring that QRN's above-rail operations (comprising its Coal and Freight businesses) and below-rail operations (its Network Services business), were restored to full capacity as soon as possible after these weather events. This was a priority so that the customers of QRN could continue to transport their product and allow vital supplies to reach devastated communities.

During these weather events, QRN prioritised the safety of employees and members of the public, where required. It was also a priority to keep all stakeholders fully informed of responses / actions by the issue of media releases and other mediums as required by law (for example, continuous disclosure requirements under the *Corporations Act 2001 (CTH)* and ASX Listing Rules).

¹ Appendix 1a: QR National Central Queensland Coal Network Map

The majority of QRN's below-rail operations were capable of operating at full capacity within 3-6 weeks of the 2010/2011 flood events. The migration of QRN's above-rail Coal operations to full capacity was delayed only by the below-rail network being brought on-line. QRN's Freight operations also suffered disruption, but were able to mitigate most impacts of the floods by using alternative transportation methods.

In summary, the pre-existing business resilience and disaster recovery processes of QRN were invoked as planned. The result was that operations recovered relatively quickly and normal business activities were recommenced within 3-6 weeks (within QRN below-rail operated systems) of the 2010/2011 flood events, depending upon the particular operation. Where QRN is part of a broader supply chain, parts of which remain flood impacted, its operations remain affected due to circumstances outside its control (for example, the south west lines of Queensland Rail becoming operational in a limited capacity only around 28 March 2011 and QRN's Coal customers remaining at below targeted production levels). Where QRN has been able to mitigate the affects of these broader supply chain issues it has done so, for example by trucking commodities that would ordinarily be committed to rail to ensure business operations recommenced.

In the balance of this statement I respond to the specific queries raised by the Inquiry.

PART 2: QUESTION 1: DESCRIPTION OF THE NATURE AND EXTENT OF THE DISRUPTION TO QR NATIONAL OPERATIONS AND SERVICES THROUGHOUT QUEENSLAND AS A RESULT OF THE 2010/11 FLOOD EVENTS

QRN operates competitive businesses in contestable markets such as the coal and freight haulage markets throughout Australia. These businesses are referred to as QRN's "above-rail" businesses. QRN also operates a regulated network business that provides common or "open-access" services to above-rail businesses at regulated rates in Queensland. The regulator for these services is the Queensland Competition Authority. This business is referred to as QRN's "below-rail" business.

QRN was impacted by the weather events of 2010/11, particularly within the Central Queensland Region, across both the below-rail and above-rail businesses. When discussing the nature and extent of the disruption to QRN's operations and services it is useful to bear in mind the distinction between the above-rail and below-rail businesses. A depiction of the affected below-rail network, referred to as the CQCN is provided in the Appendix² to this statement.

In addition however QRN's above-rail operations were also affected in areas where Queensland Rail operates its regulated network business which provides common or "open-access" services to QRN's above-rail businesses. This is, geographically, on the North Coast Line ("NCL"), the Mt Isa Line ("MIL"), West Moreton System and the South West System ("SWS"). A depiction of the Queensland Rail below-rail network is also provided in the Appendix³ to this statement.

For ease of reference, I discuss the nature and extent of disruption under section 2.1 below where the affect was to both QRN's above-rail and below-rail operations, while under section 2.2 below I discuss the affect upon QRN's above-rail operations where Queensland Rail is the below-rail network operator.

2.1 QRN Above and Below-rail Operations

Between September 2010 and November 2010, the CQCN was saturated by higher than average rainfall. Several QRN facilities experienced approximately 3 times greater quantities of rainfall than the expected average⁴. This extraordinarily wet period was then followed by what at many facilities was the wettest or second wettest December on record. Rainfall quantities for December 2010 were between 3 to 5 times greater than the average⁵ over the CQCN. It was this rainfall that greatly contributed to the subsequent flood damage.

All Queensland Coal Systems were impacted with the Newlands, Moura and Blackwater Systems impacted for minor time periods whereas the Goonyella and West Moreton Systems were closed for lengthy periods. An impact timeline for QRN from the 2010/2011 weather events is provided in the Appendix⁶ to this statement. In general, recovery of the above-rail operations to pre-2010/2011 flood events levels is reliant upon QRN's Coal customers increasing production.

² Appendix 1a: QR National Central Queensland Coal Network Map

³ Appendix 1b: Queensland Rail Network Map

⁴ Appendix 1c: Central Queensland Coal Network Rainfall Statistics (September to October 2010)

⁵ Appendix 1d: Central Queensland Coal Network Rainfall Statistics (December 2010)

⁶ Appendix 1e: QR National 2010/2011 Impact timeline

The following is a brief overview of the impact of these exceptional rainfall events upon individual below-rail systems within the CQC.

2.1.1 Goonyella System – Extreme Weather Event

Goonyella was not affected by floods but was impacted by significant heavy rain and remained fully operational. Normal “business as usual” stand down processes were invoked for both cyclone events with minimal disruption to operations (both above-rail and below-rail) outside ordinary course of business. Speed restrictions were put in place temporarily to protect the below-rail infrastructure following heavy rainfall in this system and while infrastructure repairs were being undertaken. Rollingstock was not adversely affected. At present, more train services are available for coal transportation than available coal for transport. Some QRN Coal customers have been significantly impacted by these rain events and are operating at reduced levels. QRN Coal throughput customer volumes remain at between 30% and 40% below pre-flood levels. QRN is of the view that as soon as additional above-rail coal tonnage is available for transportation full capacity will be achieved.

Repairs have been progressively undertaken to remove speed restrictions in this system back to allow full operations. QRN’s Network Services business also reviewed and brought forward capital expenditure and maintenance programs to take advantage of the low coal production in the CQC.

2.1.2 Newlands System

Newlands has been largely unaffected by heavy rainfall and floods and remained fully operational. Normal “business as usual” stand down processes were invoked for both cyclone events with minimal disruption to operations (both above-rail and below-rail) outside ordinary course of business. QRN Coal’s customer production across this system is however flood affected with resultant reductions in transported volumes, despite capacity being available.

2.1.3 Moura System

Moura also experienced excessive wet weather and flooding across the system from early December 2010 through to early January 2011. The Moura System experienced a temporary closure due to heavy rainfall and flash flooding in early December 2010. The system was also closed as a result of flooding from 27 December 2010 to 6 January 2011. Operations were progressively reinstated from 6 January 2011 with speed restrictions in place temporarily to protect the below-rail infrastructure while repairs were being undertaken.

Rollingstock was not adversely affected. At present more train services are available for coal transportation than available coal for transport. Some QRN Coal customers have been significantly impacted by these flood events and are operating at reduced levels. QRN is of the view that as soon as additional above-rail coal tonnage is available for transportation full capacity will be achieved.

Repairs have progressively been undertaken to restore this system back to full operations. Full operations (at a level equivalent to prior to the floods) was achieved for this system on 13 January 2011 for below-rail operations.

2.1.4 Blackwater System – Extreme Weather Event

Blackwater experienced excessive wet weather and extensive flooding across the system from early December 2010 through to early January 2011. The Blackwater System experienced a temporary closure due to heavy rainfall and flash flooding in early December 2010. The system was also closed as a result of major flooding from 27 December 2010 to 19 January 2011. Track damage occurred in some areas and repairs were progressively undertaken. Operations were progressively reinstated between 19 January 2011 and 26 January 2011 (excluding the Rolleston branch line) with speed restrictions in place temporarily to protect the below-rail infrastructure while repairs were being undertaken. The Rolleston branch line was the most significantly impacted area of the below-rail network and operations were reinstated on that branch on 8 March 2011.

Images of rail damage are contained in the Appendix⁷ to this statement which highlights the impacts experienced in the Blackwater System from this extreme weather event. In addition a separate DVD is attached to this statement containing film footage of damage to this system.

Rollingstock was not adversely affected. At present more train services are available for coal transportation than available coal for transport. Some QRN Coal customers have been significantly impacted by these flood events and remain operating at reduced levels. QRN is of the view that as soon as additional above-rail coal tonnage is available for transportation full capacity will be achieved.

Repairs have progressively been undertaken to restore this system back to full operations. Full operations (at a level equivalent to prior to the floods) was achieved for this system on 8 March 2011 (including the Rolleston branch line) for below-rail operations.

2.2 QRN Above-rail Operations (Queensland Rail below-rail infrastructure)

In this section 2.2 I comment only on the extent and nature of the disruption to the services and operations of QRN's above-rail, contestable market operations. These operations rely upon Queensland Rail providing access to the below-rail network for services to operate. In the absence of the provision of the below-rail services, by Queensland Rail, QRN needs to utilise other modes of transport. Here I discuss QRN's operations, for ease of reference, using the Queensland Rail below-rail network lines as the identifier.

QRN has been actively engaged with its affected customers (or their representatives) to minimise the impact upon them and their operations. This dialogue is continuous and ongoing. I specifically do not comment in this statement upon QRN's above-rail contestable operations outside Queensland, as these were unaffected by the 2010/2011 flood events and subsequent cyclones.

2.2.1 NCL

QRN provides a range of general freight services along the length of the NCL. These services were disrupted by the damage caused to various sections of the NCL as a result of the 2010/2011 flood events and subsequent Tropical Cyclones. Essentially, the NCL was cut and re-opened several times in various locations as multiple adverse weather events occurred. Further, there are also additional delays in re-opening parts of the NCL as incremental damage from weather events accumulated.

⁷ Appendix 1f: Blackwater System Images

In all locations where the below-rail network was unavailable, QRN was initially unable to provide transportation services to its customers. In many instances where the below-rail network was unavailable QRN was also unable to mitigate operational risk by using road transport as the Bruce Highway was similarly not operational in those areas. Where possible QRN moved its operations to road transport and sought alternative road / land routes to enable the flow of goods.

Above-rail operations on the NCL between Gladstone and Cairns generally re-commenced around 28 January 2011, following the repair of track damaged by floodwaters near Rockhampton. The NCL beyond Townsville remained totally closed post Tropical Cyclone Yasi until 23 February 2011, when daylight running was reinstated. Further rain events continued to close the line in this area up until mid to late March 2011. Limited air and sea / coastal freight services were also utilised by QRN during this period.

2.2.2 West Moreton System

QRN's above-rail operations were effected by the weather events within the West Moreton System. Toowoomba and the Lockyer Valley were impacted by catastrophic flooding. The West Moreton System incurred significant damage from torrential rain and flooding. Landslides forced the closure of the system which re-opened, on a limited service basis (with an average 67% of capacity), on 28 March 2011. This limited service basis is expected to continue for three weeks, with normal capacity to be reinstated from 18 April 2011. Train path allocation for the three week period of reduced capacity is to be assigned based on demand requirements (including seasonal influences), and contingency options.

QRN is presently unable to serve, at contracted capacity, its Coal customers west of Brisbane and its Grain and General Freight customers south-west of Brisbane (given this produce flows through the West Moreton System to market). QRN has been actively using additional contracted road transport to serve QRN Freight's general freight customers and alternative loading facilities to serve QRN Coal customers affected by the unavailability of the West Moreton System to the extent economically justified.

2.2.3 SWS

West of the Toowoomba range the below-rail network, whilst inundated, has suffered little flood damage and the area from Rangeview to Murphy's Creek (East of Toowoomba) has been the critical path for below-rail reinstatement in the SWS.

However, given that the SWS connects to the West Moreton System to enable delivery of goods and produce to the South East Queensland Region the dislocation of services in the West Moreton System as discussed in section 2.2.2 above has a direct affect upon the transportation of goods in the SWS.

QRN is presently unable to serve, at contracted capacity, its Coal customers and its Grain and General Freight customers west of Toowoomba. QRN has been actively using additional contracted road transport to serve customers affected by the unavailability of the West Moreton System to the extent economically justified.

