



QR NATIONAL

Share Offer Document



An iconic Australian business with over 145 years of history

1865

First railway line in Queensland, from Ipswich to Bigges Camp (now known as Grandchester), opened

1882-1889

Several railways extended to ports, mines and settlements

1924

Construction of North Coast Line from Brisbane to Cairns completed

1968

Moura Short Line railway between Moura and Gladstone opened – first major heavy haul rail line built in Queensland for coal

1971

Major coal railway from Goonyella to Hay Point opened

1985

Annual coal haulage exceeds 50 million tonnes

1987

Electric coal haulage in central Queensland commenced

1990s

National expansion strategy commenced

1999

Annual coal haulage exceeds 100 million tonnes

2002

Interail, a New South Wales rail freight business, acquired

2004

Freight operations between Melbourne, Sydney and Brisbane commenced

2005

Coal haulage begins in the Hunter Valley region in New South Wales
CRT, a specialist Victorian logistics business, acquired

Annual coal haulage exceeds 150 million tonnes

2006

ARG, a Western Australian bulk freight haulier, acquired

2007

Melbourne-Perth Intermodal services commenced, creating a national freight network from Cairns to Perth

2010

Queensland Rail and QR National separated
QR National Share Offer

2011

Annual coal haulage set to exceed 200 million tonnes

This Offer Document contains information about the sale of shares in QR National by the State of Queensland

Offer Document – at a glance



P4 Key Offer information



P6 Letters from the Treasurer of Queensland and the Chairman of QR National



P8 Business overview



P10 Investment highlights



P26 Details of the Offer



P49 Overview of QR National



Centre
Application Instructions



P94 Financial information

Table of contents

Important information	2
Investment highlights	3
Key Offer information	4
An attractive package of incentives for Retail Investors.....	5
Letter from the Treasurer of Queensland.....	6
Letter from the Chairman of QR National.....	7
Business overview	8
Investment highlights	10
Summary of key risks	21
1 Answers to key questions	22
2 Details of the Offer	26
3 Industry overview	38
4 Overview of QR National.....	49
5 Overview of access regulation.....	72
Application Instructions and two General Application Forms	Centre
6 Board, senior management and corporate governance	76
7 Relationship between QR National and the State..	88
8 Financial information.....	94
9 Key risks	117
10 Additional information	125
11 Glossary	138
12 Corporate directory.....	148

Easy steps to apply for Shares



Apply via your Broker

Contact your Broker directly to receive instructions on how to apply for Shares.

OR



Apply by mail

Apply for Shares by completing the relevant Application Form included with this Offer Document.

Follow the orange Application Instructions set out in the centre of this Offer Document and ensure you use the correct Application Form.

Once you have completed your Application Form, return it with your Application Payment.

OR



Apply online

Apply for Shares by visiting **qrnshareoffer.com.au** and completing the online Application Form.

If you have pre-registered for an Offer Document, you will need your Application Reference Number to apply online.

Once you have completed your online Application Form, you will be given a BPAY® Biller Code. You can only pay for your Shares using BPAY if you have completed an online Application Form.

* Registered to BPAY Pty Ltd (ABN 69 079 137 518).

Important information

Offer

The Offer contained in this Offer Document is an invitation by the State for you to apply for Shares. Although the State is making the Offer, this Offer Document has been prepared with the assistance of QR National.

The Offer in Australia is made through this Offer Document, which incorporates by reference the Appendix and the Financial Statements. The Offer to certain Institutional Investors in other jurisdictions is made through the Institutional Offering Memorandum. No document other than those documents may be used in the various jurisdictions to conduct the Offer.

Disclaimer

This Offer Document is dated 8 October 2010, and was lodged with ASIC on that date. This date is referred to as the Offer Date. QR National will apply, no later than seven days after the Offer Date, to ASX for listing of QR National and quotation of the Shares on ASX.

This Offer Document is not a prospectus under Chapter 6D of the Corporations Act. Neither ASIC nor ASX takes any responsibility for the contents of this Offer Document.

The State is not bound by the prospectus provisions contained in Chapter 6D of the Corporations Act. The State is bound by the *Fair Trading Act 1989* (Qld) which prohibits the State from engaging in conduct that is misleading or deceptive or likely to mislead or deceive in relation to this Offer Document. Also, the State is liable for the contents of this Offer Document in accordance with ordinary common law principles. This Offer Document contains all the information known to the State, which the State believes to be material for investors to make a decision as to whether or not to invest in Shares.

The State reserves the right not to proceed with the Offer at any time before the acceptance of Applications, in which case all Application Payments will be refunded (in full without interest) to Applicants as soon as practicable.

Note to Applicants

The information contained in this Offer Document is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Offer Document carefully and in full before deciding whether to apply for Shares. You should carefully consider the risks in Section 9 in light of your investment objectives, financial situation and particular needs and seek advice from your stockbroker, accountant, or other professional adviser before deciding whether to apply for Shares.

No person named in this Offer Document, nor any other person, guarantees the performance of QR National, the repayment of capital by QR National or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the State, QR National, the Joint Lead Managers or any other person in connection with the Offer.

Photographs and diagrams

Photographs used in this Offer Document are for illustration only and should not be interpreted to mean that any person shown in them endorses this Offer Document or its contents or (unless otherwise stated) that the assets shown in them are owned by the State or QR National. Diagrams used in this Offer Document are illustrative only and may not be drawn to scale.

Forward-looking statements

This Offer Document contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. In addition, Forecast Financial Information has been prepared and included in Section 8 and the Appendix.

Such forward-looking statements and Forecast Financial Information are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the State, QR National and the Directors. The State, QR National and the Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Offer Document will actually occur and you are cautioned not to place undue reliance on these forward-looking statements.

There is no intention to update or revise forward-looking statements and Forecast Financial Information or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Offer Document, except where required by law.

Statements of past performance

This Offer Document includes pro forma historical financial information and statements regarding the past performance of QR National derived from QR Limited's historical financial information and results of operation. You should be aware that past performance should not be relied upon as being indicative of future performance.

Financial year periods and rounding

All references to FY2008, FY2009 or FY2010 appearing in this Offer Document are to the financial years ended 30 June 2008, 30 June 2009 or 30 June 2010, respectively, unless otherwise indicated. All references to FY2011 and FY2012 appearing in this Offer Document are to the financial years ending 30 June 2011 and 30 June 2012, respectively, unless otherwise indicated.

Any discrepancies between totals and sums of components in tables and figures contained in this Offer Document are due to rounding.

No offering where offering would be illegal

The Offer is not being extended to any investor outside Australia, other than to Institutional Investors as part of the Institutional Offer. This Offer Document does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdictions outside Australia. The distribution of this Offer Document outside Australia may be restricted by law and persons who come into possession of this Offer Document outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such

restrictions may constitute a violation of applicable securities laws. This Offer Document may not be distributed to, or relied upon by, persons in the United States or who are U.S. Persons unless accompanied by the Institutional Offering Memorandum as part of the Institutional Offer.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States unless the securities have been registered under the U.S. Securities Act or in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws.

Obtaining a copy of this Offer Document

Persons may obtain a paper copy of this Offer Document (free of charge) by calling 1800 776 476 (within Australia) or +613 9938 4376 (outside Australia).

This Offer Document is available in electronic form at qrnshareoffer.com.au. The Offer constituted by this Offer Document in electronic form is available only to persons receiving this Offer Document in electronic form within Australia. The electronic version of this Offer Document is available only to Australian residents accessing qrnshareoffer.com.au from Australia. It is not available to persons in the United States. Any supplementary offer document will also be made available at qrnshareoffer.com.au. Persons who access the electronic version of this Offer Document should ensure that they download the entire Offer Document.

Applications

Applications may only be made on the relevant Application Form either attached to or accompanying this Offer Document or by completing the online Application Form available at qrnshareoffer.com.au.

No person should pass on to another person an Application Form unless it is attached to or accompanies a paper version of this Offer Document or the complete and unaltered electronic version of this Offer Document.

Financial Services Guides

The provider of the Investigating Accountant's Reports on the Pro Forma Historical Financial Information and Forecast Financial Information, KPMG Transaction Services (Australia) Pty Limited, is required to provide Retail Investors with Financial Services Guides in relation to the review under the Corporations Act. The Financial Services Guides are appended to the Investigating Accountant's Reports in the Appendix.

Glossary

Some words and expressions in this Offer Document have defined meanings. These words and expressions are generally capitalised and their defined meanings are set out in the glossary in Section 11.

A reference to time in this Offer Document is a reference to Brisbane time, Queensland, Australia. All references to dollars, \$, or A\$ or cents in this Offer Document is a reference to Australian currency unless otherwise stated.

Questions

If you have any questions about how to apply for Shares, call 1800 776 476 (within Australia, toll free) or +613 9938 4376 (outside Australia).

This Offer Document is important and should be read carefully and in full.

Investment highlights



Australia's largest rail freight operator with over 145 years of experience



World's largest rail transporter of coal from mine to port for export markets



Exposure to **growing coal and iron ore markets**, benefiting from strong Asian demand, particularly China and India



Continuing development of a performance-based culture to **drive profitability**



Experienced Board and management team

You should consider the risks associated with an investment in QR National before deciding whether to apply for Shares. See page 21 for a summary and Section 9 for further information on the key risks of investing in Shares.

Key Offer information

Key Offer information

Indicative Price Range per Share	\$2.50 – \$3.00
Total number of Shares on issue	2,440.0m
Total number of Shares available under the Offer ¹	1,464.0m – 1,683.6m
Indicative market capitalisation ²	\$6,100.0m – \$7,320.0m
Pro forma net debt (as at 30 June 2010)	\$500.0m
Indicative enterprise value ³	\$6,600.0m – \$7,820.0m

Financial information⁴

	FY2010	FY2011	FY2012
Pro forma revenue	\$2,903m	\$3,363m	\$3,736m
Pro forma EBITDA (earnings before interest, tax, depreciation and amortisation)	\$628m	\$894m	\$1,101m
Pro forma EBITDA margin	21.6 %	26.6 %	29.5 %
Pro forma earnings per Share		11.8c	15.1c
Expected dividend per Share ⁵		3.7c	8.3c
Indicative enterprise value/pro forma EBITDA ³		7.4x – 8.7x	6.0x – 7.1x
Indicative price/pro forma earnings per Share ²		21.1x – 25.3x	16.5x – 19.8x
Expected annualised dividend yield ^{2, 5}		2.1 % – 2.5 %	2.8 % – 3.3 %

Key dates⁶

Retail Offer opens	10 October 2010
Retail Offer closes and Applications due	5.00 pm (Brisbane time), 12 November 2010
Institutional Bookbuild	18–19 November 2010
Retail Price, Institutional Price and the basis of allocation announced by	22 November 2010
Listing, trading on conditional and deferred settlement basis commences on ASX	22 November 2010
Institutional Offer settlement	30 November 2010
Trading on deferred settlement basis commences on ASX	1 December 2010
Holding statements despatched	6 December 2010
Trading on normal settlement basis commences on ASX	7 December 2010
First settlement date of all ASX trades	10 December 2010
End of stabilisation period	21 December 2010
Expected first dividend payment	September 2011
Record date to receive Loyalty Bonus Shares	7 December 2011

Note:

1 The Base Offer Size and is before any exercise of the Over-allocation Option.

2 Based on the Indicative Price Range and the total number of Shares on issue on completion of the Offer.

3 Indicative enterprise value is defined as indicative market capitalisation plus pro forma net debt.

4 See Section 8 for the basis of preparation of QR National's financial information.

5 Expected dividend per Share for FY2011 is for the period 1 December 2010 to 30 June 2011.

6 The State, after consultation with the JLMs, reserves the right to amend any or all of these dates without notice including (subject to the Corporations Act and the ASX Listing Rules), to close the Offer early, to extend the Closing Date, to accept late Applications, or to cancel the Offer before Settlement. If the Offer is cancelled before the allocation of Shares, then all Application Payments will be refunded in full (without interest) as soon as practicable.

An attractive package of incentives for Retail Investors

Discount of 10 cents per Share

You can apply for Shares at a discount of 10 cents per Share to the price paid by Institutional Investors.

Pay no more than \$2.80 per Share

You are guaranteed to pay no more than \$2.80 per Share, even if the price paid by Institutional Investors is higher.

Loyalty Bonus Shares

You may be entitled to receive one Loyalty Bonus Share for every 20 Shares allocated to you under the Retail Offer and held until 7 December 2011, up to a maximum of 500 Loyalty Bonus Shares. Queensland resident Retail Investors see below for your benefits.

No brokerage fees

You will not have to pay brokerage fees if you apply through the Offer.

Guaranteed allocation

If you have pre-registered for an Offer Document, and you apply for Shares, you are guaranteed an allocation of Shares.

Benefits for Queensland resident Retail Investors

If you are a Queensland resident Retail Investor and you apply for Shares, you will receive a priority allocation over other Applicants. You may also be entitled to receive a higher number of Loyalty Bonus Shares compared to other Applicants. That is, one Loyalty Bonus Share for every 15 Shares allocated to you under the Retail Offer and held until 7 December 2011 up to a maximum of 675 Loyalty Bonus Shares.

See Section 2.2.2.4 for an example of how to determine your effective discount to the Institutional Price under the Retail Investor Incentives.

Letter from the Treasurer of Queensland



8 October 2010

Dear Investor

On behalf of the State of Queensland, I invite you to apply for shares in the initial public offering of QR National.

QR National is a great Queensland company with a national footprint and I am confident of its future as a truly great Australian company.

In its 145 years, the business has grown from a Queensland-only operation to now cover five Australian states, transporting coal, iron ore, other minerals, agricultural products and general freight, as well as containerised freight.

QR National is well placed to grow as it supplies the growing coal and iron ore export markets which are benefiting from strong Asian demand, particularly from China and India.

Investors are being offered the opportunity to apply for shares in QR National, which is Australia's largest rail freight haulage operator, by tonnes hauled.

Individual investors who pre-registered for an Offer Document and apply for Shares are guaranteed an allocation of Shares.

After the Offer is completed, the State of Queensland will retain between 25 and 40 per cent of the shares in QR National. The State does not intend to have any influence over QR National, other than through the exercise of its normal voting rights in matters submitted to a vote of Shareholders.

Prospective investors should be aware that an investment in QR National, like any investment, involves risks and future returns are not guaranteed by the State of Queensland. Importantly, the value of shares can go down as well as up. You should read this Offer Document carefully and in full before you make any investment decision in QR National.

You may wish to consult a stockbroker or financial adviser as you consider whether or not to invest in QR National.

The QR National Share Offer is the next exciting step in the history of this great business. QR National has a proud history and a bright, strong future. I invite you to be part of something big.

Yours sincerely

[Signed by Andrew Fraser]

ANDREW FRASER
Treasurer of Queensland
Minister for Employment and Economic Development

Letter from the Chairman of QR National



8 October 2010

Dear Investor

On behalf of the Board of Directors, I am delighted to inform you about the opportunity to apply for shares in QR National. As Australia's largest rail freight operator and one of the nation's most substantial transport and logistics businesses, QR National plays a critical role in the Australian economy.

When it is listed, QR National is expected to be one of the 50 largest companies on ASX by market capitalisation.

QR National is an integrated heavy haul freight railway operator and the world's largest rail transporter of coal from mine to port for export markets, operating the rail network which is so important to the Queensland coal systems.

QR National also manages substantial tonnages of coal in the Hunter Valley of New South Wales and a significant and diverse portfolio of other bulk, general and containerised freight businesses in areas across Australia, as well as large-scale rail services activities.

The future of the Company is inextricably linked to the growth of the nation's resources sector, particularly coal and iron ore. This fact distinguishes QR National from most other freight and transport companies in Australia. It underpins why the Company is so well positioned for growth.