2.2.4 MIL

The MIL was not overly affected by the 2010/2011 flood events, however was severely disrupted principally due to the westward journey of Tropical Cyclone Yasi. Tropical Cyclone Yasi remained a category 1 cyclone more than 1,000 kilometres inland (around Hughenden), which is unprecedented. The damage due to rainfall and high winds on the MIL was large.

QRN's above-rail business on the MIL relies upon the below-rail lines being operational. The MIL was closed from 1 January 2011 to 4 February 2011. The affect of this upon QRN's operations was all MIL rail operations ceased for this period. From 5 February 2011, Mount Isa – Phosphate Hill services were reinstated, and all remaining MIL operations were reinstated from 9 February 2011.

During this period, as detailed above, QRN was unable to serve at contracted capacity on the MIL.

2.3 Impact

The likely volume impact is a loss of 25 million tonnes of lost coal for transport from coal mines to the end of Financial Year 2010/2011. The incremental network repair costs will be approximately \$4 million. The full Financial Year 2010/2011 position has not yet been determined by QRN but no long term impact is expected beyond 2010/2011, as a result of the 2010/2011 flood events.

PART 3: QUESTION 2: ANY MEASURES IMPLEMENTED BY QR NATIONAL IN THE 12 MONTHS PRIOR TO THE 2010/2011 FLOOD EVENTS THAT WERE DESIGNED TO MITIGATE THE EFFECT OF ANY FLOODING, INCLUDING AN ASSESSMENT OF THE PERFORMANCE OF THOSE MEASURES

As a top 50 company in Australia and listed public company QRN has in place extensive business resilience and disaster recovery processes and systems that are invoked when a major crisis to its operations occurs or is threatened. These practices are continually reviewed and monitored for relevance to potential crisis events, whether they be weather induced or not.

As a newly listed company, prior to ASX listing, QRN undertook a range of reviews and changes to its business operations over the course of 2010 to better position its businesses for the future. None of these reviews were designed or intended to mitigate the effect of flooding in particular but rather were designed to commercialise and streamline business operations.

Discussion as to what steps were completed as part of the implementation specifically in relation to the 2010/2011 flood events can be found in Part 4 below.

PART 4: QUESTION 3: THE ACTIONS UNDERTAKEN BY QR NATIONAL IN RESPECT OF THE 2010/2011 FLOOD EVENTS IN RELATION TO IMMEDIATE MANAGEMENT, RESPONSE AND RECOVERY OPERATIONS, INCLUDING THE COORDINATION AND DEPLOYMENT OF PERSONNEL AND EQUIPMENT

Once the extent of the 2010/2011 flood events and its wide spread geographic impacts were recognised, QRN established a Flood Recovery Taskforce (“FRTF”) around 10 January 2011. This was an additional step to QRN’s already established business resilience and disaster recovery processes. The immediate task of the FRTF was to understand the scope and scale of the 2010/2011 flood events and recovery efforts deployed as at that time. Immediately after undertaking this assessment the FRTF commenced in its role as outlined below in section 4.1.1 below, of coordinating the recovery efforts.

In this Part 4, I outline, in no particular order, the immediate responses by QRN:

4.1 Immediate Management Response

The immediate broad response of QRN management (in addition to the operational responses outlined in section 4.2 below) was:

4.1.1 Establish Flood Recovery Taskforce (FRTF)

As the 2010/2011 flood events were occurring, it became apparent to QRN’s Executive Leadership Team that the wide geographic impact of the floods, together with the prospect (as assessed in early January 2011) that Tropical Cyclone events between January 2011 and March 2011 may still occur and cause additional damage, meant that more damage would be sustained than ordinarily expected at this time of year and across a greater geographic area.

These early indications were monitored daily for their possible impact. QRN determined (around 10 January 2011) that a single departure from the enterprise’s business resilience and disaster recovery processes was necessary. This departure was the establishment of the FRTF. I am the Chair of the FRTF. A copy of the FRTF structure is provided in the Appendix⁸ to this statement.

The purpose and remit of the FRTF was to provide a centralised information gathering, review and monitoring functionality across QRN’s business unit responses to the 2010/2011 flood events. In fulfilling this task the FRTF had the following broad objectives:

- Provide oversight of the flood recovery efforts of QRN business units;
- Minimise downtime at maintenance facilities with appropriate financial outcomes from existing maintenance programs; and
- Ensure that resources were deployed when and where they were needed most.

Operationally, the FRTF provided project management and coordination support across recovery efforts and assisted business units in directing resources to the recovery effort. The FRTF acted as a forum for ensuring appropriate business decision makers were able to quickly make decisions, those decisions were communicated to relevant people and implemented within agreed timeframes. The principle benefit of the structure of the FRTF was that the key decision makers were together so that decisions could be implemented immediately without any delay.

⁸ Appendix 1r: Flood Recovery Taskforce Structure

4.1.2 Contracting private weather forecasting

QRN has historically relied upon the Bureau of Meteorology (BOM) for all weather reports. In early January 2011, it was decided by QRN, in this instance, that with the high probability of further weather events after the floods, potentially impacting our proposed recovery efforts, that supplementary weather data was required to assist operational decision making.

In that regard, QRN contracted and used a private weather forecaster to complement BOM material.

4.1.3 Below-rail Business Unit (QRN Network Services)

QRN Network Services commenced a rolling (intra and inter-day) damage assessment program in line with existing business resilience procedures. This program included diverting resources to remediate track and supporting infrastructure and amend existing maintenance and capital work programs to account for projected recovery works. In addition QRN Network Services commenced discussions with its customers, adjacent Network Operators (Queensland Rail) and interconnected members of the coal supply chain (i.e. ports, unloading facilities, etc) to fully assess damage and the role of QRN's below-rail business Network Services in the supply chain recovery efforts.

4.1.4 Above-rail Business Units (QRN Coal & QRN Freight)

QRN Freight and Coal businesses commenced a rolling (intra and inter-day) damage assessment program in line with existing business resilience procedures, diverting resources to change train and crewing schedules. They also commenced discussions with their customers, Network Operators (QR Network Services and Queensland Rail) and interconnected members of the coal supply chain (i.e. ports, unloading facilities, etc), to gain a holistic assessment of damage and start pre-planning for the recovery of above-rail operations.

4.1.5 Corporate Social Responsibility

QRN has donated \$250,000 to help our communities rebuild. In addition to the \$100,000 QRN donated to the Queensland Premier's Disaster Relief Appeal, QRN also provided additional funds directly to those communities hit the hardest where QRN operates and where our employees live. These donations include \$50,000 to the local Council Appeal in Emerald, \$50,000 for the CQ NRL bid flood appeal in Rockhampton and \$50,000 to the local Council Appeal in Ipswich.

QRN has also assisted employees affected by the 2010/2011 flood events by providing:

- absence on full pay up until 31 January if required;
- an ex-gratia payment of \$1,000 to affected QRN employee households to assist with any immediate financial concerns such as the purchase of food, clothing or other essential items;
- a 50% rental subsidy for crisis accommodation for those employees who are unable to stay with family or friends for interim accommodation;
- the option for employees to cash out available annual and long service leave in line with enterprise agreements.

4.2 Immediate Operational Response

The immediate response by QRN's operating business units were, broadly, as follows:

4.2.1 Corporate Lead

- The Safety Plan for large scale disaster events (already in existence) was initiated;
- An employee impact assessment was undertaken and employee issues addressed, discussed in section 4.2.5 below;
- Reputation management initiated – A review of the response of QRN's actions and the issues facing its business upon core stakeholder groups (such as community, investors and media) was initiated;
- Financial impact analysis was commenced from a whole-of business perspective;
- Risk management and scenario planning was commenced to examine how QRN would respond to multiple weather events following the flooding rains.

4.2.2 QRN Network Services

- A review of system-wide remedial planning was undertaken:
 - System by system, corridor by corridor (including collateral infrastructure such as signalling systems) assessments were initiated;
 - Significant remedial work projects identified, prioritised and initiated;
 - Track faults, repair and remedial work identified and prioritised;
- Regulatory and insurance policy assessments were undertaken;
- An assessment of the possible resource requirements and infrastructure repair cost and accompanying analysis was undertaken;
- A review of the existing below-rail infrastructure maintenance programs and planning was initiated to examine what works should be suspended to allow flood mitigation works to take priority;
- A review of major capital projects was commenced to examine the impact of the floods on them.

4.2.3 QRN Coal and Freight Business

- Rollingstock stowing and un-stowing procedures were successfully implemented in flood affected areas (including for both Tropical Cyclone events);
- A train operations impact assessment was undertaken to establish the effect of the weather events on operations. Rollingstock and facilities were available and operational, largely unaffected by the adverse weather and flooding;
- An assessment of likely customer impacts was undertaken;
- A review of each system was undertaken to assess the impact on throughput;
- Discussions with stakeholders commenced.

PART 5: QUESTION 4: ANY REPORT PREPARED BY QR NATIONAL IN RESPECT OF QR NATIONAL'S EXPERIENCE OF THE 2010/2011 FLOOD EVENTS

As at the date of this statement QRN is yet to prepare any final reports with regard to its experiences arising from the 2010/2011 flood events until the supply chain achieves pre 2010/2011 flood event volume throughput.

QRN will complete a future review as to whether the FRTF process trialled in this instance was beneficial to the business resilience framework. This review is underway and not scheduled to be completed for several months. It is not possible to finalise this review until all business operations have returned to normal.

There are, of course, many operational level documents created during the period of the 2010/2011 flood events but I do not consider they are reports of the nature sought by the Inquiry's query.

QRN has however prepared a number of communication pieces for investors and the media to assist them in understanding the impact of the floods on corporate performance and operations. These "reports" include:

5.1 Briefing Presentations

A QR National Presentation was provided by QRN management in January 2011⁹.

5.2 Media Releases

The following media releases were issued by QRN during the Flood Disaster (and are available on the QRN website), or articles were produced by major media that commented (sometimes erroneously) upon QRN's operations:

1. Flooding in Queensland and derailment on the Goonyella coal system, *29 December 2010-QR Network*¹⁰
2. Rail services set to resume on Goonyella system, *31 December 2010-QR Network*¹¹
3. Operational update - QR National coal network and operations in Queensland, *04 January 2011-QR Network*¹²
4. Flood recovery efforts continue on all fronts, *06 January 2011-QR Corporate*¹³
5. QR National Operational Update 11 January 2011, *11 January 2011-QR Network*¹⁴
6. QR National – Operational Update 13 January 2011, *13 January 2011-QR Corporate*¹⁵
7. QR National Operational Update 19 January 2011, *19 January 2011-QR Network*¹⁶

⁹ Appendix 1s: QR National Presentation, January 2011

¹⁰ Appendix 1g: Flooding in Queensland and derailment on the Goonyella coal system, *29 December 2010-QR Network*

¹¹ Appendix 1h: Rail services set to resume on Goonyella system, *31 December 2010-QR Network*

¹² Appendix 1i: Operational update - QR National coal network and operations in Queensland, *04 January 2011-QR Network*

¹³ Appendix 1j: Flood recovery efforts continue on all fronts, *06 January 2011-QR Corporate*

¹⁴ Appendix 1k: QR National Operational Update 11 January 2011, *11 January 2011-QR Network*

¹⁵ Appendix 1l: QR National – Operational Update 13 January 2011, *13 January 2011-QR Corporate*

8. QR National prepares for Cyclone Yasi, *01 February 2011-QR Corporate*¹⁷
9. QR National Cyclone Yasi response 11am 3 February 2011, *03 February 2011-QR Corporate*¹⁸
10. Cyclone Yasi impact, *03 February 2011-QR Corporate*¹⁹
11. QR National to re-open Rolleston line, *08 March 2011-QR Network*²⁰

¹⁶ Appendix 1m: QR National Operational Update 19 January 2011, *19 January 2011-QR Network*

¹⁷ Appendix 1n: QR National prepares for Cyclone Yasi, *01 February 2011-QR Corporate*

¹⁸ Appendix 1o: QR National Cyclone Yasi response 11am 3 February 2011, *03 February 2011-QR Corporate*

¹⁹ Appendix 1p: Cyclone Yasi impact, *03 February 2011-QR Corporate*

²⁰ Appendix 1q: QR National to re-open Rolleston line, *08 March 2011-QR Network*

PART 6: QUESTION 5: ANY OBSERVATIONS OR RECOMMENDATIONS ABOUT THE ADEQUACY AND TIMELINESS OF QR NATIONAL'S PREPERATION FOR THE 2010 / 2011 FLOOD EVENTS

As stated earlier in this statement QRN did not prepare specifically for the 2010 / 2011 floods events. That said, when it became apparent that heavy rain would continue to fall equipment and supplies were moved to allow for a speedier recovery should the rain events continue. As a major provider of utility infrastructure QRN has in place an array of pre-determined and planned business resilience and disaster recovery / response initiatives which are activated and tailored to suit the individual circumstances as necessary.

In this particular instance, QRN recognised that the combination of a large number of localised flood events, the broad geographic area subjected to flooding and the early occurrence of these events in the cyclone season (meaning that it was highly likely that subsequent cyclone events would disrupt our mitigation and recovery efforts) warranted additional coordination across disaster areas and our operational responses. In this regard, as outlined in Part 3 above, QRN trialled the FRTF and engaged additional weather forecasting expertise.

PART 7: QUESTION 6: ANY OBSERVATIONS OR RECOMMENDATIONS ABOUT THE ADEQUACY AND TIMELINESS OF QR NATIONAL'S RESPONSE TO THE 2010 / 2011 FLOOD EVENTS

When assessing QRN's response to both the 2010/2011 flood events and the subsequent two Tropical Cyclone events QRN is satisfied that its response was both adequate and timely.

In the fullness of time, the scope and adequacy of new mechanisms trialled during these events such as the FRTF and the purchase of private meteorological advice will be assessed. At this point it is envisaged, subject to these reviews, that the acquisition of private weather forecasts was beneficial and will continue. It is also likely that some form of corporate coordination mechanism similar to the FRTF will be added to QRN's business resilience and disaster recovery processes and framework. The manner for invoking such a body and its scope / aims and role will require further internal discussions and consultation within QRN. This is part of the review that will take place of this mechanism following restoration of full services across both above and below-rail businesses.

Further, despite being impacted by the 2010/2011 flood events, QRN's operating procedures and design specifications enabled a quick recovery of both the above and below-rail operations:

- Above-rail Businesses: Above-rail train operations and rollingstock were not adversely affected with the rollingstock stowing and un-stowing procedures successfully implemented allowing the re-location of key assets such as locomotives and wagons away from affected zones to ensure they were undamaged and available for coal and freight services rapidly. The major issues now experienced by these businesses relate to the reinstatement of below-rail assets (primarily in the Queensland Rail owned network) and the restoration of customer commodity and business volumes.
- Below-rail Business: The CQCN is designed to an appropriate specification and built for tropical environmental conditions. The wisdom of such engineering design parameters, including the annual repair and maintenance expenditure sought from the Queensland Competition Authority to ensure the network has good capacity availability at a reasonable cost is highlighted by the low incremental cost of recovery (originally indicated as up to approximately \$10 million but now estimated to be around \$4 million). In addition, QRN Network Services is experienced at responding to adverse weather events, as these types of events occur during the wet season to various levels each year.

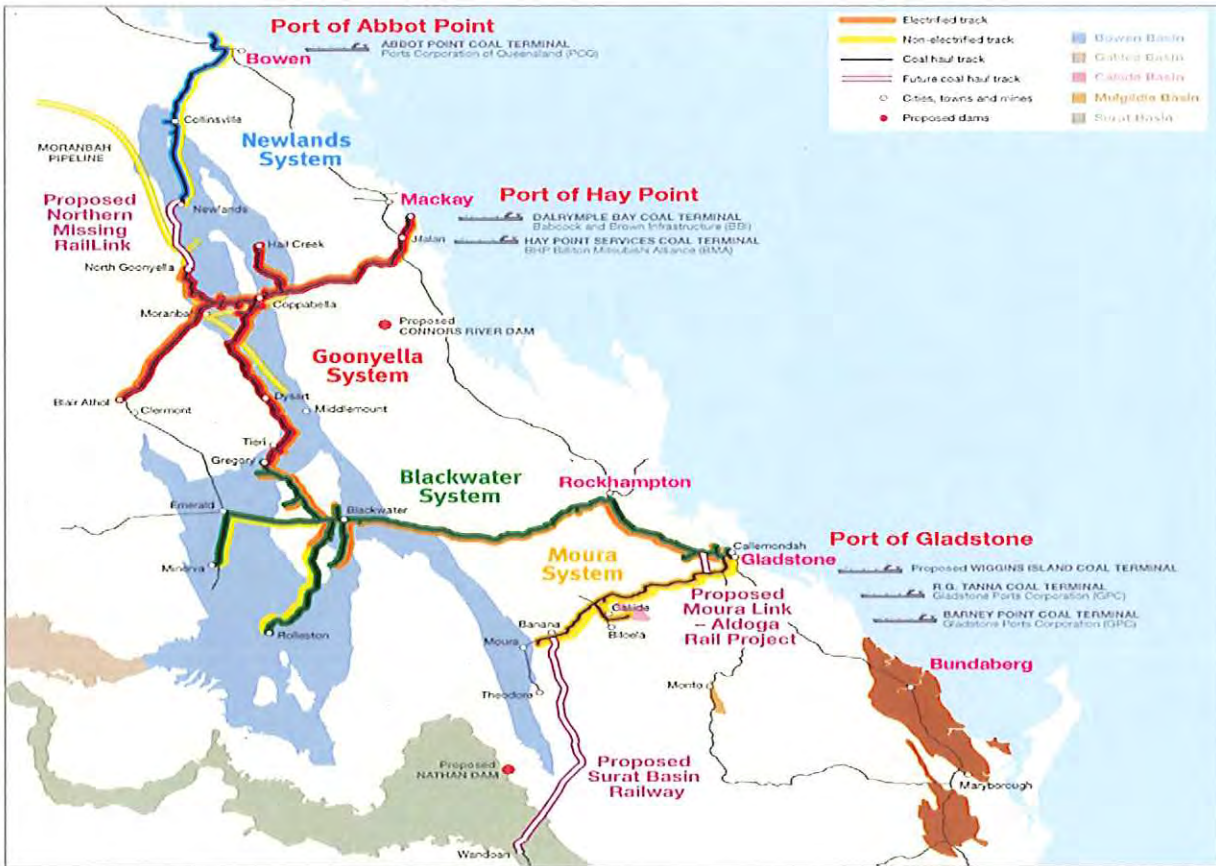


Martin Moore
Deputy Chief Financial Officer & Senior Vice President

PART 8: APPENDICES

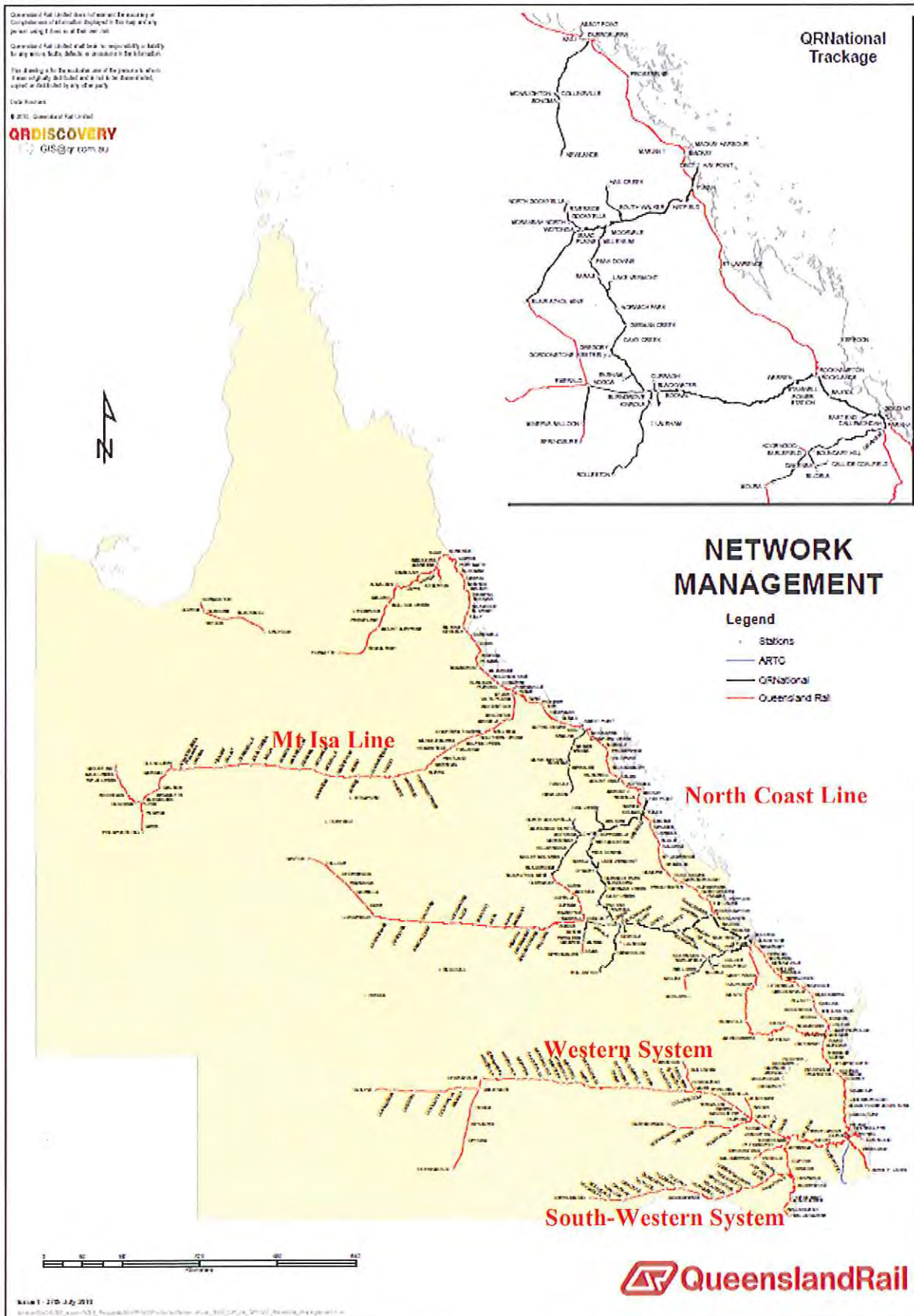
Appendix 1a: QR National Central Queensland Coal Network Map

Highlights the Coal System and Port Locations within the Central Queensland Coal Network.