In addition, QR National's experienced Board and management team are driving a business transformation program to achieve excellence in safety, customer focus, asset utilisation and commercial performance. Many of the benefits of this significant program are yet to be fully realised.

The Retail Offer is expected to close at 5.00 pm (Brisbane time) on Friday, 12 November 2010.

On behalf of the Board of Directors, I look forward to welcoming you as a shareholder of QR National.

Yours sincerely

[Signed by John B Prescott AC]

JOHN B PRESCOTT AC
Chairman

Business overview

QR National comprises three operating divisions



- ▶ Largest coal transporter in Australia, providing a vital link between mines and ports
- ▶ Operates businesses in the three largest coal producing regions in Australia
 - Coal North Queensland (Newlands and Goonyella coal systems)
 - Coal South Queensland (Blackwater, Moura and West Moreton coal systems)
 - Coal New South Wales (Hunter Valley coal system)

- ▶ Operates and manages approximately 2,300 kilometres of rail tracks across four coal systems in Queensland
- ▶ A provider of specialist rail engineering, construction and maintenance services in Australia



Supported by Operational Excellence

Company-wide program to drive improvement in operational performance across key areas

- ▶ Asset engineering
- ▶ Fleet planning
- ▶ Asset reliability, planning and scheduling
- ▶ Safety and environment





Coal



Network Services

- ▶ National transporter of bulk mineral commodities (including iron ore), agricultural products, mining and industrial inputs and general and containerised freight
- ▶ Operates a network of five terminals and more than 40 depots across five states

Freight



QR National

Locomotives	~ 700
Wagons	~ 16,000
Tonnes hauled	~ 260 million tonnes per annum
Employees	~ 9,400
Track managed	~ 2,300 kilometres

As at 30 June 2010

QR National operates across Australia

Volumes hauled in FY2010

Queensland Bulk and Freight
14 million tonnes

Queensland Coal
179 million tonnes

New South Wales Coal
19 million tonnes

Western Australia Bulk
46 million tonnes

Intermodal (containerised freight)
– Cairns – Melbourne – Perth
4 million tonnes



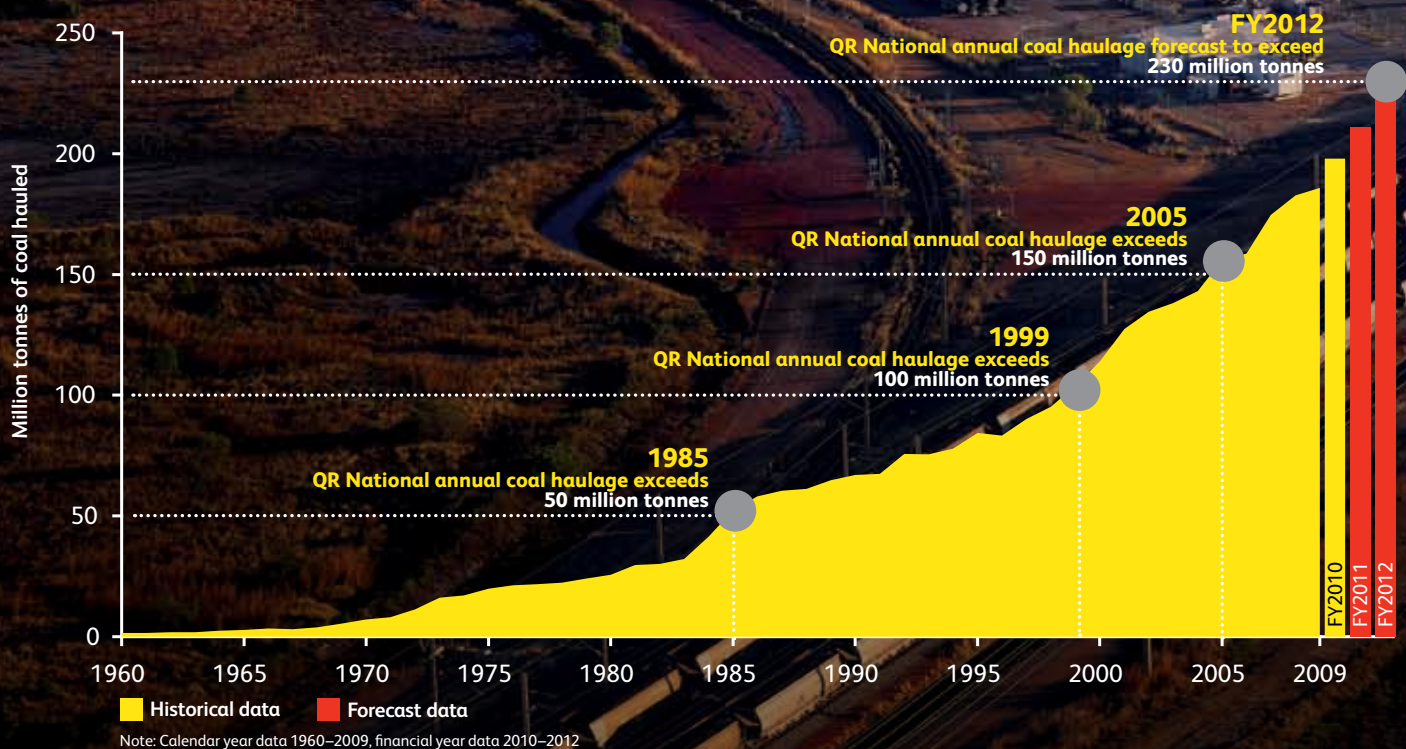


Australia's largest rail freight operator with over 145 years of experience

- Operates across Australia, transporting coal, iron ore, other bulk mineral commodities, agricultural products, mining and industrial inputs and general and containerised freight
- Transported over 260 million tonnes of coal and freight in the financial year ended 30 June 2010
- Expected to be one of the 50 largest companies on ASX by market capitalisation
- Book value of tangible fixed assets of \$7.4 billion as at 30 June 2010

See Section 4 for an overview of QR National

QR National has a track record of growth



An aerial photograph of a massive industrial coal processing and export facility. The scene is dominated by dark, sprawling piles of coal. A complex network of long, elevated conveyor belts crisscrosses the site, transporting coal from the storage areas towards the right. In the foreground, a long train of black and white hopper cars is visible on a set of tracks, moving away from the facility. The background features a bright blue body of water, likely a port or a large lake, with a small island in the distance. The sky is clear and blue, and the overall lighting suggests a bright, sunny day.

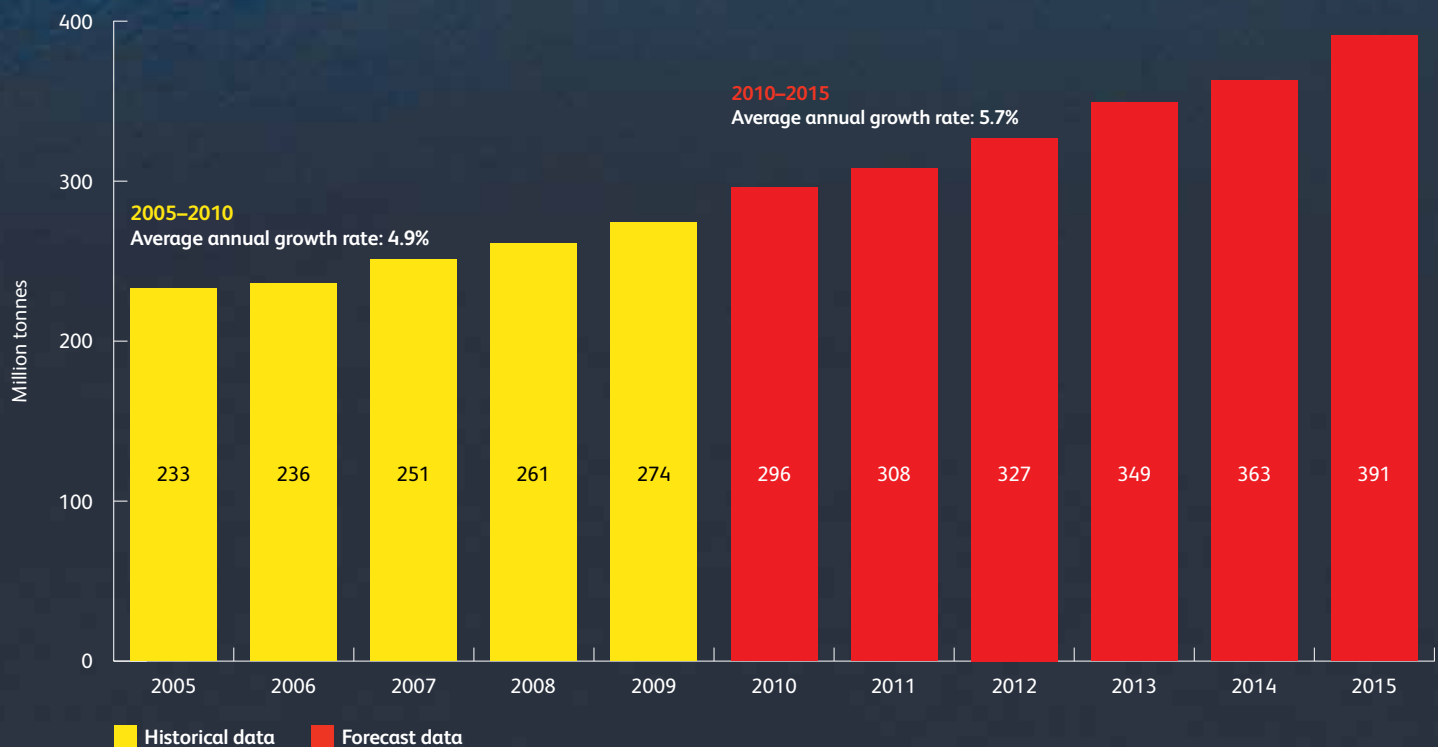
World's largest rail transporter of coal from mine to port for export markets

- Transported approximately 200 million tonnes of coal in the financial year ended 30 June 2010
- Australia exported approximately 274 million tonnes of coal, accounting for approximately one third of global coal exports in calendar year 2009
- Medium to long-term contracts with globally recognised, well established customers, including BHP Billiton Mitsubishi Alliance, BHP Billiton, Rio Tinto, Xstrata, Anglo Coal and Vale

See Section 3 for the industry overview and
Section 4 for an overview of QR National

Exposure to **growing coal and iron ore markets**, benefiting from strong Asian demand, particularly China and India

Australian coal exports are forecast to grow on average approximately 6% per year over 2010–2015



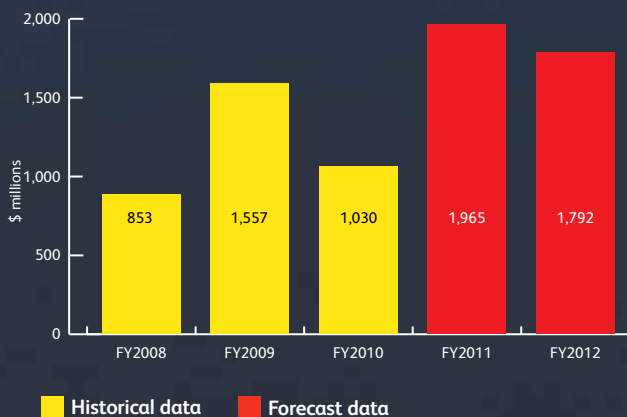
Source: Australian Commodities, ABARE, March 2010

Note: Calendar year data and historical data for 2005–2008 sourced from ABARE

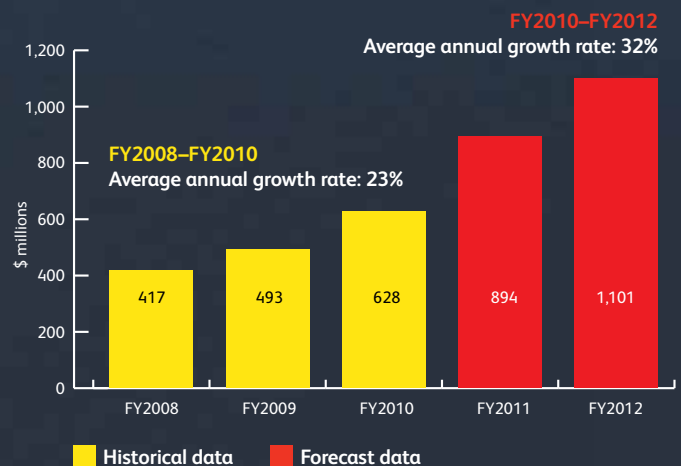


QR National is making substantial investments in locomotives, wagons and rail infrastructure to meet customer needs and growing Asian demand

Capital expenditure of over \$3.7 billion expected in FY2011 and FY2012



Pro forma EBITDA is expected to increase by 75% from FY2010 to FY2012



See Sections 8.3.3 and 8.3.4 for key assumptions underlying the Forecast Financial Information.

Note: The photo on this page is of RG Tanna Coal Terminal, Port of Gladstone. QR National transported 54 million tonnes of coal through the RG Tanna Coal Terminal in the financial year ended 30 June 2010.

See Sections 3, 4 and 8 for further details



Lorry Thomson (Engineering Production, Rollingstock Services Redbank)

See Section 4 for an overview of QR National

Continuing development of a performance-based culture to **drive profitability**

1 Be world class in safety – ZERO Harm

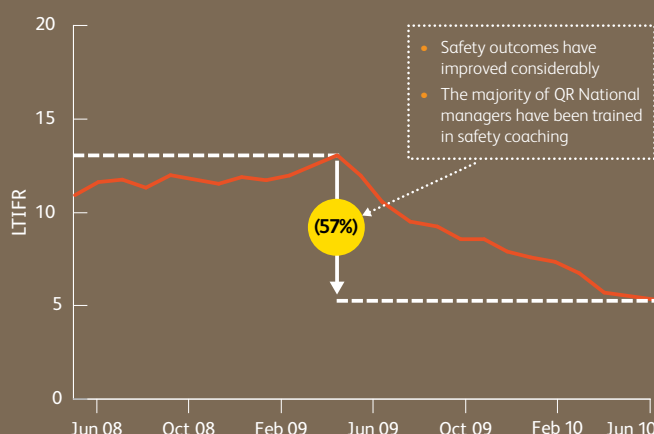
2 Continue the improvement of commercial capabilities, including a focus on

- Capital productivity
- Best in class procurement
- Contract management
- Technical and operational excellence

3 Significant results achieved already

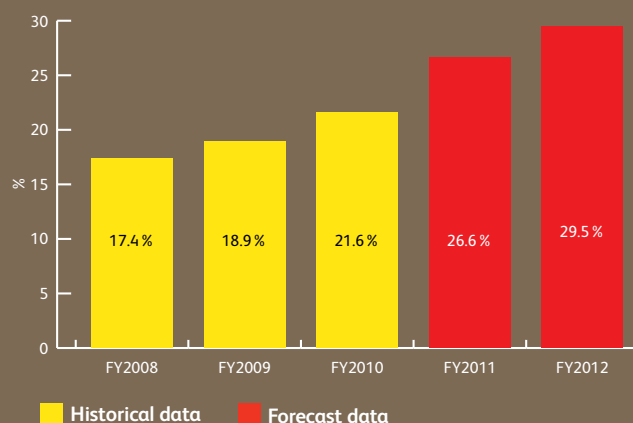
- Coal tonnes delivered to contract increased in the financial year ended 30 June 2010
- Locomotive reliability up 10% in the financial year ended 30 June 2010
- Enhanced commercial returns on recently negotiated contracts

Lost Time Injury Frequency Rate – per million hours worked



Data is sourced from QR Limited up to separation on 30 June 2010, adjusted by removing Queensland Rail. It includes historical data for the Coal and Freight businesses, and the portions of the Network, Services and Corporate areas allocated to QR National.