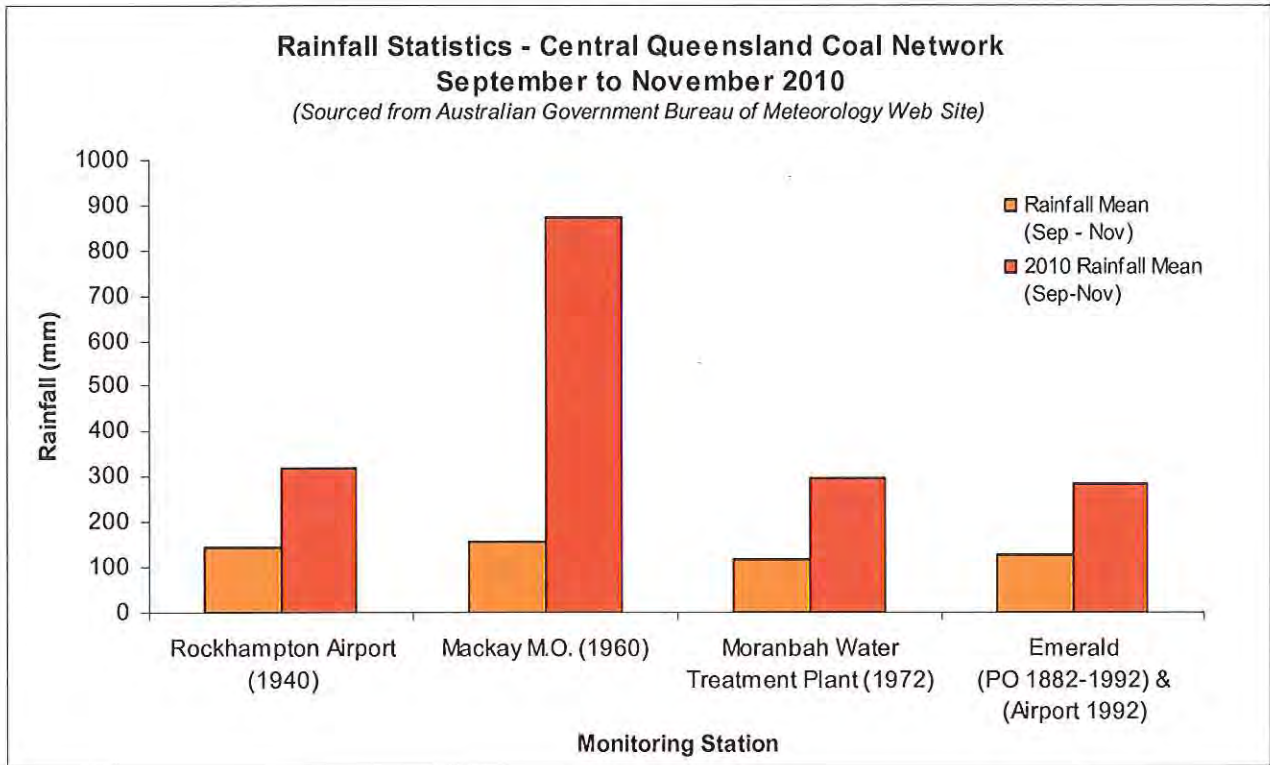
Appendix 1b: Queensland Rail Network Map

Highlights the System within the Queensland Rail's Network on which QR National operates.



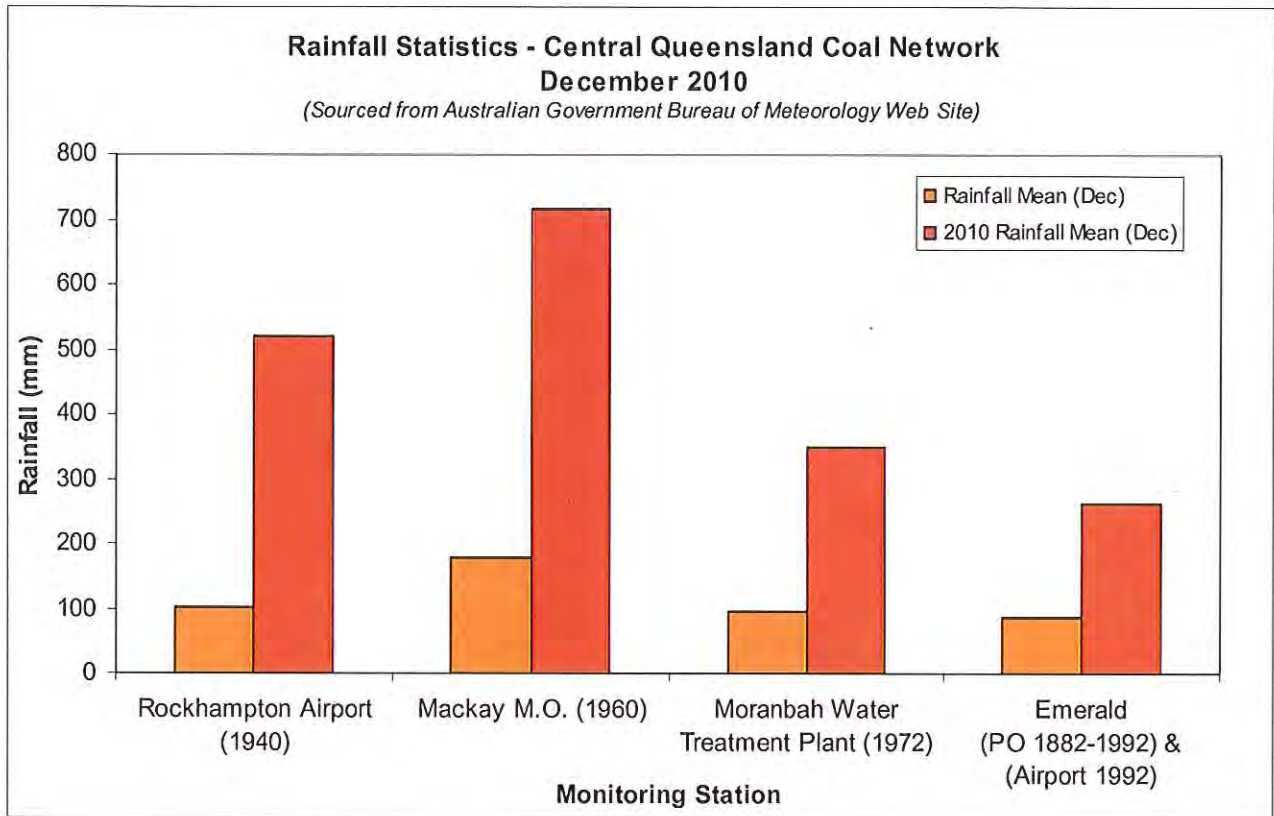
Appendix 1c: Central Queensland Coal Network Rainfall Statistics (September to November)

The table compares the rainfall with the mean rainfall for the selected stations during the identified timeframe.



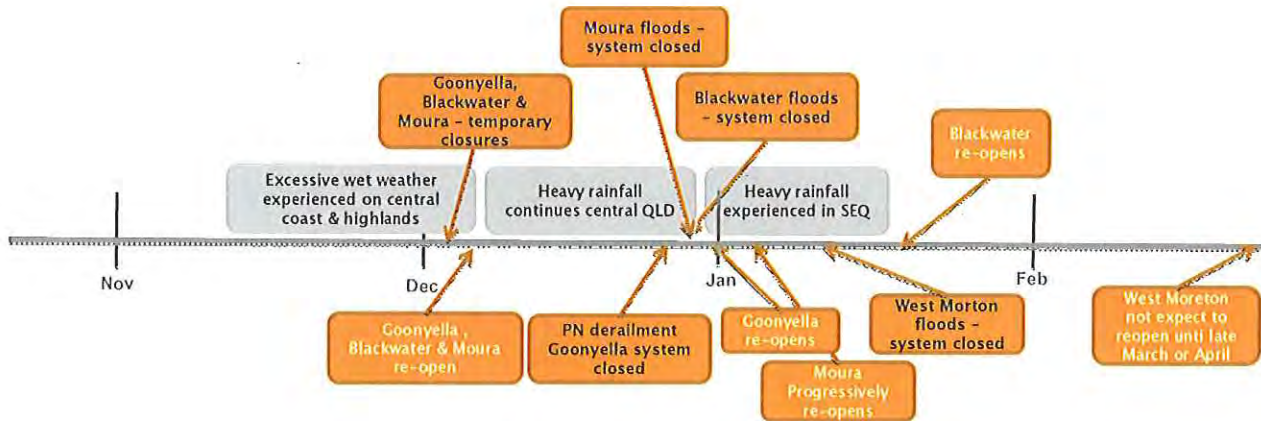
Appendix 1d: Central Queensland Coal Network Rainfall Statistics (December)

The table compares the 2010 December rainfall with the mean rainfall for the selected stations.



Appendix 1e: QR National 2010/2011 Impact timeline

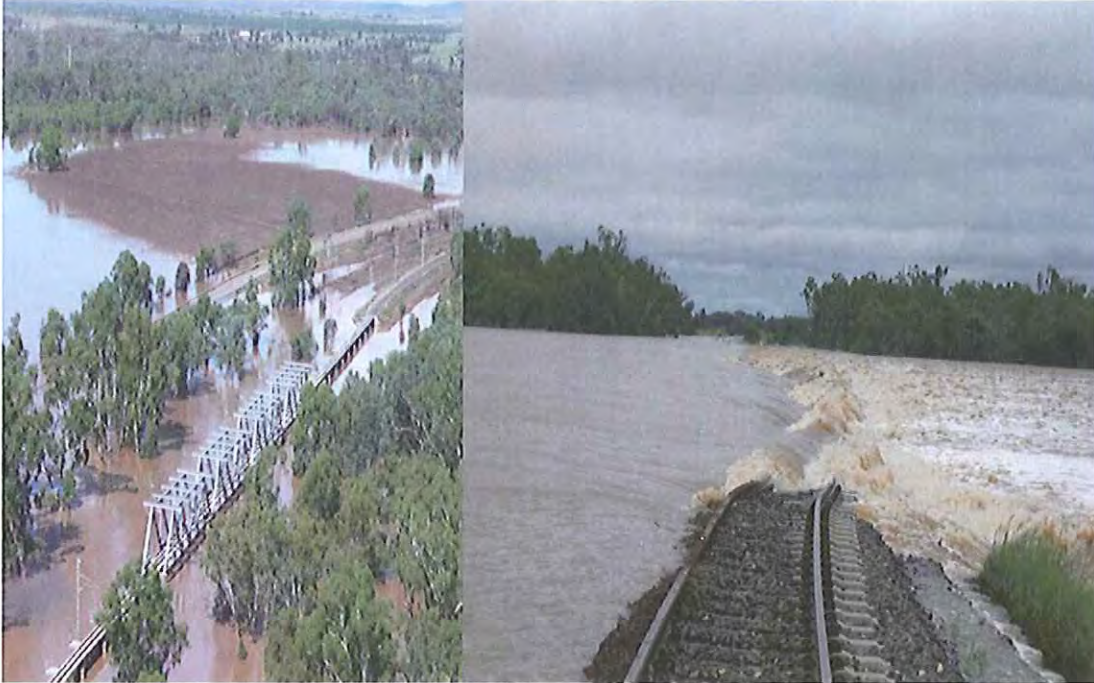
The timeline outlines the impact on the QR National network from the 2010/2011 weather events



Appendix 1f: Blackwater System Images

Highlights the impacts experienced within the Blackwater System from the extreme weather events.

Blackwater System – Comet River Region



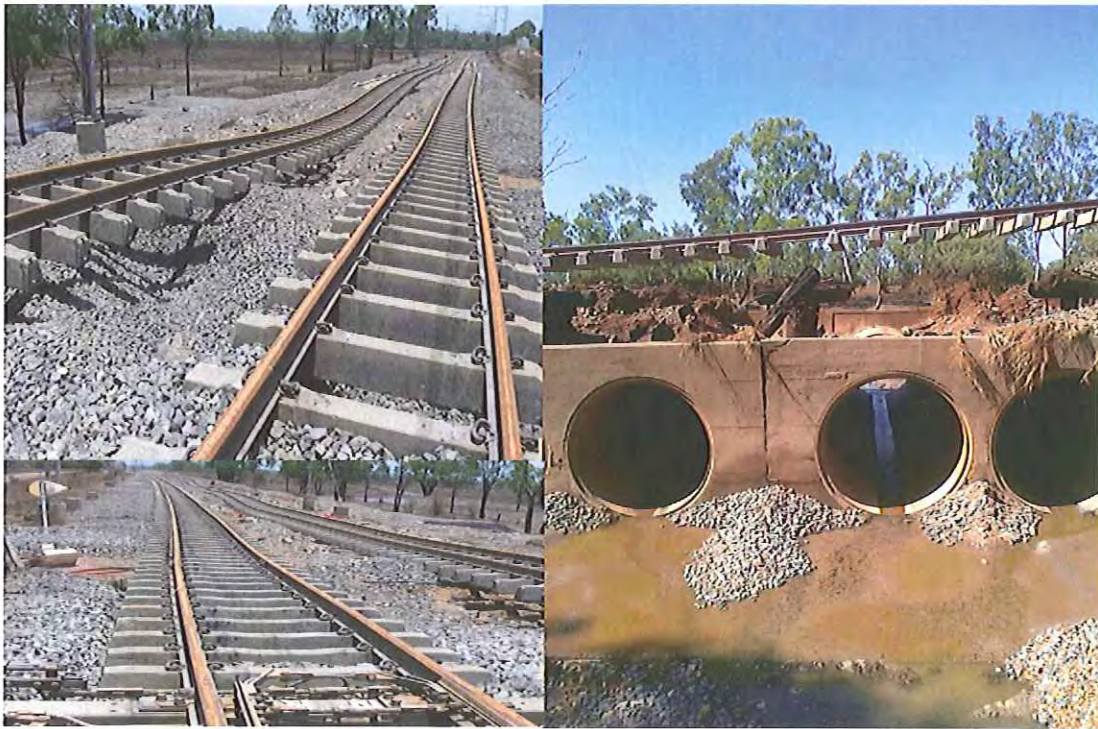
Blackwater System – Comet River Region



Blackwater System - Rolleston



Blackwater System



Flooding in Queensland and derailment on the Goonyella coal system

29 December 2010

QR Network

The widespread and unseasonal rainfall across Queensland is expected to adversely affect coal hauled for at least the months of December and January due to temporary closures across a number of Queensland coal systems and significant flooding of access roads across the State.

As at 29 December, the continuing wet weather and flooding is hampering access to the track and hence recovery efforts.

This is compounded by the derailment of a Pacific National train on 24 December at Yukan, west of Mackay which has resulted in the temporary closure of the Goonyella coal haulage system. Repairs crews are working to resume coal services within the next few days.

QR National is continuing to assess the track conditions and the longer-term impact on tonnages and the network, however heavy rain and flooding is forecast for coming days. Until these highly unusual weather impacts subside, it is not possible to make a full assessment on Full Year published earnings forecast.

QR National is also talking to its customers to assess current mining production and available stockpiles given the impact of the flooding on mines in Central Queensland.

Rail services set to resume on Goonyella system

31 December 2010

QR Network

The Goonyella coal rail system in Central Queensland is scheduled to reopen tonight following repairs to damaged track infrastructure caused by the derailment of a Pacific National train last week.

The completion of the recovery effort will allow rail services to resume in the system, which links mines in the central Bowen Basin with the Dalrymple Bay and Hay Point coal terminals near Mackay.

QR National repair crews have worked tirelessly and safely in difficult conditions to restore the track which has been unavailable for services since the derailment near Yukan, west of Mackay, on 24 December.

QR National's coal business is now working with its mining customers to confirm available coal for loading, based on mine production levels and stockpiles. There are also a number of loaded trains, delayed because of the derailment, ready to go through to the port immediately upon the line's re-opening.

The Blackwater and Moura rail systems remain closed due to floodwaters caused by the widespread monsoonal rain across Queensland. Rivers remain in flood and damage and recovery estimates are still being assessed.

The Newlands system, which is at the northern end of the Bowen Basin and feeds into Abbot Point Coal terminal at Bowen, remains open.

**Appendix 1i: Operational update - QR National coal network and operations in Queensland,
04 January 2011-QR Network**

Operational update - QR National coal network and operations in Queensland

04 January 2011

QR Network

QR National advises the current operational status with its coal systems in Queensland:

Newlands coal rail system is operating.

Goonyella coal rail system is operating to the coal terminals at Hay Point and Dalrymple Bay, near Mackay. QR National currently has excess train capacity and is working on an on-going basis with its customers to confirm available coal for loading, based on mine production levels and stockpiles.

The Blackwater coal rail system remains closed due to floodwaters. On current advice from the Bureau of Meteorology (based on river height gauges upstream), QR National estimates that the flooded Dawson River will continue to cut the Blackwater line near Duaringa into next week. This flooding prevents accurate assessment of repair requirements and recovery timeframes. The advice provided to QR National is that coal supplies remain limited on the Blackwater network due to the major production impact of the floods on the mines.

The Moura coal rail system is scheduled to re-commence partial operations this afternoon and for progressive opening to all mines over the next week.

Coal trains on the West Moreton system are operating.

Flood recovery efforts continue on all fronts

06 January 2011

QR Corporate

QR National's flood recovery efforts continue across all fronts to restore coal and freight services to customers, as well as assisting regional communities affected by the disaster.

Since Christmas Eve, QR National has mobilised resources across the company to repair damaged infrastructure and re-schedule coal and freight services.

It has also re-located key assets such as locomotives and wagons away from flood zones to ensure they are undamaged and now available for coal and freight services.

Staff are being regularly re-deployed to different locations of need across the state or to support coal train services on available networks.

QR National has also made major in-kind contributions to the relief efforts and will continue to help communities where possible.

Queensland is QR National's heartland in many dimensions – for customers, staff and regional communities.

About 1,600 QR National employees live or work in Queensland communities that have been directly impacted by floods.

These are communities that are not only critical to QR National's coal and freight business but also intrinsically linked to our 145 year history in regional Queensland.

As at 6 January, services are operating on three of the four major coal rail systems owned by QR National:

- The Newlands system through to the Abbot Point Terminal near Bowen
- The Goonyella rail system through Dalrymple Bay and Hay Point coal terminals, near Mackay
- The Moura coal rail system to domestic customers and to Gladstone port

The Blackwater coal rail system remains closed due to floodwaters. QR National estimates that the flooded Dawson River will continue to cut the Blackwater line near Duaringa well into next week. This flooding prevents accurate assessment of repair requirements and recovery timeframes.

QR National's recovery operations and repair crews for Blackwater are working wherever they can gain access to the infrastructure and detailed inspection and planning is occurring so that the major works can be undertaken as soon as flood water and ground conditions allows.

We are also working very closely with our customers to understand what coal they have available on stockpiles and when production is likely to re-commence, so we can maximise coal railings across all available networks in coming days and weeks.

We have locomotives, wagons and staff available to respond as customers' operations start to recover across all coal networks.

In the general freight business, Queensland's North Coast Line remains closed from Brisbane to Cairns, with flooding affecting services that transit into or through the Rockhampton region.

Services to south west and central west Queensland for grain deliveries have been halted because of flooding.

QR National has launched a nationwide fundraising campaign among its 9,400 employees for the Queensland flood relief appeal.

The staff fundraising campaign has been kicked off by a corporate donation of \$100,000 by QR National to the Queensland Premier's Disaster Relief Appeal.

QR National staff, who work in locations across Australia from Townsville to Perth, will be able to donate annual leave which is then cashed-out and provided to the appeal. This process has been used previously to raise staff funds following natural disasters. QR staff, for example, raised almost \$500,000 for the Cyclone Larry relief appeal in 2006.

QR National Operational Update 11 January 2011

11 January 2011

QR Network

QR National has stopped rail services to coal mines west of Brisbane because of flooding and the closure of the rail line on the Toowoomba Range following a landslide last night.

Toowoomba and the Lockyer Valley have been affected by catastrophic flooding that has resulted in a number of deaths and widespread damage to property and infrastructure.

The network operator, Queensland Rail has advised that it had been unable to assess the extent of damage to the railway caused by the landslide on the range, however early indications are that the impact may be significant.

The track closure will also affect general rail freight services to south-west Queensland.

As at today (11 Jan), QR National's other operations were as follows:

The Newlands coal network through to the Abbot Point Terminal near Bowen is operational

The Goonyella rail system through Dalrymple Bay and Hay Point coal terminals, near Mackay is operational, though at reduced capacity due to coal supply constraints from mines

The Moura coal rail system is partially open (to Callide and Boundary Hill mines) with the line expected to be fully open by Thursday (Jan 13)

The Blackwater coal rail system remains closed due to floodwaters. QR National estimates that the flooded Dawson River will continue to cut the Blackwater line near Duarina until later this week. Once this flooding recedes, an accurate assessment of repair requirements and recovery timeframes can be made.

In the general freight business, Queensland's North Coast Line remains closed from Brisbane to Cairns, with flooding affecting services that transit into or through the Rockhampton region.

Services to south west and central west Queensland for grain deliveries have been halted because of flooding

QR National is working closely with all customers in the coal and freight business to ensure we best meet their current needs and understand future demand as coal mining production and movement of agricultural products and general freight resumes.

QR National resources – staff, locomotives and wagons – are available and will be mobilised immediately upon rail infrastructure becoming available.

QR National expects to be in a position late this week to provide further details about the recovery task on the Blackwater system (once floodwaters recede) and also other on-going operations across other networks.

QR National – OPERATIONAL UPDATE 13 JANUARY 2011

13 January 2011

QR Corporate

Since advice provided on 29 December 2010, QR National railings in Queensland have continued to be affected by widespread flooding and this is expected to continue to impact over coming weeks.

Total tonnages across the QR National coal network, which is used by both QR National and Pacific National trains, will also be impacted.

While floodwaters are yet to fully recede in some areas and impacts on customers are being assessed, the specific impact on tonnages and network recovery costs on Full Year published earnings forecast remains under assessment. There is progress on the recovery efforts across the company's operations.

The Moura coal line is scheduled to re-open to all traffic today (13 Jan); and the Blackwater network is now targeted to re-open late next week, following a detailed track inspection yesterday (12 Jan). A full description of coal network status and operations is as follows:

The Newlands line to Abbot Point Coal terminal near Bowen continues to operate. The Newlands system has remained open throughout and while it operated at reduced railings in December it has recovered well in January

The Goonyella network into the ports of Dalrymple Bay and Hay Point, south of Mackay, continues to operate. It was closed from 24 December to 30 December following derailment of a Pacific National train near Yukan. The network is currently working at around 70% capacity due to reduced coal availability.

The Blackwater network that feeds into the port of Gladstone is expected to re-open next week, following a detailed inspection and assessment of flood-damaged track yesterday (12 Jan). The system has been closed since 27 December. QR National has mobilised resources, both people and equipment, to ensure repairs are completed efficiently. On current estimates, services are expected to resume on the line as early as Thursday (20 Jan), pending no significant rain and recovery operations proceeding as planned. It is planned that services would be available from Burngrove (near Blackwater) east from that time, and then progressively to mines located on the (northern) Gregory branch from the weekend (22/23 January). Precise dates for resumption of services for the Minerva and Rolleston mines are yet to be determined.

The Moura system is re-scheduled to re-open to all traffic today (13 January). The system was closed on 29 December and then partially re-opened to the mines of Callide and Boundary Hill on 4 January.

In southern Queensland, QR National is unable to operate services west of Brisbane because of flooding and damage to the rail line on the Toowoomba Range following a landslide on 10 January. QR National is awaiting further advice from the network owner, Queensland Rail, on the extent of the damage to infrastructure and likely timeframe for

restoration of the track. QR National is unable to provide services to coal customers, west of Brisbane and to grain and general freight customers in south-west Queensland. QR National's general freight services along the North Coast Line to locations beyond Gladstone to Cairns are not able to operate because the line remains cut by floodwaters at Rockhampton. This is expected to continue through to mid next week.