Pro forma EBITDA margins are expected to increase over FY2011 and FY2012





Experienced Board and management team

- The Board has multi-sector, multi-disciplinary experience in ASX-listed top 50 companies
- The executive leadership team is focused and invigorated, led by Lance Hockridge, Managing Director and Chief Executive Officer
- The management team has a combination of rail, transport, logistics and mining experience across Australia



John B Prescott AC Chairman

10 years as an executive director and seven years as Managing Director and Chief Executive Officer of The Broken Hill Proprietary Company Limited (now BHP Billiton Limited)
Director of Newmont Mining Corporation

Other members of the Board of Directors

Lance Hockridge Managing Director and Chief Executive Officer

John Atkin Non-Executive Director

Russell Caplan Non-Executive Director

Allan Davies Non-Executive Director

Graeme John AO Non-Executive Director

Peter Kenny Non-Executive Director (pictured)

Andrea Staines Non-Executive Director (pictured)

Gene Tilbrook Non-Executive Director (pictured)

Lance Hockridge Managing Director and Chief Executive Officer

30 years experience in transport and heavy industry
Former President of BlueScope Steel's North American operations

Other members of the executive management team

Michael Carter Executive Vice President and Chief Executive Officer, Network Services

Lindsay Cooper Executive Vice President and Executive General Manager, Operational Excellence

Curtis Davies Executive Vice President and Chief Executive Officer, Coal Customers and Strategy

Ken Lewsey Executive Vice President and Chief Executive Officer, Freight (pictured)

Marcus McAuliffe Executive Vice President and Chief Executive Officer, Coal Operations (pictured)

Deborah O'Toole Executive Vice President and Chief Financial Officer (pictured)

Greg Pringle Executive Vice President and Chief Corporate Services Officer

John Stephens Executive Vice President and Chief Human Resources Officer



See Section 6 for details of the full Board and management team

1. Lance Hockridge 2. John B Prescott AC 3. Ken Lewsey 4. Deborah O'Toole
5. Gene Tilbrook 6. Peter Kenny 7. Marcus McAuliffe 8. Andrea Staines



Summary of key risks

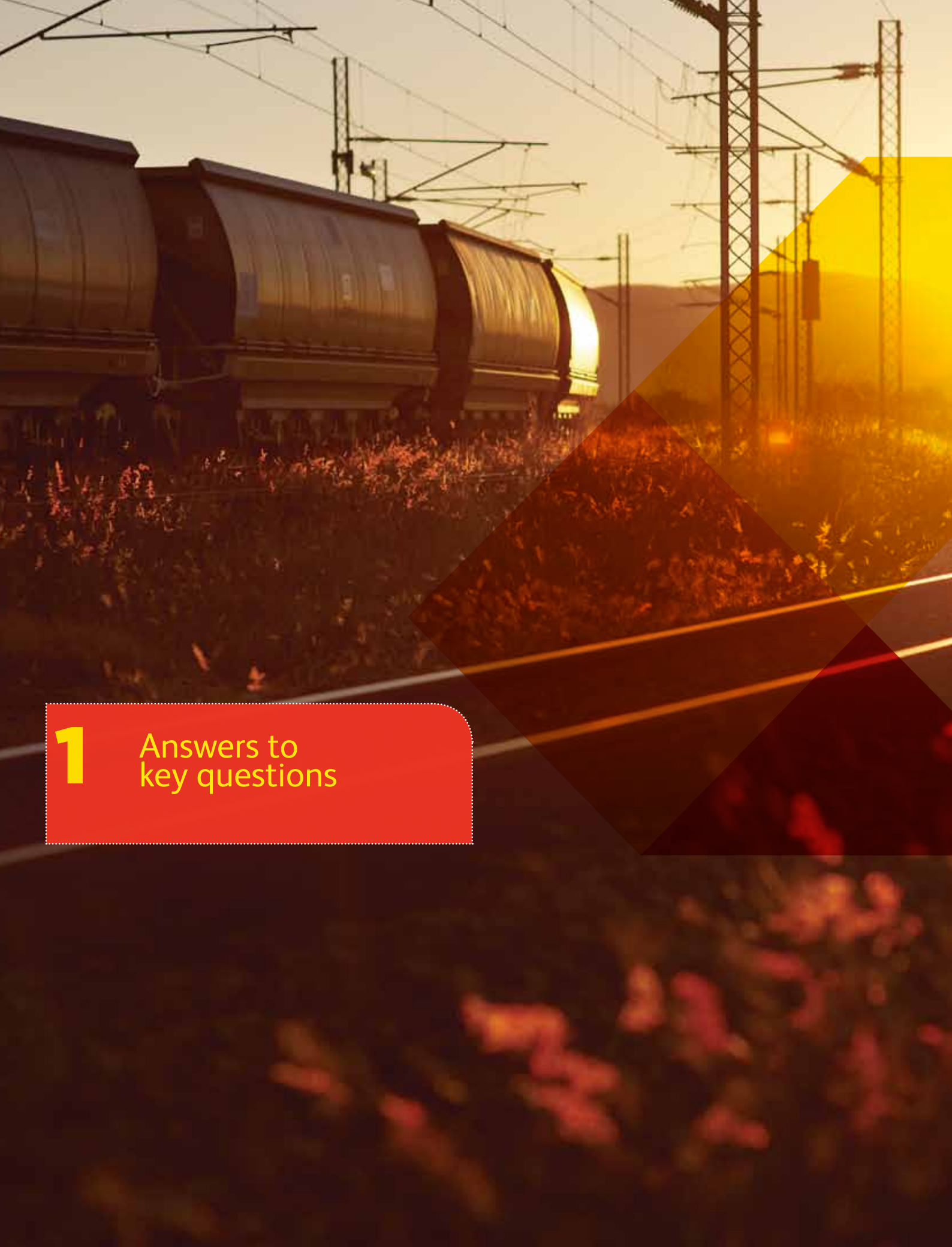
You should consider the key risks associated with an investment in QR National before deciding whether to apply for Shares.

The occurrence of any of these risks may have a material adverse impact on QR National's business, operational performance and financial results.

The key risks include, but are not limited to, the following:

- There may be a reduction in coal demand from export markets, in particular from China, India, Japan, Taiwan and Korea
- The introduction of a carbon or similar tax or change in legislation or policy in relation to greenhouse gas emissions in any of the major markets for coal may reduce the demand for coal, especially thermal coal. If introduced in Australia, this may make the price of Australian coal less competitive, or may increase QR National's operating costs
- QR National may fail to renew contracts with major customers or to renew them on the same or more favourable terms, customers may choose to delay or suspend currently planned projects or choose to provide either or both above or below rail services for themselves, or a major customer may suffer a financial failure or default in a payment obligation
- Volumes actually hauled by rail may be less than volumes contracted. Revenue protection mechanisms in contracts may not completely protect QR National's revenue against tonnage shortfalls
- Port capacity or other critical links in the coal and iron ore export supply chains may restrict growth in coal and iron ore export volumes
- QR National may fail to effectively execute its growth strategy or transform to a privatised business model
- QR National's network is subject to extensive regulation that significantly affects its business, and there is a risk of regulatory outcomes that are adverse to QR National
- Any significant reduction in the regulated tariffs QR National's network business is entitled to levy could adversely affect QR National's financial performance
- QR National is exposed to the risk that the costs of network operations or capital expenditure programs may exceed the amounts allowed in the determination of QR National's regulated revenues
- QR National may be required to increase its contributions to ensure adequate provisioning to meet the defined benefit superannuation payments for its employees
- Strikes, industrial action or a failure to resolve a material dispute with labour unions may disrupt QR National's operations
- QR National's competitive position may deteriorate as a result of actions by competitors and customers, the entry of new competitors or a failure by QR National to continue to position itself successfully
- QR National may be unable to effectively manage or complete its capital expenditure plans within budget or within the intended timeframe
- QR National may be unable to attract or retain skilled employees
- QR National may lose, fail to maintain or be unable to renew the rail accreditations necessary for it to carry on its rail operations
- An industrial incident or accident may occur that results in serious injury or death, damage to property or the environment or business interruption. QR National may also fail to comply with national, state and local environmental laws and regulations
- QR National may not always be able to obtain financing on commercially acceptable terms and on a timely basis
- Adverse weather conditions may have a negative impact on a customer and/or directly impede QR National's ability to provide its services
- If implemented, the Minerals Resource Rent Tax announced by the Australian Government could result in an increase in operating costs for mining assets based in Australia. This proposed tax may impact the growth in volumes hauled by QR National
- Following completion of the Offer, the State is likely to retain a significant shareholding in QR National. A future sale of Shares by the State could adversely affect the market price of the Shares

See Section 9 for further information on the key risks



1 Answers to key questions

1 Answers to key questions

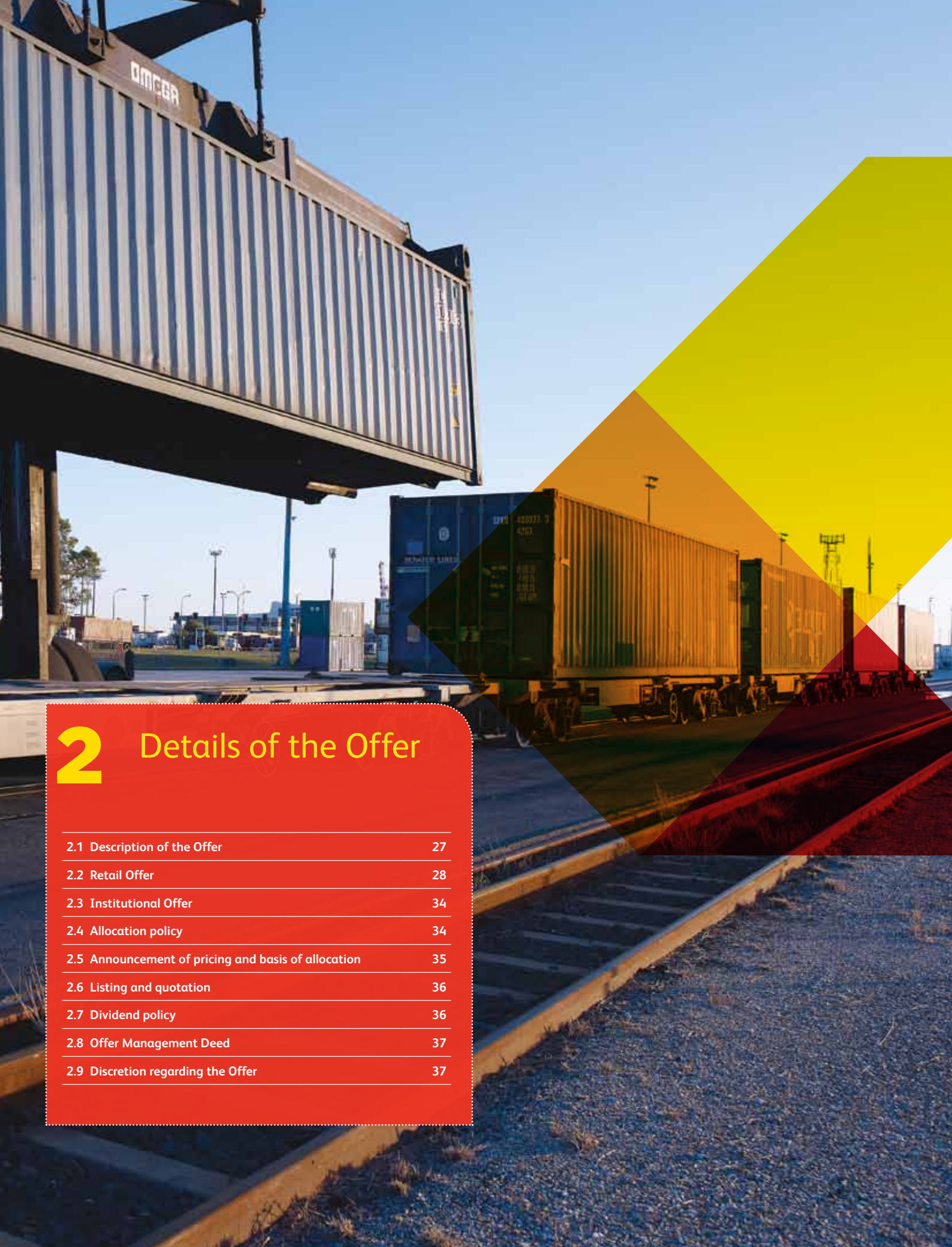
Question	Answer	Where to find more information
What is being offered?	Fully paid ordinary shares in QR National to be quoted on ASX (under the code QRN).	Section 2
Who is offering the Shares?	The State of Queensland.	Section 2
What does QR National do?	QR National is the largest rail freight haulage business in Australia by tonnes hauled, operating in key freight sectors and supply chains across the country. QR National also operates and manages the Central Queensland Coal Network under 99 year lease arrangements with the State. QR National is also a provider of specialist rail engineering, construction and maintenance services in Australia.	Section 4
What is the Offer structure?	The Offer comprises the Retail Offer and the Institutional Offer. The Retail Offer comprises the Broker Firm Offer, General Public Offer and Employee Gift Offer.	Sections 2 and 10
How will the price per Share be determined?	The State has set an Indicative Price Range of \$2.50 to \$3.00 per Share. The Institutional Price will be determined at completion of the Institutional Bookbuild by the State, after consultation with the JLMs. The Retail Price will be the lower of: • 10 cents per Share less than the Institutional Price; or • \$2.80 per Share. See Section 2.2.2 for information on the Retail Investor Incentives.	Sections 2.2.2 and 2.3.2
What is the Offer size?	The Base Offer Size is between 1,464.0m and 1,683.6m Shares, before the exercise of any Over-allocation Option.	Section 2
What is the Over-allocation Option?	The Over-allocation Option is the option granted by the State to the JLMs to purchase from the State up to an additional 6% of Shares on issue representing up to 146.4m Shares to cover over-allocations, if any.	Section 2.4.3
What will the market capitalisation of QR National be upon completion of the Offer?	Based on the Indicative Price Range, the market capitalisation of QR National will be between \$6,100m and \$7,320m on completion of the Offer.	Section 2
Who will receive the proceeds of the Offer?	The State will receive the proceeds of the Offer and pay the majority of the costs and expenses of the Offer. None of the proceeds will be received by QR National.	Section 2
Is the Offer underwritten?	The Offer is not underwritten.	Section 2
Who currently owns the Shares?	The State currently owns 100% of the Shares. Following completion of the Offer, the State will retain an interest of 25% – 40% in QR National, regardless of whether the Over-allocation Option is exercised. The State has agreed not to sell its remaining interest in QR National until at least the release of QR National's results for the financial year ending 30 June 2012, subject to a number of exceptions set out in Section 7.1.3. The State does not intend to influence QR National other than through the exercise of its normal voting rights in matters submitted to a vote of Shareholders.	Sections 2 and 7

1 Answers to key questions

Question	Answer	Where to find more information
Will QR National pay dividends?	The Directors normally expect QR National to pay dividends in arrears for the six month periods ended 31 December (interim dividend) and 30 June (final dividend). See Section 2.7 for the dividend policy of QR National. Subject to the forecasts in the Forecast Financial Information being achieved and other relevant factors, the Directors expect to pay dividends as follows: - the first dividend of 3.7 cents per Share is expected to be paid in September 2011 in respect of the period from 1 December 2010 to 30 June 2011; and - dividend of 8.3 cents per Share is expected to be paid in respect of the financial year ended 30 June 2012.	Section 2.7
Will the dividends be franked?	The Directors intend to frank dividends to the greatest extent possible; however, at the time of Listing, QR National will have no available franking credits. As a result, the first dividend payable in September 2011 will not be franked. In addition, because cash tax payable by QR National is expected to be minimal over the Forecast Period, dividends are not expected to be franked during the Forecast Period and after that time may only be partly franked.	Section 2.7
What are the tax considerations of investing in the Shares?	Shareholders will generally be subject to Australian tax on dividends. The tax consequences of any investment in Shares will depend upon your particular circumstances. You should obtain your own tax advice before applying for Shares.	Section 10.9
How can I apply?	You may apply for Shares online at qrnshareoffer.com.au, or by submitting an Application Form together with your Application Payment. If you are a Broker Firm Applicant, you should apply in accordance with the instructions received from your Broker.	Orange Application Instructions in the centre of this Offer Document
Am I eligible to participate in the Retail Offer?	You are eligible to participate in the Retail Offer if you are an Australian resident. The Retail Offer comprises three components which have different eligibility requirements: - General Public Offer – all Australian residents are eligible to participate in the General Public Offer; - Broker Firm Offer – to determine your eligibility to participate in the Broker Firm Offer you should contact your Broker; and - Employee Gift Offer – only Eligible Employees are eligible to participate in the Employee Gift Offer.	Section 2
What is the minimum Application size under the Offer?	The minimum Application size is \$2,000 under the Broker Firm Offer and General Public Offer.	Section 2
What is the allocation policy?	See Section 2.4 for the allocation policy for the Retail Offer and the Institutional Offer.	Section 2.4
Is there any brokerage fee, commission or stamp duty payable by Applicants?	No brokerage fee, commission or stamp duty is payable by you on Shares allocated under the Offer.	