Many areas of the coal network continue to be subject to speed restrictions, which is standard practice following a large flood event. It allows QR National to monitor track condition as train services resume and increase and future repair requirements are assessed.

QR National is working closely with all participants in the coal export supply chain to maximise throughput. It is liaising daily with coal mining customers to understand the coal available for railing, including that available on stockpiles and when coal production is re-commencing.

QR National is also mobilising all resources for its train services – staff, locomotives and wagons – to ensure they are ready to respond to customer requirements when track infrastructure becomes available.

QR National has ensured the orderly departure of staff from facilities likely to be impacted or isolated by floodwaters, including workshops at Rockhampton and Redbank, near Ipswich.

QR National continues to assist communities in which its people live and work across Queensland.

Senior QRN representatives are also part of the Queensland Recovery Taskforce that is being led by Major General Mick Slater.

“The flood impacts across the length and breadth of Queensland as they are unfolding are colossal,” QR National Managing Director Lance Hockridge said. “We extend our sympathy to those who have lost loved ones and to those burdened with the heartache of returning to damaged homes and communities.

“Thousands of QR National staff live and work in these flood-affected communities across Queensland. We are supporting staff who have been directly affected and also allowing them the flexibility to help out work colleagues and neighbours who have been impacted.”

QR National Operational Update 19 January 2011

19 January 2011

QR Network

QR National this afternoon will re-open parts of the flood-impacted Blackwater coal rail network, 24 hours ahead of the planned resumption of services tomorrow (20 January).

QR National Managing Director & CEO Lance Hockridge said the first loaded coal trains will begin heading to the port of Gladstone soon after 6pm.

“As soon as our track gangs complete the repairs at Dawson River, we’ll have coal trains rolling through the area,” he said.

“Our crews have done an extraordinary job in recovering track across the coal network in the aftermath of unprecedented floods across Queensland.

“We’ve mobilised an enormous amount of expertise, equipment and people resources to get services back as soon as possible.

“In general, the network has endured well through these incredible floods. The majority of recovery work has been confined to stabilising the formation on which the rail sits, re-aligning the track in some locations and replacing ballast that has been scoured by the floodwaters.

“Our continuing focus now will be working closely with our mining customers and with all players across the supply chain to maximise coal tonnages in coming days, weeks and months.”

The Blackwater track is now available for mines from Burngrove (near Blackwater) east to Gladstone port.

From Monday 24 January, the track is scheduled to be available to mines on the (northern) Gregory branch.

Repairs to the track west of Burngrove are expected to be completed by Tuesday, 25 January. This will allow coal to be transported from the Minerva mine.

These track openings to the north and west of Burngrove are subject to no further heavy rain occurring in coming days.

The remaining link on the Blackwater network, the 110km spur to Xstrata’s Rolleston mine, is being assessed in detail following the receding of floodwaters. The re-opening date is yet to be confirmed. QR National has established a project team with Xstrata to manage this recovery work.

With the re-opening of the Blackwater line, this means that all four of QR National’s coal networks (Newlands, Goonyella, Blackwater and Moura) are open.

“We’re pleased to have re-started most operations across Queensland for our customers and look forward to ramping up services and system capacity over coming weeks,” Mr Hockridge said.

QR National also operates a smaller number of general freight and coal services across other rail infrastructure owned by government-owned corporation Queensland Rail. The current status of these services is:

QR National's general freight services along the North Coast Line to locations beyond Gladstone to Cairns are on track to re-commence later today (Jan 19) following the repair of track damaged by floodwaters at Rockhampton.

In southern Queensland, QR National is unable to operate coal, grain and general freight services west of Brisbane because of flooding and damage to the rail line on the Toowoomba Range following a landslide on 10 January. On 17 January, the Queensland Transport Minister advised damage to infrastructure is significant and it could take three months to re-build bridges and tracks. QR National is continuing to work with Queensland Rail to assist where it can with recovery of the track infrastructure across the Toowoomba Range, so services can be returned to our customers as soon as possible.

QR National prepares for Cyclone Yasi

01 February 2011

QR Corporate

QR National has suspended services on the Goonyella and Newlands coal rail networks following the closure of Abbot Point Coal Terminal near Bowen, and the Dalrymple Bay Coal Terminal and Hay Point Coal Terminal, south of Mackay.

The closures are a precautionary measure as Cyclone Yasi approaches the Queensland Coast. QR National unloaded a number of trains last night at Abbot Point and Dalrymple Bay before the closures. QR National is ensuring trains are stowed in safe locations and crews returned safely to home depots.

Coal train services in the Blackwater and Moura Coal systems into the Port of Gladstone continue to operate.

General freight services through north Queensland have also been revised today as a precaution to the approaching cyclone. Three southbound services scheduled along the north coast line today, two from Cairns and one from Townsville, have been terminated due to the cyclone and will resume when the track reopens.

All other rail operations along the north coast line north of Rockhampton have been cancelled from tomorrow, 2 February 2011, until further notice. Services will continue to run between Brisbane's Fisherman Islands and Rockhampton. Freight services along the north-west line between Townsville and Mt Isa will be suspended from Wednesday 2 February 2011 until further notice.

QR National is making local arrangements with staff to close facilities and allow people to return safely to make their own preparations at home for the cyclone.

**Appendix 1o: QR National Cyclone Yasi response 11am 3 February 2011, 03 February 2011-
QR Corporate**

QR National Cyclone Yasi response 11am 3 February 2011

03 February 2011

QR Corporate

QR National has started assessing its rail network and other assets in areas affected by Cyclone Yasi.

The inspections are commencing as soon as authorities deem it safe to return to particular areas in North Queensland.

Cyclone Yasi crossed the North Queensland coast last night and is moving west towards Mount Isa.

QR National services are currently suspended on:

- The Newlands and Goonyella coal rail networks
- The North Coast line between Rockhampton and Cairns
- The North West Line between Townsville and Mount Isa

The Blackwater and Moura coal rail networks are unaffected and continue to operate.

Cyclone Yasi impact

03 February 2011

-

QR Corporate

Cyclone Yasi passed over the North Queensland coast overnight and is moving west towards Mount Isa. It is expected to reach Mount Isa by early tomorrow.

QR National has a number of rail assets and operations within this area, including:

- The Newlands coal rail network
- The Goonyella coal rail network
- Freight train services that travel the east coast, and also north west to Mount Isa

Train services for these coal networks were suspended from late Monday, 31 January.

QR National is pleased to advise that, following inspections earlier today, rail services will resume on the Goonyella coal network this afternoon. Services are also expected to resume on the Newlands network tomorrow, 4 February

Freight services continue to be suspended on the North Coast line between Rockhampton and Cairns and the North West Line between Townsville and Mount Isa. This is pending detailed assessment of these sections of track by the infrastructure owner, Queensland Rail. Cyclone Yasi is not expected to reach Mount Isa until late tonight or early tomorrow.

The Blackwater and Moura coal rail networks are unaffected and continue to operate.

Appendix 1q: QR National to re-open Rolleston line, 08 March 2011-QR Network

QR National to re-open Rolleston line

08 March 2011

QR Network

QR National will re-open the flood-damaged Rolleston coal line this evening.

The 106km branch line off the Blackwater rail system in Central Queensland has been closed since 24 December 2010 due to significant damage caused by major flooding of the Comet River.

The line services Xstrata's Rolleston coal mine.

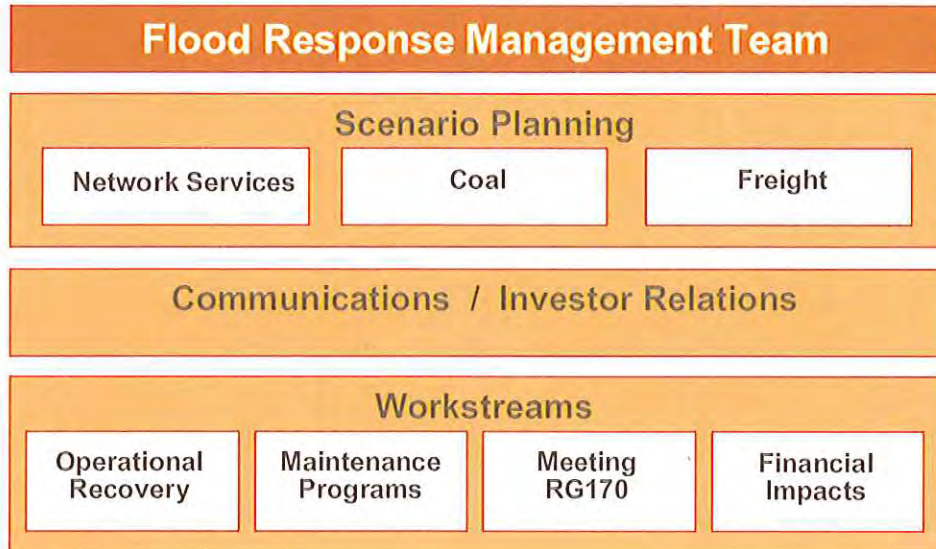
QR National has worked closely with Xstrata to expedite recovery and reconstruction work required for the line. The cost of repair work has been funded by Xstrata.

The Rolleston line is the final major recovery work to QR National's coal network following the floods that inundated extensive parts of the network in central Queensland in December and January.