1 Answers to key questions

Question	Answer	Where to find more information
When will I receive confirmation that my Application has been successful?	On or around 22 November 2010, the State will announce (by placing advertisements in major national and metropolitan newspapers in Australia) the Retail Price and the basis of allocation of Shares. You will be able to check your allocation of Shares at qrnshareoffer.com.au from 22 November 2010 using your unique Application Reference Number. If Shares are allocated to you under the Offer, it is expected that holding statements will be despatched to you by mail on or around 6 December 2010. If you are a Broker Firm Applicant, you should contact your Broker to confirm your allocation of Shares.	Section 2
Where can I find more information?	The full details of the Offer are set out in this Offer Document. You may wish to seek advice from your stockbroker, accountant or other professional adviser. If you would like more information on applying for Shares, you may call 1800 776 476 (within Australia) or +61 3 9938 4376 (outside Australia) between 7.00 am and 11.00 pm (Brisbane time) Monday to Friday.	Section 2



2 Details of the Offer

2.1 Description of the Offer	27
2.2 Retail Offer	28
2.3 Institutional Offer	34
2.4 Allocation policy	34
2.5 Announcement of pricing and basis of allocation	35
2.6 Listing and quotation	36
2.7 Dividend policy	36
2.8 Offer Management Deed	37
2.9 Discretion regarding the Offer	37

2 Details of the Offer

2.1 Description of the Offer

2.1.1 Components of the Offer

The Offer comprises the Retail Offer and the Institutional Offer.

The Retail Offer consists of the following three components:

- Broker Firm Offer — the invitation under this Offer Document to apply for Shares made to an Australian resident client of a Co-lead Manager, Co-manager or Broker who are offered a firm allocation of Shares (Broker Firm Applicant);
- General Public Offer — the invitation under this Offer Document to apply for Shares made to Retail Investors who are not Broker Firm Applicants; and
- Employee Gift Offer — the invitation under this Offer Document to Eligible Employees to apply for \$1,000 worth of Shares (rounded down to the nearest Share) for no monetary payment. Eligible Employees can also apply for additional Shares in the General Public Offer or, if they are Broker Firm Applicants, the Broker Firm Offer.

Details of each component of the Retail Offer and the allocation policy under the Retail Offer are described in Section 2.2 and Section 2.4.1, respectively.

The Institutional Offer consists of an invitation to Institutional Investors in Australia to apply for Shares under this Offer Document, and an invitation to Institutional Investors in a number of other jurisdictions to apply for Shares under the Institutional Offering Memorandum. Details of the Institutional Offer and the allocation policy under the Institutional Offer are described in Section 2.3 and Section 2.4.2, respectively.

The Retail Offer and the Institutional Offer are conditional on each other. If one does not proceed, the other will not proceed.

2.1.2 Offer size and ability to increase the Offer size

QR National has 2,440m Shares on issue.

The base size of the Offer is between 1,464.0m – 1,683.6m Shares (Base Offer Size), or between 60 % – 69 % of Shares on issue as at the Offer Date.

The State, after consultation with the JLMs, may over-allocate up to 6 % of Shares on issue to Institutional Investors under the Institutional Offer. The State has granted to the JLMs an option to purchase up to an additional 6 % of the Shares on issue at the Institutional Price to cover over-allocations, if any (Over-allocation Option). A full exercise of the Over-allocation Option by the JLMs would increase the size of the Offer by 146.4m Shares above the Base Offer Size, which would result in a total Offer size of between 1,610.4m – 1,830.0m Shares, or between 66 % and 75 % of the Shares on issue as at the Offer Date.

Following the completion of the Offer, it is expected the State will own between 25 % – 40 % of the Shares on issue, or between 610.0m – 976.0m Shares, regardless of whether the Over-allocation Option is exercised.

See Section 2.4.3 for details of the Over-allocation Option.

2.1.3 Purpose of the Offer and use of proceeds

The purpose of the Offer is to provide:

- an opportunity for the State to sell down a portion of its current shareholding in QR National; and
- QR National with commercial independence and access to capital markets, to give it additional management and financial flexibility for growth and development opportunities.

The State will receive the proceeds of the Offer and pay the majority of the costs and expenses of the Offer. None of the proceeds of the Offer will be received by QR National.

2 Details of the Offer

2.2 Retail Offer

2.2.1 Key dates

Table 1 sets out the key dates relevant for the Retail Offer.

Table 1 Retail Offer key dates	
Retail Offer opens	10 October 2010
Retail Offer closes and Applications due	5.00 pm (Brisbane time), 12 November 2010
Retail Price, Institutional Price and the basis of allocations announced by	22 November 2010
Listing, trading on conditional and deferred settlement basis commences on ASX	22 November 2010
Trading on deferred settlement basis commences on ASX	1 December 2010
Holding statements despatched	6 December 2010
Trading on normal settlement basis commences on ASX	7 December 2010
First settlement date of all ASX trades	10 December 2010
Expected first dividend payment	September 2011
Record date to receive Loyalty Bonus Shares	7 December 2011

Dates may change

If you wish to apply for Shares, you are encouraged to do so as soon as possible.

The State, after consultation with the JLMs, reserves the right to amend the dates above without notice including (subject to the Corporations Act and the ASX Listing Rules), to close the Offer early, to extend the Closing Date, to accept late Applications, or to cancel the Offer before Settlement. If the Offer is cancelled before Settlement (on or about 30 November 2010), then all Application Payments will be refunded in full (without interest) to Applicants as soon as practicable.

Quotation on ASX

QR National will apply to ASX for Shares to be quoted on ASX. Quotation of Shares is not guaranteed or automatic. If ASX does not grant permission for Shares to be quoted, Shares will not be allocated and all Application Payments will be refunded in full (without interest) to Applicants as soon as practicable.

2 Details of the Offer

2.2.2 Retail Investor Incentives and Retail Price

2.2.2.1 Retail Investor Incentives

The State is providing Retail Investor Incentives under the Retail Offer which comprise a Retail Price Discount, a Maximum Price per Share and an entitlement to Loyalty Bonus Shares.

Table 2 sets out a description of the Retail Investor Incentives.

Table 2 Retail Investor Incentives

Retail Investor Incentive	Description
Retail Price Discount	You can apply for Shares at a discount of 10 cents per Share to the Institutional Price. See Section 2.2.2.2 for how to determine the Retail Price.
Maximum Price per Share	You will pay no more than the Maximum Price per Share of \$2.80 under the Retail Offer. See Section 2.2.2.2 for how to determine the Retail Price.
Loyalty Bonus Shares	You may be entitled to Loyalty Bonus Shares (subject to certain conditions) in the following ratios: • if you are a Queensland resident Retail Investor—1 for 15 up to a maximum of 675 Loyalty Bonus Shares; or • if you are a non-Queensland resident Retail Investor—1 for 20 up to a maximum of 500 Loyalty Bonus Shares. Shares allocated under the Employee Gift Offer do not carry any entitlement to Loyalty Bonus Shares under the Retail Offer. See Section 2.2.2.3 for further information on Loyalty Bonus Shares.

The Retail Investor Incentives have the effect of reducing the price paid per Share by Retail Investors compared to Institutional Investors. Retail Investors will also receive more Shares than Institutional Investors for the same amount invested.

See Section 2.2.2.4 for an example of how to determine the effective discount you will receive as a result of applying the Retail Investor Incentives to an allocation of \$10,000 worth of Shares under the Retail Offer as either a Queensland resident Retail Investor or a non-Queensland resident Retail Investor.

2 Details of the Offer

2.2.2.2 Determining the Retail Price

Under the Retail Offer, you will pay the Retail Price, which will be the lower of:

- the Institutional Price less the Retail Price Discount of 10 cents per Share; or
- the Maximum Price per Share of \$2.80.

Table 3 sets out an example of how to determine the Retail Price across the Indicative Price Range. The example illustrates how the application of the Maximum Price per Share increases the Retail Price discount to the Institutional Price where the Institutional Price exceeds \$2.90. The Institutional Price may be set within, above or below the Indicative Price Range.

Table 3 Determining the Retail Price						
	Indicative Price Range					
If the Institutional Price is set at:	\$2.50	\$2.60	\$2.70	\$2.80	\$2.90	\$3.00
Then, the Retail Price will be:	\$2.40	\$2.50	\$2.60	\$2.70	\$2.80	\$2.80
Discount of Retail Price to Institutional Price	4.0%	3.8%	3.7%	3.6%	3.4%	6.7%

Note: The Institutional Price may be set within, above or below the Indicative Price Range.

The Retail Price will only apply to the first \$250,000 worth of Shares (rounded down to the nearest Share) allocated to you under the Retail Offer. If you are allocated Shares above that amount, you will pay the Institutional Price for those Shares.

2.2.2.3 Loyalty Bonus Shares

You may be entitled to receive Loyalty Bonus Shares from the State if you:

- are allocated Shares under the Retail Offer (other than in the Employee Gift Offer) at the Retail Price; and
- hold Shares allocated to you continuously in the same registered name until 7 December 2011.

Your right to receive Loyalty Bonus Shares will expire immediately after you fail to satisfy one of these conditions.

Your entitlement to Loyalty Bonus Shares will also be determined by the address used to register any Shares allocated to you. If you nominate a Queensland address on your Application Form, you will be taken to represent and warrant to the State that you are a Queensland resident, being a person whose usual place of residence is situated in Queensland.

If you are a Queensland resident, you may be eligible to receive one Loyalty Bonus Share for every 15 Shares allocated to you under the Retail Offer (other than under the Employee Gift Offer) and held continuously until 7 December 2011, up to a maximum of 675 Loyalty Bonus Shares.

If you are not a Queensland resident, you may be eligible to receive one Loyalty Bonus Share for every 20 Shares allocated to you under the Retail Offer (other than under the Employee Gift Offer) and held continuously until 7 December 2011, up to a maximum of 500 Loyalty Bonus Shares.

The number of Loyalty Bonus Shares you will be eligible to receive will be calculated based on the lowest number of Shares held continuously by you between the date you are allocated Shares under the Retail Offer and 7 December 2011, with any fractional entitlements to Loyalty Bonus Shares to be rounded down to the nearest whole number.

2 Details of the Offer

See Section 10.4 for information about the requirement to hold the Shares continuously, including in the same registered name. See Section 10.9.2 for taxation considerations in relation to the Loyalty Bonus Shares. In submitting your Application Form, you are automatically applying for Loyalty Bonus Shares to which you may become entitled under the terms of the Retail Offer.

The Loyalty Bonus Shares will be transferred by the State from its retained holding of Shares to Shareholders who meet the conditions of eligibility.

Table 4 sets out examples of how to determine the number of Loyalty Bonus Shares to which you may be entitled if you are allocated \$10,000 worth of Shares. Your entitlement to Loyalty Bonus Shares will be determined on 7 December 2011 and Loyalty Bonus Shares will be allocated to you following the determination of entitlements.

Table 4 Determining the number of Loyalty Bonus Shares you may be entitled to

	Indicative Price Range					
If the Institutional Price ¹ is set at	\$2.50	\$2.60	\$2.70	\$2.80	\$2.90	\$3.00
Then, the Retail Price will be	\$2.40	\$2.50	\$2.60	\$2.70	\$2.80	\$2.80

Queensland resident Retail Investor

Number of Shares allocated (\$10,000 divided by Retail Price) ²	4,166	4,000	3,846	3,703	3,571	3,571
Entitlement ratio for Loyalty Bonus Shares	1 for 15	1 for 15	1 for 15	1 for 15	1 for 15	1 for 15
Number of Loyalty Bonus Shares entitled to (up to maximum of 675) ²	277	266	256	246	238	238

Non-Queensland resident Retail Investor

Number of Shares allocated (\$10,000 divided by Retail Price) ²	4,166	4,000	3,846	3,703	3,571	3,571
Entitlement ratio for Loyalty Bonus Shares	1 for 20	1 for 20	1 for 20	1 for 20	1 for 20	1 for 20
Number of Loyalty Bonus Shares entitled to (up to maximum of 500) ²	208	200	192	185	178	178

Note:

1 The Institutional Price may be set within, above or below the Indicative Price Range.

2 Number of Shares allocated and number of Loyalty Bonus Shares entitled to after applying the entitlement ratio are rounded down to the nearest whole number.

2 Details of the Offer

2.2.2.4 Determining effective discount

Table 5 sets out examples of how to determine the effective discount to the Institutional Price you will receive as a result of applying the Retail Investor Incentives to an allocation of \$10,000 worth of Shares if you are either a Queensland resident Retail Investor or a non-Queensland resident Retail Investor. This example assumes that you hold the Shares allocated to you under the Retail Offer continuously in the same registered name until 7 December 2011. The effective discount to the Institutional Price set out in Table 5 is calculated across the Indicative Price Range. The value of any Loyalty Bonus Shares you are entitled to receive after 7 December 2011 may be higher or lower than the Retail Price.

Table 5 Determining the effective discount of Retail Investor Incentives

	Indicative Price Range					
If the Institutional Price ¹ is set at	\$2.50	\$2.60	\$2.70	\$2.80	\$2.90	\$3.00
Then, the Retail Price will be	\$2.40	\$2.50	\$2.60	\$2.70	\$2.80	\$2.80
Discount of Retail Price to Institutional Price	4.0%	3.8%	3.7%	3.6%	3.4%	6.7%

Queensland resident Retail Investor

Number of Shares allocated (\$10,000 divided by Retail Price) ²	4,166	4,000	3,846	3,703	3,571	3,571
Entitlement ratio for Loyalty Bonus Shares	1 for 15	1 for 15	1 for 15	1 for 15	1 for 15	1 for 15
Number of Loyalty Bonus Shares entitled to (up to maximum of 675) ³	277	266	256	246	238	238
Total number of Shares allocated	4,443	4,266	4,102	3,949	3,809	3,809
Effective price per Share⁴	\$2.25	\$2.34	\$2.44	\$2.53	\$2.63	\$2.63
Effective discount to the Institutional Price⁵	10.0%	9.8%	9.7%	9.6%	9.5%	12.5%

Non-Queensland resident Retail Investor

Number of Shares allocated (\$10,000 divided by Retail Price) ²	4,166	4,000	3,846	3,703	3,571	3,571
Entitlement ratio for Loyalty Bonus Shares	1 for 20	1 for 20	1 for 20	1 for 20	1 for 20	1 for 20
Number of Loyalty Bonus Shares entitled to (up to maximum of 500) ³	208	200	192	185	178	178
Total number of Shares allocated	4,374	4,200	4,038	3,888	3,749	3,749
Effective price per Share⁴	\$2.29	\$2.38	\$2.48	\$2.57	\$2.67	\$2.67
Effective discount to the Institutional Price⁵	8.6%	8.4%	8.3%	8.1%	8.0%	11.1%

Notes:

1 The Institutional Price may be set within, above or below the Indicative Price Range.

2 Number of Shares allocated through the Retail Offer rounded down to the nearest whole number.

3 Number of Loyalty Bonus Shares you may be entitled to rounded down to the nearest whole number. If you are entitled to Loyalty Bonus Shares, these will not be allocated until after 7 December 2011.

4 \$10,000 divided by total number of Shares allocated including Loyalty Bonus Shares, rounded to the nearest cent.

5 Represents the effective price per Share (prior to rounding) relative to the Institutional Price.

2 Details of the Offer

2.2.3 Components of the Retail Offer

Details of each component of the Retail Offer are set out below.

Table 6 Components of the Retail Offer

Who can apply for Shares in the Retail Offer?	How many Shares can you apply for?	Will you be allocated all the Shares that you apply for if the Offer is over-subscribed?	Are you eligible for the Retail Investor Incentives?
Broker Firm Offer Retail Investors who are offered a firm allocation by a Co-lead Manager, Co-manager or Broker.	Your Broker will inform you of your broker firm allocation. The minimum Application size is \$2,000 and multiples of \$100 thereafter.	If your Broker has offered you a broker firm allocation of Shares and you have taken up that allocation, your Application will not be scaled back.	✓
General Public Offer Retail Investors who are not Broker Firm Applicants. This includes clients of Brokers who apply for more Shares than their broker firm allocation and Eligible Employees who apply for Shares in addition to Shares applied for under the Employee Gift Offer.	The minimum Application size is \$2,000 and multiples of \$100 thereafter.	If you have pre-registered for an Offer Document, you are guaranteed an allocation of Shares. If the Offer is over-subscribed, your Application may be scaled back. If you are a Queensland resident, you will be given a priority allocation of Shares in the event of any scale back.	✓
Employee Gift Offer Eligible Employees are entitled to participate in the Employee Gift Offer. See Section 10.5 for further details on the Employee Gift Offer, including holding restrictions.	Eligible Employees are offered the opportunity to apply for \$1,000 worth of Shares (rounded down to the nearest number of Shares) for no monetary payment.	Eligible Employees who apply for \$1,000 worth of Shares (rounded down to the nearest number of Shares) for no monetary payment as part of the Employee Gift Offer will be guaranteed that amount.	✓ excluding entitlement to Loyalty Bonus Shares

Note:

The Retail Price will only apply to the first \$250,000 worth of Shares (rounded down to the nearest Share) allocated to you under the Retail Offer. If you are allocated Shares above that amount, you will pay the Institutional Price for those Shares. Subject to the conditions described in Section 2.2.2.3, Queensland resident Retail Investors may be entitled to receive up to a maximum of 675 Loyalty Bonus Shares and non-Queensland resident Retail Investors may be entitled to receive up to a maximum of 500 Loyalty Bonus Shares.

For details on how to apply under the Retail Offer, see the orange Application Instructions in the centre of this Offer Document. See Section 2.4 for details of the allocation policy under the Retail Offer.

2.2.4 Shareholding limit

No Applicant, whether acting alone or with its associates, is permitted to acquire more than 15 % of the Shares on issue.

2.2.5 Insufficient Application Payment

If the amount of your Application Payment is less than the amount set out in your Application Form, you may be taken to have applied for such lower number of Shares as your cleared Application Payment will pay for (and to have specified that amount in your Application Form) or your Application Form may be rejected. Your Application Payment will be taken to be the amount of your total BPAY payment or cheque(s)/money order(s) that are received by the State in cleared funds.

2.2.6 Refunds

You will receive a refund if you have applied and paid for more Shares than you are allocated unless that refund amount is less than the value of one Share in which case no refund will be paid. You will receive a refund if your Application Payment is rejected for any reason, including late receipt of your Application. You will receive any refund by cheque. No interest will be paid to you on any Application Payment that is refunded. Any refunds will be returned as soon as practicable.

2 Details of the Offer

2.2.7 Terms and conditions of Applications

Your Application represents an offer to acquire Shares from the State on the terms and conditions set out in this Offer Document and the relevant Application Form, and, in particular, you will be deemed to have represented that you are eligible to participate in the Offer under the selling restrictions set out in Section 10.15.

If you nominate a Queensland address on your Application Form, you will be taken to represent and warrant to the State that you are a Queensland resident, being a person whose usual place of residence is situated in Queensland.

A contract will be formed when the State accepts your Application on the allocation of Shares. This contract is conditional on ASX agreeing to quote the Shares and on Settlement occurring. The State may accept your offer without further notice to you. If Shares are allocated to you, you will receive a holding statement. Holding statements are expected to be despatched on or around 6 December 2010.

2.2.8 Discretion over Applications

If the State is advised by the JLMs that investors who would typically be regarded as Institutional Investors have applied as Retail Investors, the State reserves the right to treat such Applications as Applications under the Institutional Offer.

The State reserves the right to aggregate or reject Applications which appear to be multiple Applications from the same person. However, Broker Firm Applicants or Eligible Employees may also lodge an Application under the General Public Offer. An Application by you acting in another legal capacity (such as a trustee of a trust) will not be treated as a multiple Application. In completing your Application, you must not use fictitious names or aliases.

See Section 2.9 for other matters over which the State and the JLMs have discretion regarding the Offer.

2.3 Institutional Offer

2.3.1 Overview

The Institutional Offer comprises invitations under:

- this Offer Document to Institutional Investors in Australia;
- this Offer Document to Brokers who elect to bid for Shares under the Institutional Offer on behalf of their Australian retail clients; and
- the Institutional Offering Memorandum to Institutional Investors in certain jurisdictions outside Australia.

The Institutional Offer will open on 18 November 2010 and close on 19 November 2010, unless varied by the State, after consultation with the JLMs. Bids may be submitted, amended

or withdrawn by Institutional Investors up until the close of the Institutional Offer. Any bid not withdrawn by this time (or such other time as varied by the State, after consultation with the JLMs) will be deemed to be an irrevocable offer by the relevant Institutional Investor to purchase the Shares bid for (or such a lesser number as may be allocated) at or below the price bid per Share, on the terms and conditions in any bidding instructions provided by the JLMs to participants and the conditions regarding quotation on ASX described to in Section 2.6.1.

Institutional Investors in Australia will also be deemed to have represented that they are eligible to participate in the Offer under the selling restrictions set out in Section 10.15. Bids can be accepted or rejected in whole or in part by the State, after consultation with the JLMs, in its absolute discretion, without further notice to the Institutional Investor.

Details of arrangements for bidding and settlement of allocations of Shares will be provided to participants in the Institutional Offer.

2.3.2 Institutional Price

After the close of the Institutional Offer, the Institutional Price will be determined by the State, after consultation with the JLMs.

In determining the Institutional Price, the State will have regard to considerations including the level of overall demand for Shares, the level of demand for Shares in the Institutional Bookbuild at various prices, prevailing market conditions, the desire for an orderly after-market and an ownership base of long-term Shareholders.

All Successful Applicants in the Institutional Offer will pay the Institutional Price which may be set within, above or below the Indicative Price Range, but will not necessarily be the highest price at which Shares could be sold.

2.4 Allocation policy

2.4.1 Allocation under the Retail Offer

A proportion of the Shares to be allocated in the Retail Offer will be reserved for Broker Firm Applicants under the Broker Firm Offer and Eligible Employees under the Employee Gift Offer. Any Shares not allocated to these components of the Offer will be allocated to Retail Investors under the General Public Offer and to Institutional Investors under the Institutional Offer. The State will determine the allocation of Shares under the Retail Offer, after consultation with the JLMs.

If you have pre-registered for an Offer Document and apply for Shares, you will be guaranteed an allocation of Shares. This allocation of Shares may be less than the amount for which you apply.

2 Details of the Offer

If the General Public Offer is over-subscribed and Applications must be scaled back:

- Queensland residents will receive a priority allocation over other Applicants; and then
- Retail Investors who pre-registered for an Offer Document will receive a priority allocation over Retail Investors who did not pre-register.

Brokers will be responsible for ensuring that their Broker Firm Applicants receive the relevant Shares under their broker firm allocation. Neither the State nor the JLMs will be responsible for the allocation of Shares to Broker Firm Applicants under the Broker Firm Offer.

2.4.2 Allocation under the Institutional Offer

The State will determine the allocation of Shares among Institutional Investors in the Institutional Offer, after consultation with the JLMs. There is no assurance that any participant in the Institutional Offer will be allocated any Shares or the number of Shares for which it has bid.

The allocation policy will be influenced, but not constrained, by factors such as the price and number of Shares bid for by particular participants, the timeliness of the bid and any other factors that the State considers appropriate, after consultation with the JLMs.

2.4.3 Over-allocation and market stabilisation

The State, after consultation with the JLMs, may over-allocate in the Offer, up to 6% of Shares on issue to Institutional Investors under the Institutional Offer. If Shares are over-allocated to Institutional Investors, the JLMs will initially borrow Shares from the State on Settlement to facilitate the allocation of the Shares that have been over-allocated. Shares delivered on Settlement, under the borrowing arrangements, will be delivered under this Offer Document or the Institutional Offering Memorandum. The JLMs may satisfy their obligation to return Shares borrowed from the State by purchasing:

- additional Shares from the State at the Institutional Price under the Over-allocation Option granted to the JLMs by the State; and/or
- Shares on ASX, which may have the effect of stabilising the trading price of Shares.

If the Over-allocation Option is exercised in full, the final number of Shares sold by the State will increase by up to 6% of the number of Shares on issue.

The State may, after consultation with the JLMs, at any time during the 30 day period following the commencement

of conditional and deferred settlement trading of Shares on ASX, authorise the Stabilisation Manager to engage in market stabilisation activities by bidding for or purchasing Shares in accordance with procedures agreed upon with ASX and ASIC. Such purchases may have the effect of stabilising the trading price for Shares on ASX in circumstances where the trading price is at or below the Institutional Price.

During this period, the Stabilisation Manager may resell some or all of the Shares so purchased. The resale of Shares may also affect the trading price of Shares, although the Stabilisation Manager will be precluded from reselling Shares for less than the Institutional Price in these circumstances.

There is no guarantee at any time that the trading price of Shares will not drop below the Institutional Price or Retail Price. If the Over-allocation Option is exercised, the obligations of the State to deliver Shares on exercise will be offset against the JLMs' obligations to return Shares borrowed from the State. The proceeds received by the JLMs for any over-allocated Shares will be released to the State at the same time. If the Over-allocation Option is not exercised in full, the JLMs will transfer to the State the Shares purchased in market stabilisation activities which have not been resold, by way of return of Shares borrowed from the State.

The State will be entitled to receive any profits arising from market stabilisation activities, and also any interest earned on the proceeds received by the JLMs in respect of over-allocated Shares up until the time those proceeds are released to the State.

2.5 Announcement of pricing and basis of allocation

Shortly after the close of the Institutional Offer, the State will announce (by placing advertisements in major national and metropolitan newspapers in Australia) the:

- Institutional Price and the Retail Price; and
- basis of allocation of Shares to all Successful Applicants.

This is expected to take place by 22 November 2010. From that date, if you are a Broker Firm Applicant and wish to find out if your Application was successful, you should contact your Broker. Retail Investors who have been allocated Shares may visit qrnshareoffer.com.au or call 1800 776 476 (within Australia) or +61 3 9938 4376 (outside Australia) to obtain information on their allocation of Shares. You will need your Application Reference Number.

If you sell Shares before confirming your allocation, you do so at your own risk.

2 Details of the Offer

2.6 Listing and quotation

2.6.1 Quotation on ASX

QR National will apply no later than seven days after the Offer Date to have the Shares quoted on ASX.

If permission for quotation of Shares is not granted by ASX within three months after the Offer Date, or such longer period as ASX allows, Application Payments will be refunded in full (without interest) as soon as practicable.

2.6.2 Conditional and deferred settlement trading

It is expected that Shares will be quoted on ASX on or about 22 November 2010, initially on a conditional and deferred settlement basis.

The contracts formed on acceptance of Applications in the Retail Offer and bids in the Institutional Offer will be conditional on ASX agreeing to quote Shares on ASX and on Settlement occurring. Trades occurring on ASX before Settlement will be conditional on Settlement occurring.

Conditional trading will continue until QR National has advised ASX that Settlement has occurred, which is expected to be on or about 30 November 2010. Trading will then be on an unconditional but deferred basis until QR National has advised ASX that holding statements have been despatched to Successful Applicants. Normal settlement trading is expected to commence on or around 7 December 2010.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on acceptance of Applications under the Retail Offer and bids under the Institutional Offer will be cancelled and of no further effect and all Application Payments will be refunded in full (without interest) as soon as practicable. In these circumstances, all purchases and sales made through ASX participating organisations during the conditional trading period will be cancelled and of no effect.

2.6.3 CHESS and issuer sponsored shareholdings

QR National will apply to participate in the ASX's Clearing House Electronic Subregister System (CHESS), in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become Approved Financial Products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister of QR National. Successful Applicants in the Employee Gift Offer will have their Shares registered on the issuer sponsored subregister of QR National and will receive an issuer sponsored holding statement following allocation of Shares. After the allocation of Shares, Eligible Employees who have acquired additional Shares in the General Public Offer will be able to instruct their sponsoring participant to convert or transfer those additional Shares into an existing CHESS holding. For all other Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister of QR National.

Following Settlement, Shareholders will be sent a holding statement that sets out the number of Shares that they have been allocated. This statement will also provide details of a Shareholder's Holder Identification Number (HIN) for CHESS holders or, where applicable, the Securityholder Reference Number (SRN) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued of QR National.

2.7 Dividend policy

The Directors normally expect QR National to pay dividends in arrears for the six month periods ended 31 December (interim dividend) and 30 June (final dividend).

Subject to the forecasts in the Forecast Financial Information being achieved and other relevant factors, the Directors expect to pay dividends as follows:

- the first dividend of 3.7 cents per Share is expected to be paid in September 2011 in respect of the period from 1 December 2010 to 30 June 2011; and
- dividend of 8.3 cents per Share is expected to be paid in respect of the financial year ended 30 June 2012.

After the Forecast Period, the Directors' current intention is for a payout ratio of 50% of net profit after tax subject to the Directors' assessment in light of investment and growth opportunities available to QR National, the capital markets environment at the time as well as QR National's focus on maintaining a strong credit rating and enhancing long-term Shareholder value.

2 Details of the Offer

The Directors intend to frank dividends to the greatest extent possible, however, at the time of Listing, QR National will have no available franking credits given it is emerging from State ownership. As a result, the first dividend payable in September 2011 will not be franked. Franking credits will be generated in the future from cash tax paid by QR National. As described in Section 4.4, QR National is investing heavily in capital assets to meet the growth requirements of its customers. Capital allowances will be available for recent, past and anticipated capital expenditure. As a result, tax payable by QR National is expected to be minimal over the Forecast Period. Consequently, dividends are not expected to be franked during the Forecast Period and after that time may only be partly franked.

No guarantee can be given about future dividends, the level of franking of such dividends (if any) or the payout ratios for any future period as these matters will depend upon future events, as well as the key risks set out in Section 9.