Appendix 1r: Flood Recovery Taskforce Structure

Identifies the working structure for the Flood Recovery Taskforce

Flood Response Taskforce Project Structure



Appendix 1s: QR National Presentation, *January 2011*



Flood Recovery Update

January 2011

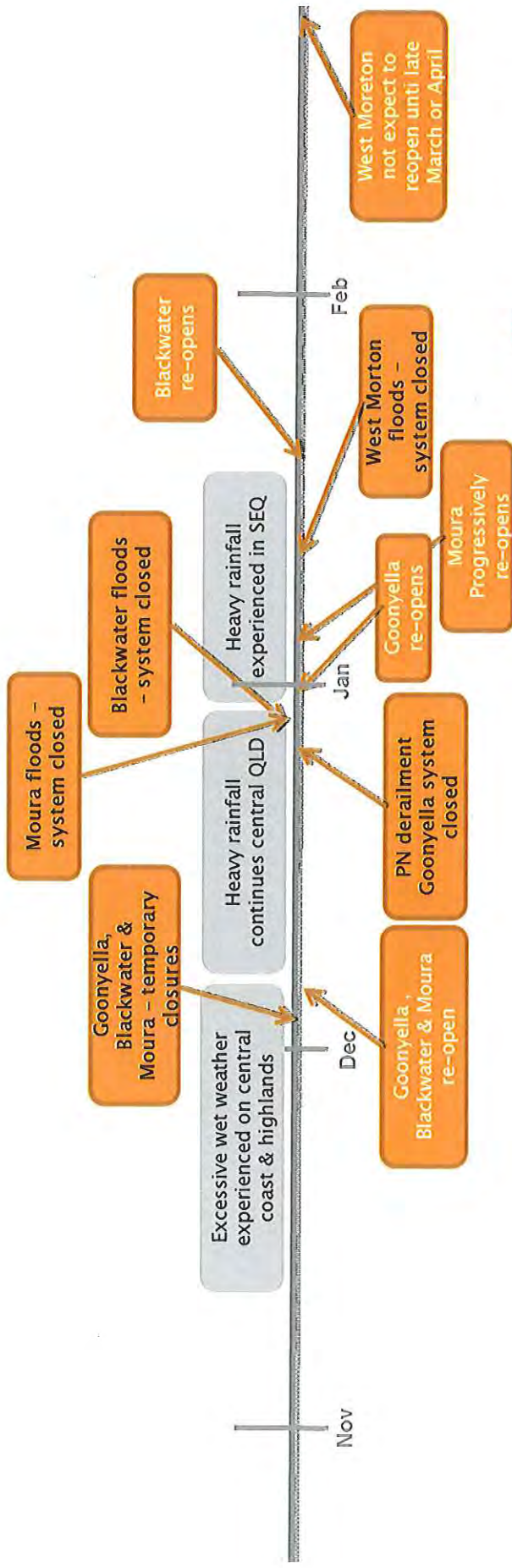


QR NATIONAL™
1

Extreme weather adversely impacts CQCN system performance

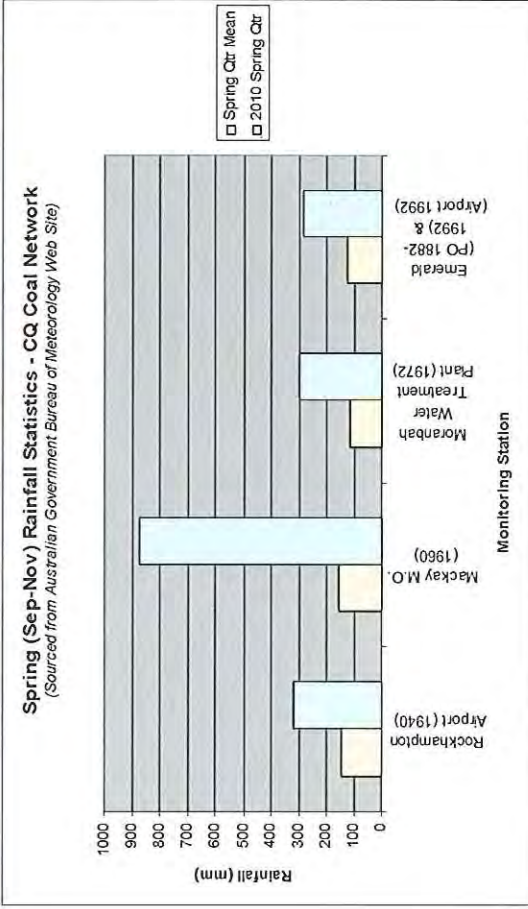
Overview

- Central QLD experienced excessive rainfall over spring and catastrophic flooding in December and January
- All Queensland Coal Systems impacted with Goonyella, Blackwater, Moura and West Moreton Systems all closed for lengthy periods
- Brisbane and South East Queensland also experienced catastrophic weather and flooding
- A large proportion of QLD declared natural disaster zone

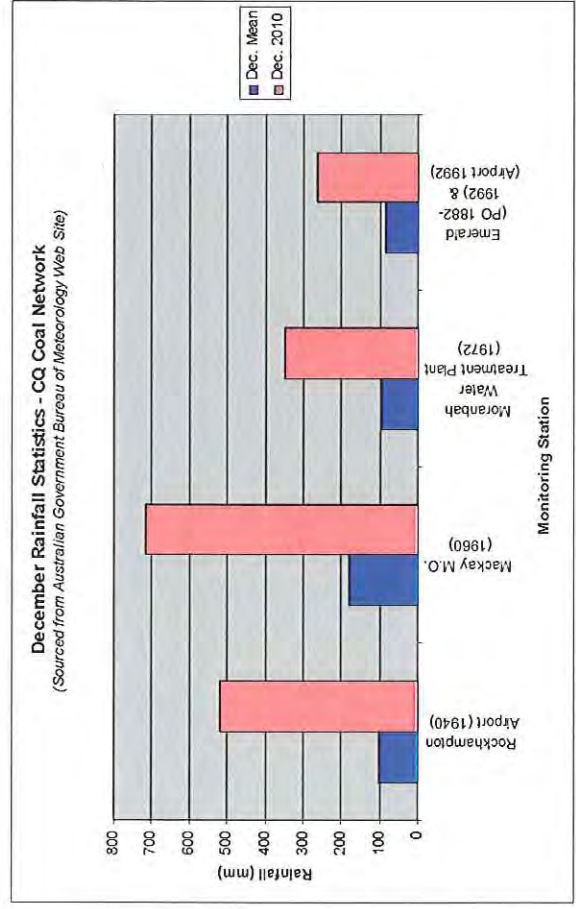


Rainfall in Central Queensland

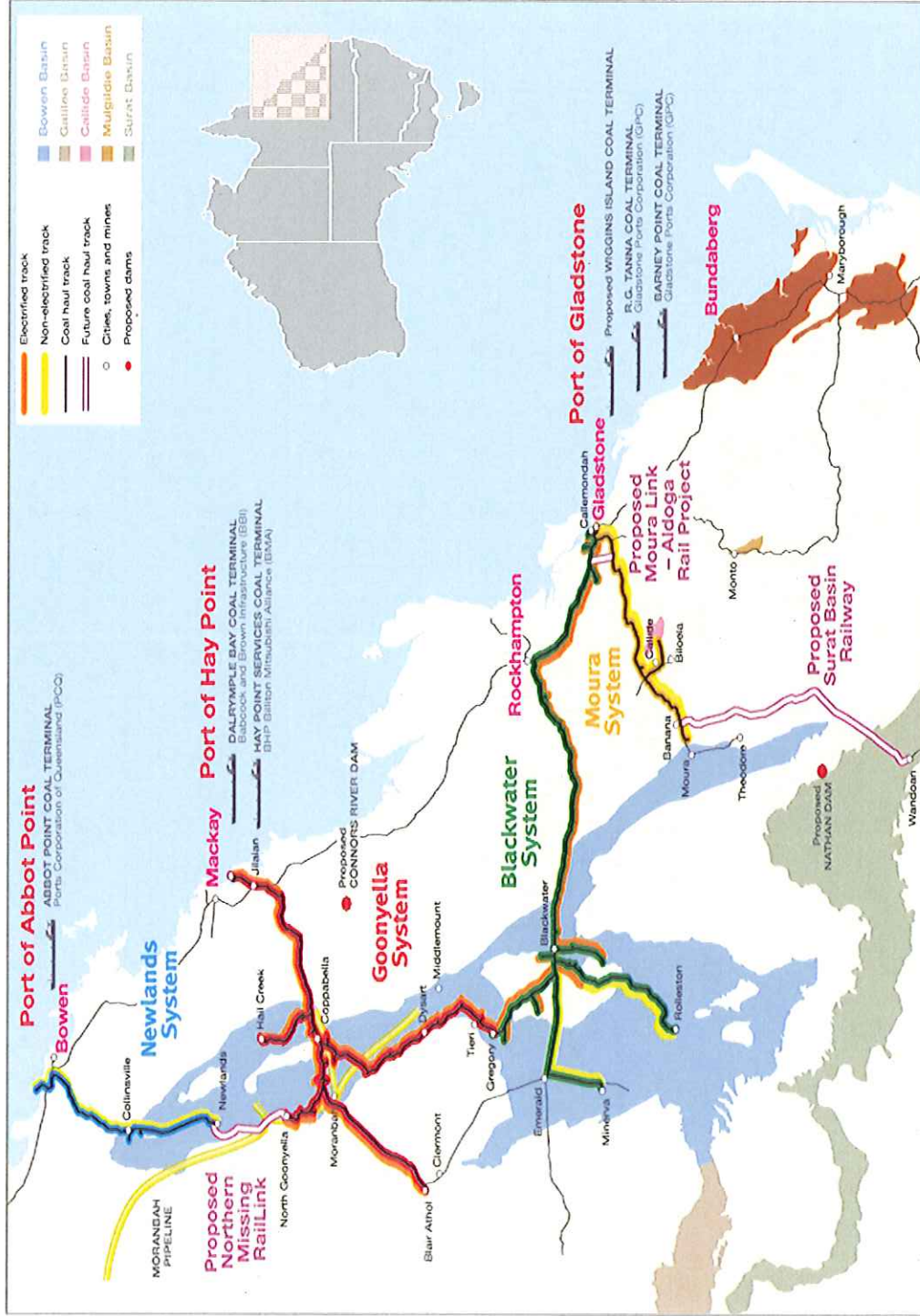
- During the Spring months (Sept – Nov), the CQCN was saturated by larger than average rainfall.
- All selected stations apart from Mackay experienced approximately 3 times greater quantities of rain than the average.



- This extraordinarily wet spring has then been followed by what many stations is the wettest or second wettest December on record.
- The adjacent table compares the 2010 December rainfall with the mean rainfall for the selected stations to illustrate this point.
- Rainfall quantities for December 2010 are between 3 to 5 times greater than the average.



The Central Queensland Coal Network



Source: Queensland Government

Impact on QRN's Queensland Coal Systems

5

► **Goonyella System – Extreme Weather Event:**

- Goonyella experienced excessive wet weather and flooding in early December with track closures resulting
- Some track damage occurred and repairs have progressively been undertaken
- Speed restrictions were put in place temporarily to protect rail infrastructure
- Rollingstock has not been adversely affected – more trains available than coal
- Some Coal Customers were significantly impacted
- The Goonyella system is now operating at around 80% of its normal capacity

► **Goonyella System – Derailment Event:**

- Pacific National derailment occurred on 24 December 2010 resulting in a lengthy closure of the system of one week
- The situation has been rectified and the track re-opened on 31 December 2010

Impact on QRN's Queensland Coal Systems

6

▶ **Newlands System**

- Newlands has been largely unaffected by heavy rainfall and floods and remains operational

▶ **Moura System**

- Moura also experienced excessive wet weather and flooding across the system from early December through to early January
- The Moura system experienced a temporary closure due to heavy rainfall and flash flooding in early December
- The System was also closed as a result of flooding from 27 December 2010 to 6 January 2011
- Operations were progressively reinstated from 6 January
- Speed restrictions are in place to protect rail infrastructure
- Rollingstock has not been adversely affected

Impact on QRN's Queensland Coal Systems

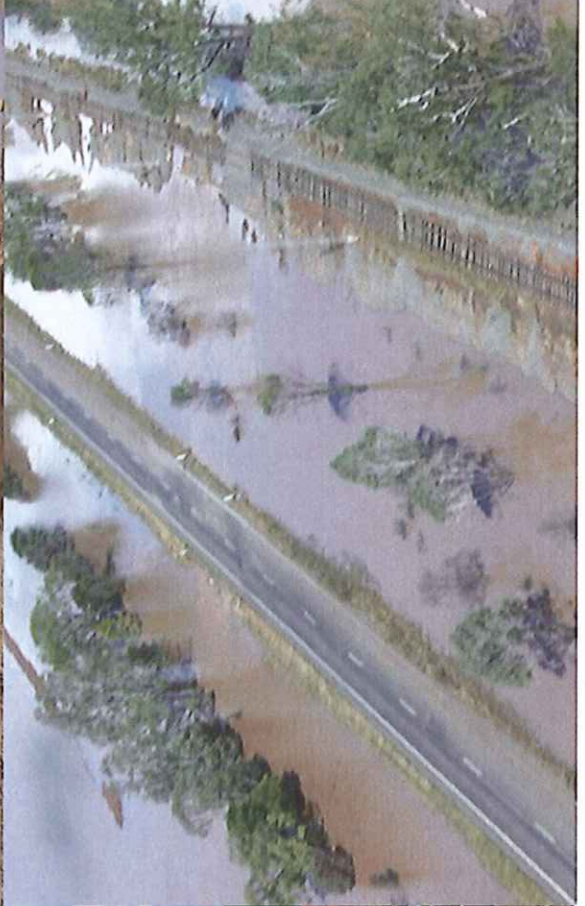
Blackwater System – Extreme Weather Event:

- Blackwater experienced excessive wet weather and extensive flooding across the system from early December through to early January
- The Blackwater System experienced a temporary closure due to heavy rainfall and flash flooding in early December
- The System was also closed as a result of major flooding from 27 December 2010 to 19 January 2011
- Track damage has occurred in some areas and repairs are progressively being undertaken
- Speed restrictions are in place to protect rail infrastructure
- Rollingstock has not been adversely affected
- Several Coal Customers have been significantly impacted
- As at 19 January the Blackwater System has reopened to operations from Burngrove to Gladstone and other areas of the network will progressively reopen over the weeks ahead
- The Rolleston line is the most significantly impacted area of network and no timeframe is yet available for reinstating operations on that line.