2.8 Offer Management Deed

The State, QR National and the JLMs have entered into an Offer Management Deed. Under the Offer Management Deed, once the Institutional Price has been determined, the JLMs or their affiliates will be obliged to provide settlement support in respect of successful bids in the Institutional Offer. The Offer Management Deed sets out a number of circumstances under which the JLMs may terminate the Offer Management Deed and their settlement support obligations. A summary of certain terms of the Offer Management Deed and associated settlement support arrangements (including the termination provisions) is set out in Section 10.6.2 and the Appendix.

2.9 Discretion regarding the Offer

The State, after consultation with the JLMs, reserves the right not to proceed with the Offer or any part of it at any time before Settlement. If the Offer or any part of it is cancelled, all Application Payments, or the relevant Application Payments, will be refunded in full (without interest) as soon as practicable.

The State, after consultation with the JLMs, reserves the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, waive or correct any errors made by any Applicant in completing an Application Form, or allocate to any Applicant or bidder fewer Shares than applied or bid for.



3 Industry overview

3.1 Introduction	39
3.2 Australia's freight industry	39
3.3 Drivers of demand	43

3 Industry overview

3.1 Introduction

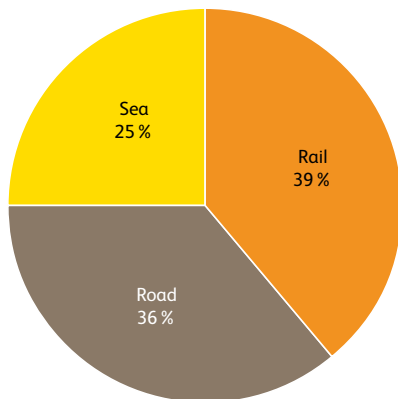
QR National operates in the Australian freight industry, particularly the rail freight industry. QR National is engaged in the haulage of coal and other materials including iron ore, grains and containerised freight. QR National also manages and operates the rail track network which services the coal producing region in central Queensland.

This Section provides an overview of the rail freight industry in Australia and includes a summary of the key drivers of demand for haulage of coal and other commodities in Australia.

3.2 Australia's freight industry

Of the total domestic Australian freight task, which measured approximately 500btk in 2006/2007, rail accounts for the greatest proportion of freight volumes, followed by road and sea freight. A small percentage of the total freight task (less than 0.1 % by btk), which is often time sensitive and/or high value freight, is carried by air.

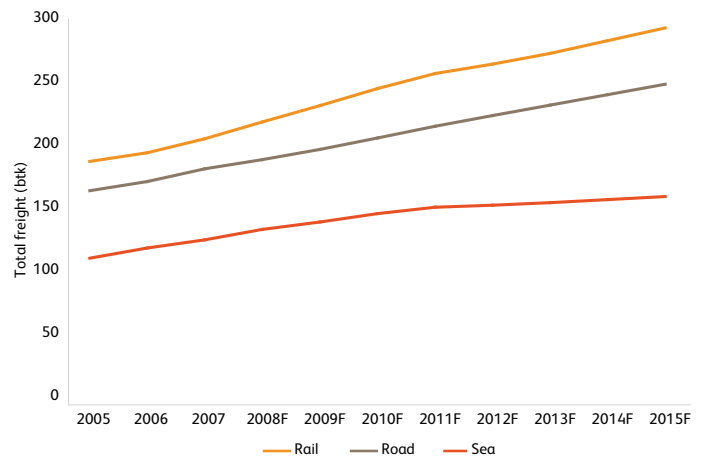
Figure 1 Australian domestic freight, breakdown by mode (by btk), FY2007



Source: BITRE 'Australian Transport Statistics' Yearbook 2009 (data to FY2007).

Over the 20 years to 2007, the total domestic freight task doubled in size, averaging growth of 3.7 % per year, with the rail freight task averaging growth of 4.8 % per year. Rail freight activity experienced a significant increase in demand in the five years to 2007. This increase in rail freight activity is expected to continue with total tonnes hauled expected to increase by an average of 3.6 % per year from 2010 to 2015, driven primarily by the growth in global demand for resources transported by rail, particularly coal and iron ore. It has also been supported by rail's competitive advantages over long distances relative to other modes of freight transport.

Figure 2 Domestic freight task trend (by btk) – FY2005 to FY2015



Compound annual growth rate

	CAGR 2005–2010	CAGR 2010–2015
Rail	5.4 %	3.6 %
Road	4.5 %	3.7 %
Sea	5.5 %	1.7 %

Source: BITRE 'Australian Transport Statistics' Yearbook 2009 and BITRE estimates. The above data is financial year data.

Note:

Data for years 2005–2007 is based on actual recorded freight. Data for 2008 onwards is forecast data by BITRE as at the time of publication of the BITRE 'Australian Transport Statistics' Yearbook 2009.

3.2.1 Australia's rail freight industry

The competitive advantage of rail over other modes of freight transport is its ability to move large volumes of freight cost-effectively over medium to long distances.

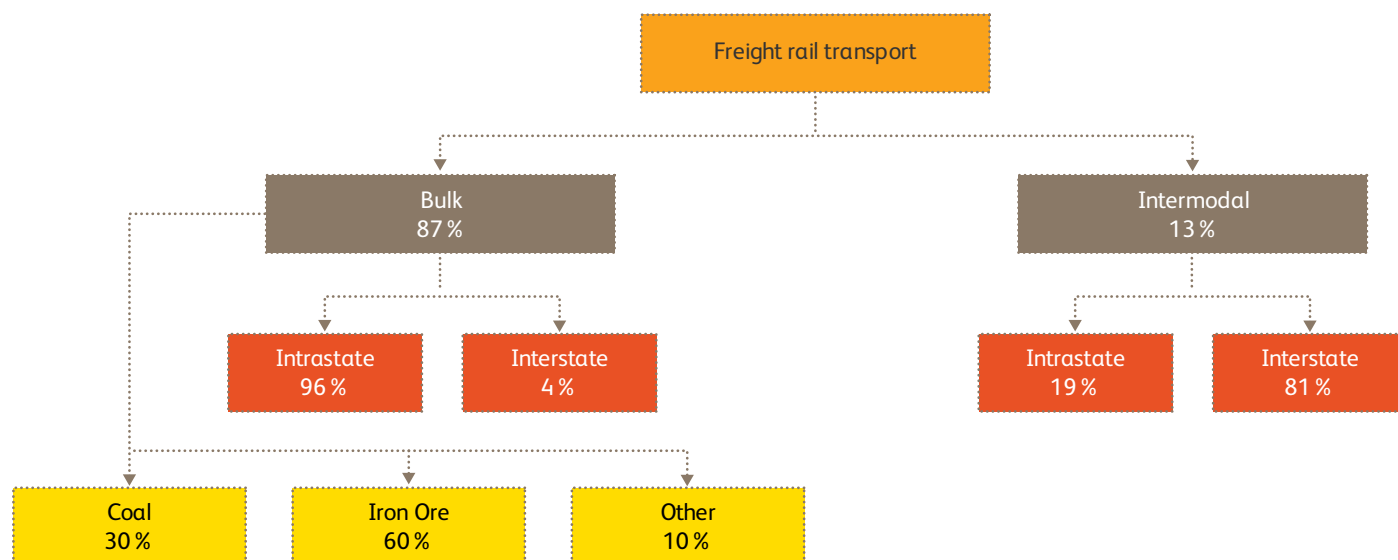
Rail freight activity can be segmented into two main types:

- bulk freight such as bulk mineral commodities and agricultural products; and
- intermodal (or non-bulk and general containerised) freight.

Most freight carried by rail in Australia is bulk commodities, which accounted for 87 % of total rail freight in FY2008. Intermodal freight accounted for the remaining 13 % in FY2008.

3 Industry overview

Figure 3 Australian rail freight task, distribution by type (by ntk), 2008



Source: Bulk / non-bulk and intrastate / interstate split sourced from BITRE, Australian rail freight performance indicators, 2007-08, February 2010; commodity split sourced from Australian Rail Industry Report 2008.

Bulk freight

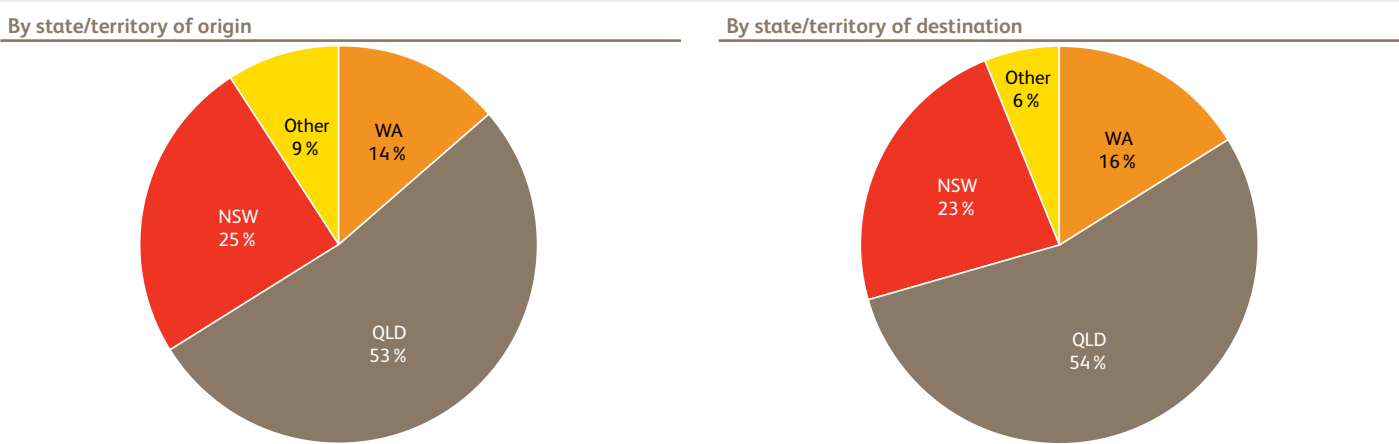
Bulk freight consists primarily of bulk mineral commodities that are mainly hauled intrastate from mines to export terminals. Common bulk freight hauled in Australia includes coal, iron ore, copper, bauxite, lead, zinc and nickel, as well as agricultural commodities, such as sugar and grain, and liquid commodities, such as petroleum. Bulk freight is characterised by large tonnages that require specialised loading, unloading and storage facilities as well as rollingstock which is tailored to each type of freight.

These characteristics make rail the preferred mode of transport for bulk freight in Australia. In recent years, rail has benefited more than other modes of transport from the resources-led increase in freight volumes, due to rail's relative cost advantages in transporting large volumes, and the often remote and distant locations of mines from ports.

The largest states of origin for contestable bulk rail freight are Queensland and New South Wales (contestable means that the haulage is undertaken by third party rail freight operators rather than the mine operators). There is also a large percentage of Australia's bulk freight task in the Pilbara iron ore region in Western Australia. However, this haulage is non-contestable as it is undertaken by the largest Pilbara mine operators.

3 Industry overview

Figure 4 Bulk contestable rail freight movement (by ntk), FY2008



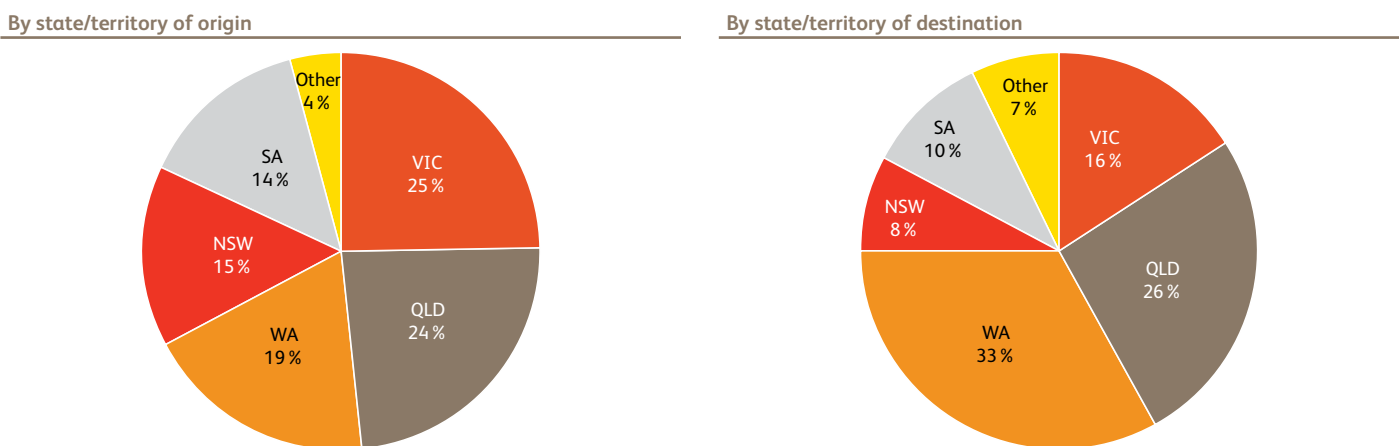
Source: Australian rail freight performance indicators 2007–08, BITRE, February 2010 and Company estimates.

Intermodal freight

Intermodal freight refers to rail and road freight which is transported in containers as well as non-containerised freight such as steel and steel products, consumer goods, dangerous goods and chemicals. Typically, intermodal freight is transported to or from a rail terminal by road and then by rail between terminals. Rail has a competitive cost advantage for the movement of intermodal freight over long distances.

The largest states of origin for intermodal rail freight are Victoria and Queensland, representing 25 % and 24 % by ntk, respectively, of intermodal rail freight in FY2008. Victoria is the principal interstate intermodal freight base providing the link for rail tonnages on the east-west corridor and the north-south corridor. Queensland has the largest intrastate intermodal freight activity, reflecting the long distances between regional centres along the Queensland coast between Brisbane and Cairns.

Figure 5 Intermodal rail freight movement (by ntk), FY2008



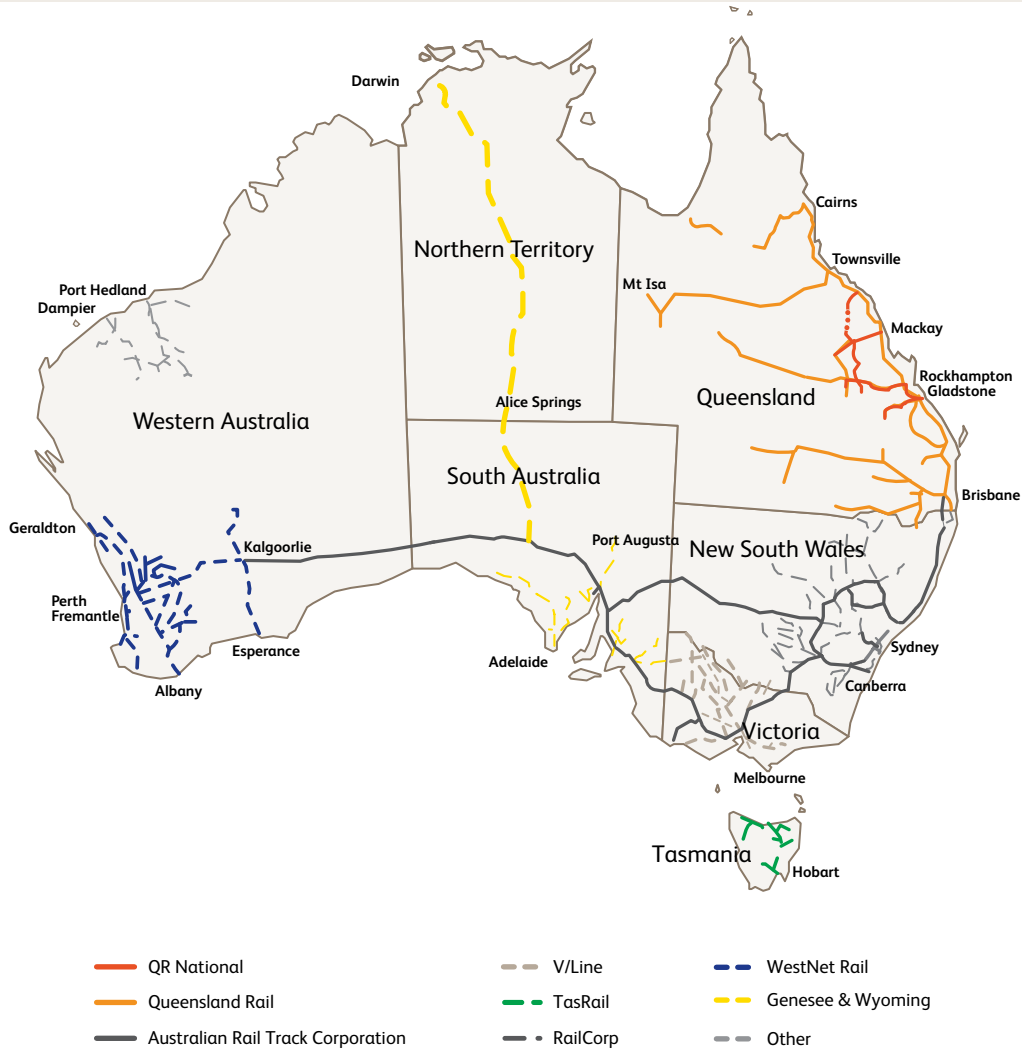
Source: Australian rail freight performance indicators 2007–08, BITRE, February 2010.

3 Industry overview

3.2.2 Australia's rail network and key transport corridors

The Australian rail network comprises approximately 40,000km of both public and privately owned track linking mainland capital cities as well as regional centres. The Australian rail network comprises three track gauges: broad, standard and narrow gauge.

Figure 6 Rail networks in Australia



Source: BITRE Transport Statistics Yearbook 2009, updated for publicly available information.

There are three major interstate rail segments in Australia:

- the east-west corridor from Sydney, through Melbourne, across to Adelaide and Perth;
- the north-south corridor along the east coast from Cairns to Melbourne; and
- the Darwin to Adelaide corridor.

In addition, there are a number of intrastate rail freight networks, the major systems being:

- Central Queensland Coal Network (Newlands, Goonyella, Blackwater and Moura systems);
- Hunter Valley Coal Network in New South Wales;
- Pilbara network in Western Australia; and
- the southern half of Western Australia (from Geraldton in the north, to Leonora and Kalgoorlie in the east, and south to Esperance, Albany and Bunbury).

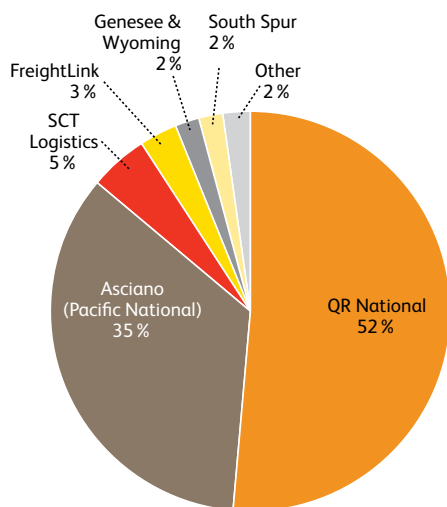
3 Industry overview

QR National is a major participant in the Australian rail freight network due to its operation and management of the approximately 2,300km of heavy haul rail infrastructure known as the Central Queensland Coal Network. Other major participants who serve multiple customers include the Australian Rail Track Corporation (ARTC) which operates or manages the interstate intermodal network and intrastate rail network in New South Wales, including the Hunter Valley Coal Network, and Genesee & Wyoming which operates and manages the Darwin to Adelaide corridor and the intrastate rail network in South Australia. Other minor participants serve their own requirements (e.g. iron ore mines in the Pilbara region of Western Australia have their own rail freight infrastructure and rollingstock).

3.2.3 Competition in Australian above rail haulage

There are two components of the Australian rail freight industry — operation of rollingstock for freight haulage (above rail) and operation and management of rail track (below rail). The key participants in the Australian below rail industry are set out in Figure 6 and the participants in the Australian above rail industry are set out in Figure 7.

Figure 7 Major above rail participants (by revenue) FY2009



Source: Company reports and other publicly available information.
Note: Excludes the non-contestable Pilbara region in Western Australia. Asciano (Pacific National) above rail revenue includes its Coal and Intermodal divisions and the bulk rail business unit of its Auto, Bulk and General division.

Coal

The principal operators in Australian coal haulage are QR National and Pacific National (which is a group company of the ASX-listed Asciano). Historically, QR National has operated in Queensland, while Pacific National has operated in New South Wales. Recently, both QR National and Pacific National have won contracts

outside their traditional areas of operation. In New South Wales, a new entrant, X-Rail (a strategic alliance between Xstrata and Freightliner), will commence operations in FY2011, providing haulage services specifically for Xstrata. Xstrata has indicated it may consider similar activities for its Queensland coal mines.

Iron ore

BHP Billiton, Rio Tinto and Fortescue Metals Group own and operate rail infrastructure and above rail haulage operations in the Pilbara region of Western Australia and accounted for over 95 % of Australian iron ore export volumes in FY2010. These haulage operations are non-contestable as third party haulage operators are not utilised by the mine operators.

A contestable market is emerging in the Mid-West and Yilgarn regions of Western Australia, where a number of companies are operating or developing iron ore projects and are likely to utilise third party rail freight services.

Other bulk commodities

The principal operators in Australian bulk commodity haulage are QR National and Pacific National. QR National operates predominantly in Western Australia and Queensland, whereas Pacific National operates predominantly in New South Wales and Victoria. Genesee & Wyoming is the major haulage operator in bulk commodities in South Australia.

Intermodal

Intermodal rail freight competes with other modes of transport, in particular road.

In the intermodal rail freight industry, Pacific National is currently the largest participant, operating in both the east-west and north-south corridors. SCT Logistics is the second largest participant and operates primarily in the east-west corridor.

3.3 Drivers of demand

There are two principal drivers of demand for Australian rail freight services:

- global demand for bulk mineral commodities, primarily coal and iron ore (which comprise the majority of volumes hauled by rail in Australia), being the principal driver for Australian bulk freight services. In FY2009, 78 % of Australian coal production was exported. Global demand for commodities is also a driver of demand for below rail services; and
- Australian economic activity, particularly in the manufacturing and construction sectors, which are drivers of demand for intermodal rail freight movements.

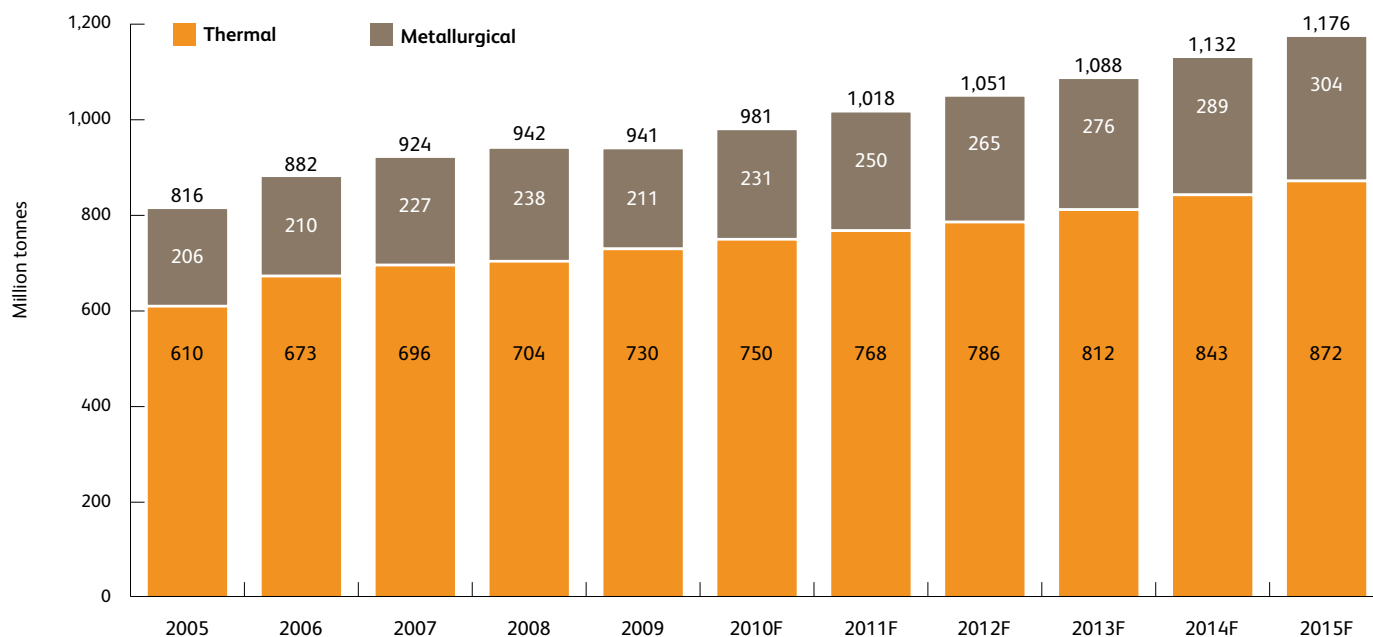
3 Industry overview

3.3.1 Global demand for commodities

3.3.1.1 Coal

The markets for seaborne coal (both metallurgical, which is used principally in steel production, and thermal, which is used principally in energy generation) grew strongly over the past five years as demand, especially from China and India, increased significantly to support the steel and energy intensive growth in those emerging markets. Demand from China and India is not being totally satisfied from domestic sources as evidenced by their recent coal imports. Overall, global coal import demand is expected to increase by approximately 20% between 2010 and 2015, from 981mt to 1,176mt.

Figure 8 Global coal import demand (by mt) — 2005 to 2015



Compound annual growth rate

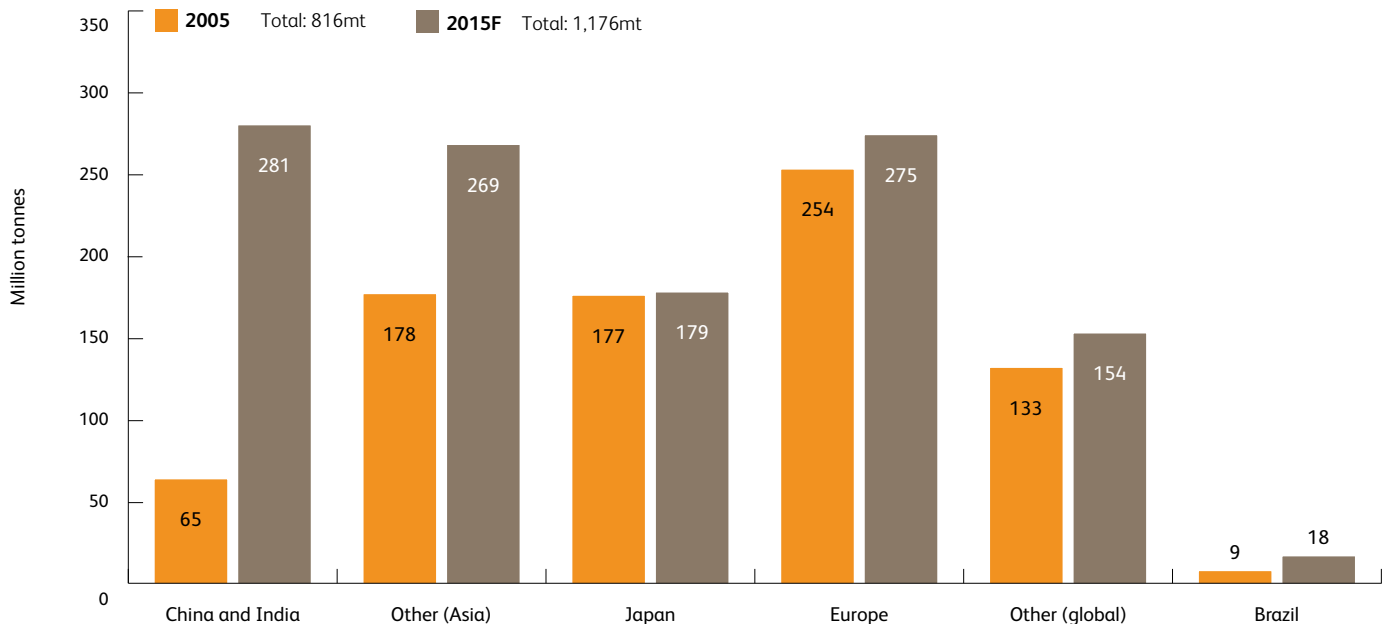
	CAGR 2005–2010	CAGR 2010–2015
Thermal	4.2%	3.0%
Metallurgical	2.4%	5.6%

Source: Australian Commodities, ABARE, March 2010 and historical data for years 2005–2008 obtained from ABARE. The above data is calendar year data.

China and India's coal import demand (both metallurgical and thermal) is expected to grow by an average of 8.6% per annum between 2010 and 2015. Over that period, demand from Japan (Australia's largest coal customer) and developed economies, such as Europe, is expected to remain relatively stable.

3 Industry overview

Figure 9 Global coal imports (by mt) — 2005 to 2015



Source: Australian Commodities, ABARE, March 2010 and historical data for 2005 obtained from ABARE. The above data is calendar year data.

Australia is well positioned to satisfy some of the demand from emerging economies for imported coal, particularly those in the Asian region, due to its high quality coal reserves, the competitive cost position of many Australian mines (especially in the case of metallurgical coal mines), and its proximity to the Asian region. Australia is the world's fourth largest coal producer behind China, the United States and India, and the world's largest exporter of coal via sea.

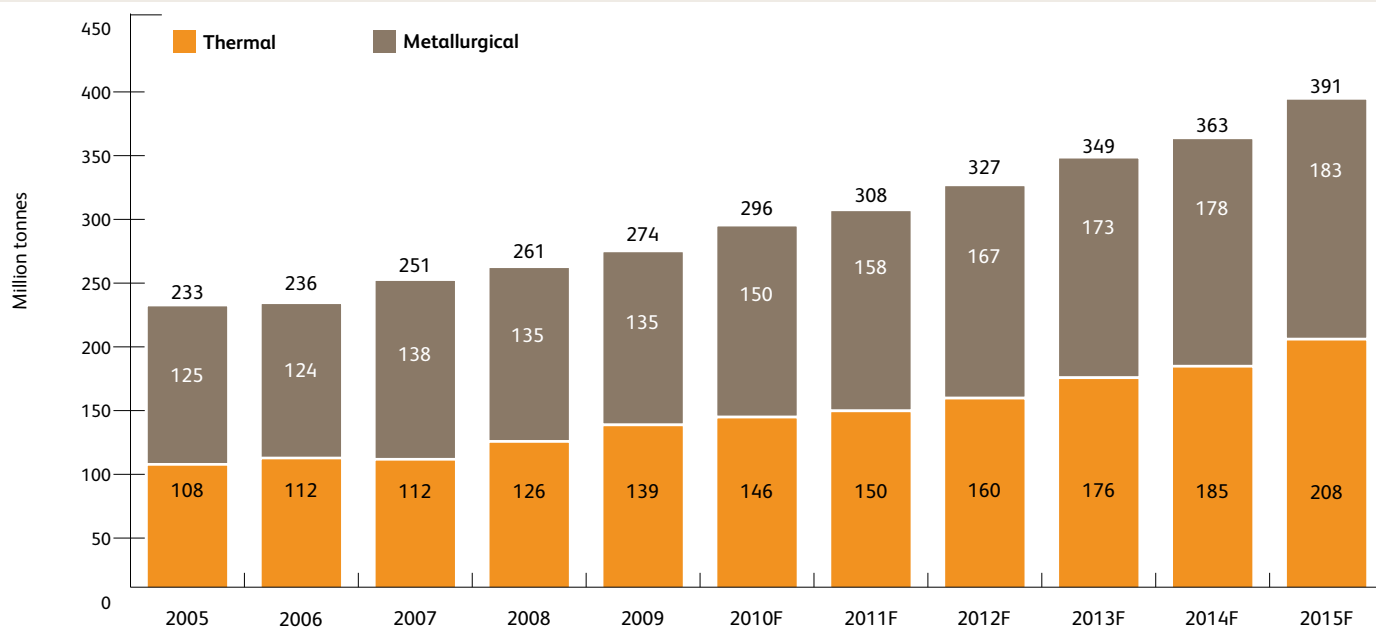
In CY2009, Australia exported approximately 274mt of coal (both thermal and metallurgical), accounting for approximately one third of global coal exports. In that year, Australia accounted for approximately 64 % of global metallurgical coal exports and approximately 19 % of global thermal coal exports.