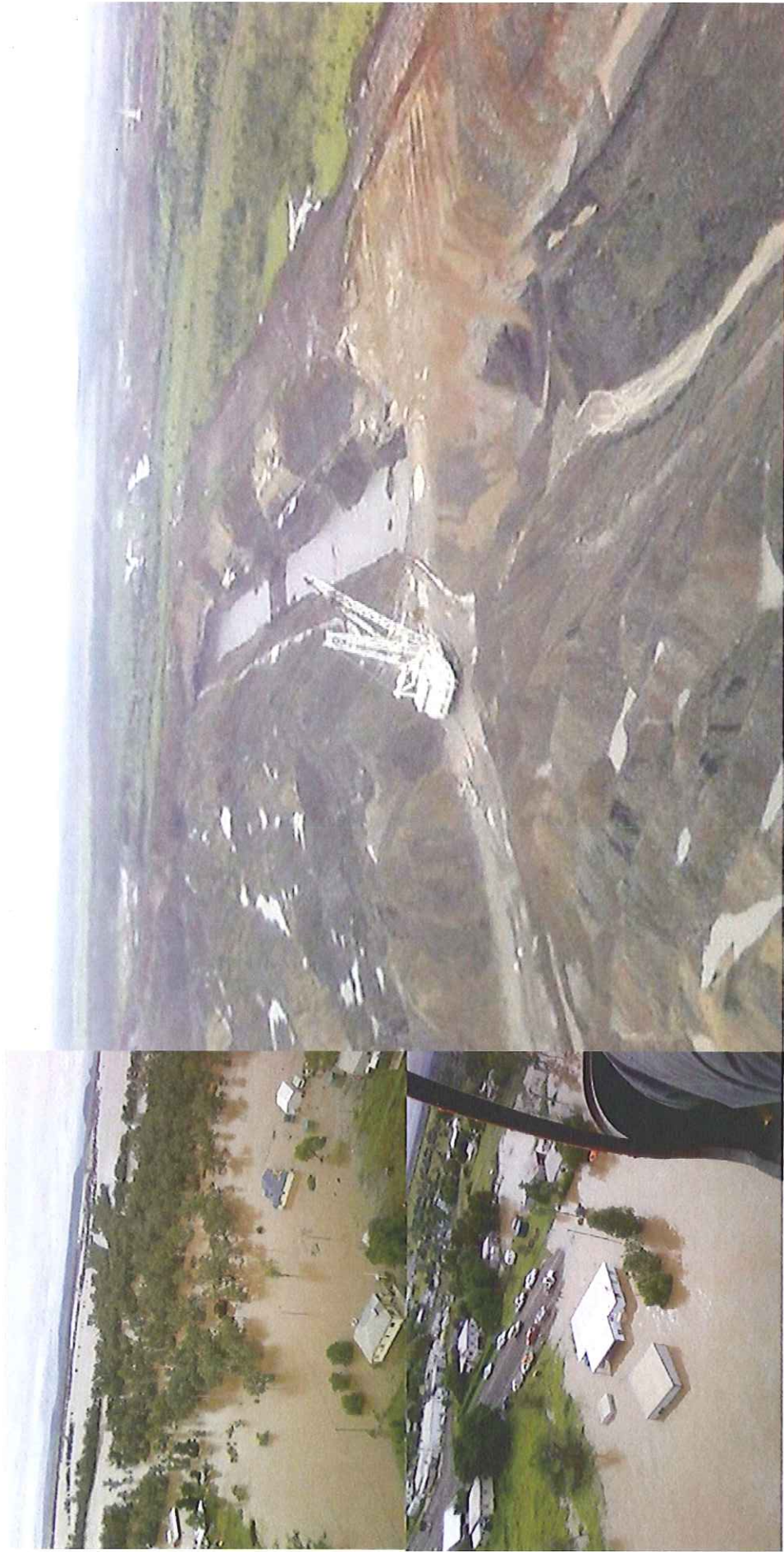
Blackwater System – Comet River Region



Blackwater System – Comet River Region



Blackwater System - Rolleston



Blackwater System - McKenzie River



Blackwater System



Other Coal Systems

13

- ▶ **West Moreton System**
 - Toowoomba and the Lockyer Valley were impacted by catastrophic flooding which resulted in multiple fatalities
 - The West Moreton System incurred significant damage from torrential rain and flooding
 - Landslides have forced the closure of the system
 - The System is not expected to reopen for many weeks

- ▶ **Hunter Valley System**
 - QR National's above rail operations have not been adversely impacted by weather in the Hunter Valley

Our Response – Actions Taken

14

► Corporation:

- Flood Recovery Management – dedicated team established
- Safety planning initiated
- Employee impact assessment undertaken and employee issues addressed
- Reputation management initiated – community, investors and media management
- Financial impact analysis work initiated and progressing

► Network Services:

- System by system, corridor by corridor track assessments undertaken
- Track faults and repair & remedial work identified and prioritised
- Remedial planning finalised, repair works program scheduled and commenced
- Resourcing requirements and infrastructure repair cost analysis undertaken

► Coal:

- Rollingstock stowing and un-stowing procedures successfully implemented
- Trains operational in all systems – currently there are more trains available than coal
- Assessment of customer impact position undertaken and now largely understood
- System throughput maximisation analysis and planning is progressing

Our Response – Recovery Planning

15

- ▶ **Corporation:**
 - Employee impact planning and recovery
 - Reputation management – community, investors and media management
 - Financial impact – mitigation
 - Risk management and scenario planning – planning for ongoing adverse weather events
 - Transformation program – maintaining our focus on reform projects

- ▶ **Network Services:**
 - System by system remedial planning and significant remedial work projects identified, prioritised and initiated
 - Regulatory and insurance remediation
 - Major capital projects review – eg maintain focus on GAPE to meet project timetable
 - Review infrastructure maintenance programs and planning

- ▶ **Coal:**
 - System, corridor and customer operational planning – focus on maximising throughput
 - Review resource planning
 - Review rollingstock maintenance programs and planning

Prognosis

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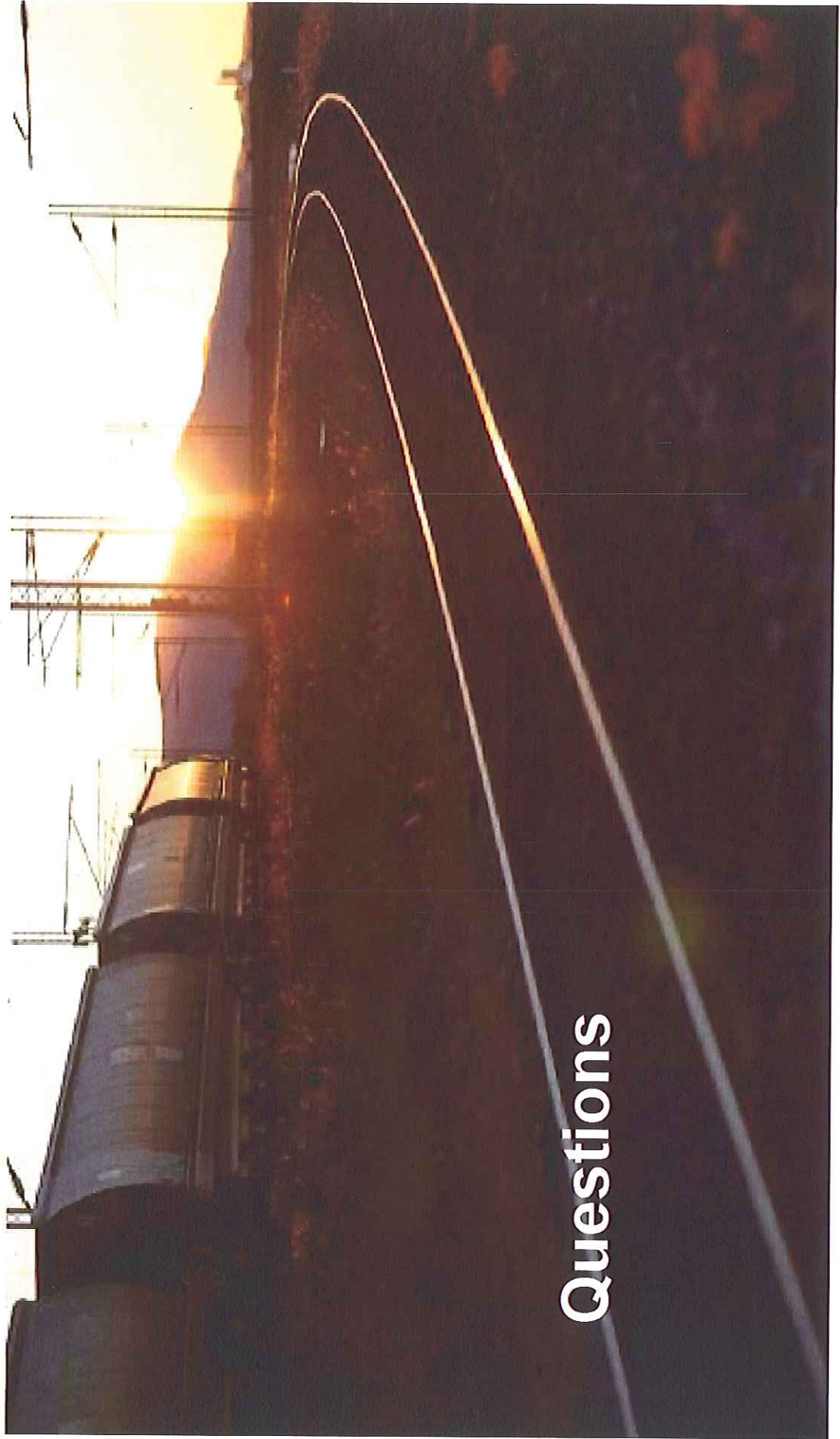
Impacts:

- Likely volume impact – 15mta to 20mta lost coal volumes in FY11
- Network repair costs around \$10 million excluding Rolleston line
- Reduction in regulated network maintenance allowance anticipated
- Coal rollingstock in good shape – no significant impacts

Forecast:

- Year end financial position not yet fully understood
- impact of volume losses on EBIT described in sensitivity analysis outlined in offer document
- Network volume/revenue shortfalls recoverable under regulatory revenue cap mechanism
- Network repair costs likely to be recoverable through regulatory claim mechanism
- Coal volume shortfall partially protected by take or pay arrangements
- Longer term impact is not anticipated – this event is viewed as a one off impact affecting FY11 only

- The CQCN is designed to a high specification and built for tropical environmental conditions and it is already demonstrating quick recovery timeframes once flood waters recede
- Network Services business is experienced at responding to adverse weather events – we experience a wet season each year (albeit that this was an extraordinary event)
- Network Services is supported by a highly capable internal workforce and only partially relies on external resources
- We can draw upon additional resources from other QR National businesses if required
 - eg resources from ARG in Western Australia
- Resources allocated to significant infrastructure projects have in the main not been significantly drawn upon for remediation work (GAPE)
- QR National Coal's assets (rollingstock and facilities) are largely unaffected by the adverse weather and flooding and are available and operational
- Our Services facilities (RACS) are now operational
- A dedicated recovery management project team has been established and will remain in place and focussed on the remediation work and full operational recovery



Questions