Asia is the key export destination for Australian coal with approximately 70 % of metallurgical coal exports and approximately 79 % of thermal coal exports transported to the Asian region in CY2009. While Japan is currently Australia's largest market for coal, China and India are expected to become increasingly significant markets for Australian coal exports given their strong demand profile.

Driven by the increasing coal demand from emerging economies, particularly China and India, exports of both metallurgical and thermal coal from Australia are expected to grow significantly from 2010 to 2015, with ABARE forecasting 22 % growth in metallurgical coal exports and 42 % growth in thermal coal exports over that period. This growth is expected to require an increase in rail freight services to haul the coal from mines to export terminals.

3 Industry overview

Figure 10 Australian coal exports (by mt)–2005 to 2015



Compound annual growth rate

	CAGR 2005–2010	CAGR 2010–2015
Thermal	6.3 %	7.3 %
Metallurgical	3.7 %	4.1 %

Source: Australian Commodities, ABARE, March 2010 and historical data for years 2005–2008 obtained from ABARE. The above data is calendar year data.

The majority of the Australian export coal resource is located in Queensland and New South Wales. The Queensland coal industry is involved predominantly in the export of metallurgical coal, almost entirely from the Bowen Basin. Coal exports from New South Wales are predominantly thermal coal.

Queensland

Queensland has the largest coal resource in Australia, with more than 34bt of identified coal resources. In FY2009, Queensland's coal production reached a record of 190mt, of which 159mt (84 %) was exported to 37 countries. Of the coal exports, 110mt (69 %) consisted of metallurgical coal while the remaining 49mt (31 %) consisted of thermal coal.

Queensland is the largest contributor to the Australian coal export industry in terms of tonnes shipped, representing 88 % of Australia's metallurgical coal exports, 36 % of thermal coal exports and 61 % of total coal exported in FY2009.

Recently, mining companies have developed new mines in Queensland to take advantage of increased demand. As at 30 June 2010, there were 54 operating coal mines in Queensland, with at least four new coal mines under construction and 28 coal projects with mining leases granted or under application. Not all of this increased demand will be available to QR National or other rail freight operators. For example, Hancock Coal has announced a comprehensive mine to port proposal which involves a purpose-built rail line from the Galilee coal basin to its proposed coal terminal at the Port of Abbot Point.

There is a significant pipeline of proposed port capacity expansion projects in Queensland to handle the export of coal from new and expanded mines. Since 2005, total port capacity has been increased by approximately 80mtpa to approximately 235mtpa as at 30 June 2010. Port capacity expansion projects of 32mtpa are due for completion by June 2011, with competing port facilities considering up to a further 245mtpa of capacity.

3 Industry overview

New South Wales

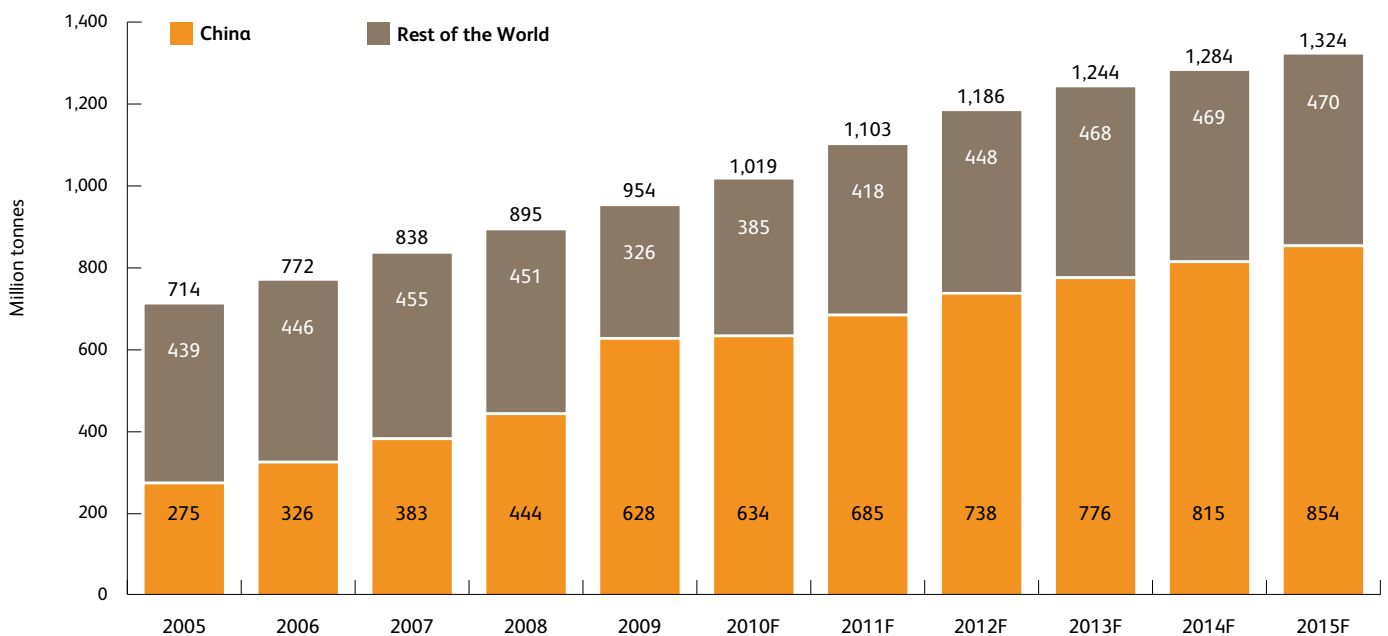
The Hunter Valley region in New South Wales has the second largest coal resource in Australia with approximately 4.5bt of estimated coal reserves and 25 mines. In FY2008, 112mt of (predominantly thermal) coal was produced in the Hunter Valley. In the same year, 89mt was transported to Port Waratah Coal Services' Carrington and Kooragang coal terminals at Port Newcastle.

The volume of coal exported from the Hunter Valley region is expected to increase, as indicated by the planned increase in port capacity in New South Wales. In particular, Port Waratah Coal Services and Newcastle Coal Infrastructure Group terminals have development approval to increase export capacity by 87%.

3.3.1.2 Iron ore

In Western Australia, demand for rail freight services is primarily driven by demand for iron ore which, together with metallurgical coal, is a primary raw material used in the production of steel. Western Australia accounts for 97% of the iron ore mined in Australia, and this production represented approximately 37% of globally traded iron ore in FY2009. Demand for iron ore is expected to follow a similar growth trajectory to that of metallurgical coal, driven principally by demand from China. As a result, iron ore production in Australia is forecast to grow by an average of 8.5% per annum from FY2009 to FY2015.

Figure 11 Iron ore imports (by mt) — 2005 to 2015



Compound annual growth rate

	CAGR 2005–2010	CAGR 2010–2015
China	18.2%	6.1%
Rest of the World	(2.6%)	4.1%

Source: Australian Commodities, ABARE, March 2010. The above data is calendar year data.

3 Industry overview

The majority of Australia's iron ore haulage activity originates in the Pilbara region of Western Australia and is undertaken by the Pilbara mine operators rather than third party service providers. To meet the growing demand for Australian iron ore exports, there are a number of companies that are currently operating or developing projects in the Mid-West and Yilgarn regions of Western Australia that will require haulage services to transport their production to export terminals. To support the development of this region, the Western Australian and Australian governments have committed \$678m to fund part of the proposed open access Oakajee Port and Rail project, which will expand the capacity of the existing export supply chain.

3.3.1.3 Agriculture

The Australian agricultural sector produced 42mt of grain, oilseed, raw cotton and sugar during FY2010, with rail freight being a major mode of haulage to both export and domestic destinations.

Australia's grain, oilseed, raw cotton and sugar export tonnages are forecast to grow by an average of 2.9 % per annum from FY2009 to FY2015. Western Australia accounted for 36 % of Australia's grain production in FY2009.

3.3.1.4 Mineral commodities

Australia has significant reserves of mineral commodities in addition to iron ore and coal, including bauxite, nickel, zinc and copper.

Transport of these commodities for direct export and to and from processing facilities is another driver of demand for rail freight services in Australia.

Production of bauxite, nickel, zinc and copper in Australia is forecast to grow by an average of 5.7 % per annum from FY2009 to FY2015 including through expansion of existing mines and commissioning of new projects.

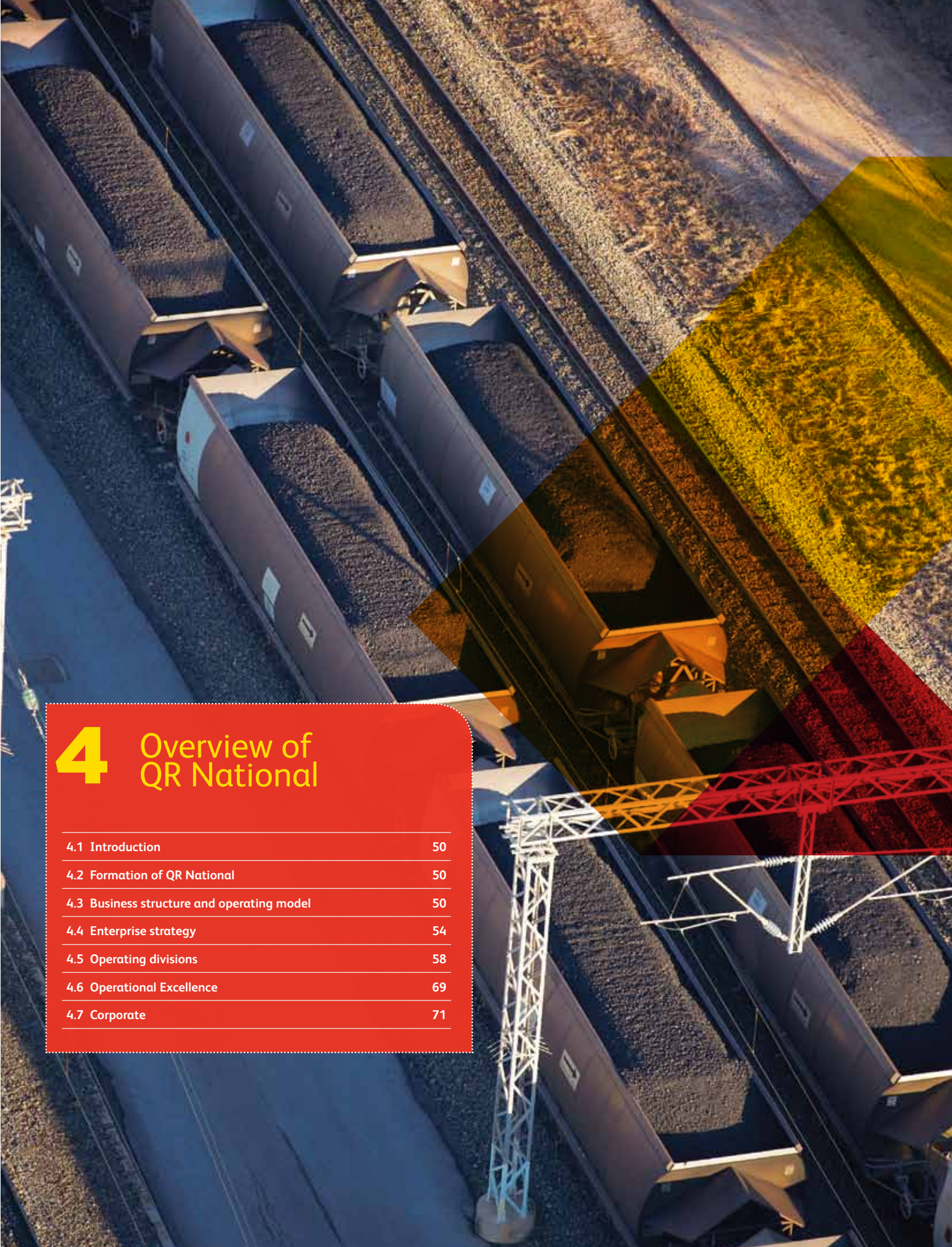
3.3.2 Australian economic activity

The primary driver for interstate freight for domestic consumption, which includes intermodal and bulk freight, is Australian economic activity, particularly in the construction and manufacturing sectors.

Economic activity in Australia has continued to recover after the global financial crisis. Australia's real gross domestic product (GDP) increased by 3.3 % from the quarter to June 2009 to the quarter to June 2010. In its quarterly Statement on Monetary Policy for August 2010, the Reserve Bank of Australia forecast GDP growth of 3½ % and 3¾ % in FY2011 and FY2012, respectively.

The outlook for construction activity in Australia is consistent with the macro-economic forecast of a continued gradual recovery. In particular, engineering construction activity has experienced significant growth due to strong investment in mining-related infrastructure and activity levels are expected to remain high in line with expectations for continued global demand for commodities produced in Australia.

Australian manufacturing activity was significantly impacted by the global financial crisis. However, since then, manufacturing activity has recovered as indicated by the Performance of Manufacturing Index (PMI), which increased from a low of 30.1 in April 2009 to 47.3 in September 2010.



4 Overview of QR National

4.1 Introduction	50
4.2 Formation of QR National	50
4.3 Business structure and operating model	50
4.4 Enterprise strategy	54
4.5 Operating divisions	58
4.6 Operational Excellence	69
4.7 Corporate	71

4 Overview of QR National

4.1 Introduction

QR National is the largest rail freight haulage operator in Australia by tonnes hauled, operating in key freight sectors and supply chains across the country. The Company 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. QR National also operates and manages approximately 2,300km of largely dedicated and purpose built, heavy haul rail infrastructure, known as the Central Queensland Coal Network (CQCN), under 99 year lease arrangements with the State (Queensland Treasury Holdings Pty Ltd (QTH), the Department of Transport and Main Roads and Queensland Rail) which commenced in July 2010. It also provides a range of specialist rail engineering, construction and maintenance services.

QR National is headquartered in Brisbane, Queensland, in accordance with the requirements of the *Transport Infrastructure Act 1994* (Qld). It has business operations in Queensland, New South Wales, Victoria, South Australia and Western Australia.

QR National employs approximately 9,400 people and controls tangible fixed assets with a book value of \$7.4bn (including assets under construction) as at 30 June 2010. QR National generated pro forma revenue of \$2.9bn and pro forma EBITDA of \$628m in FY2010.

QR National's performance and future growth are linked to the key demand drivers of the Australian resources sector. As a result, QR National is well placed to benefit from the expected growth in demand for coal and iron ore, particularly from emerging Asian economies, including China and India.

QR National is the largest provider of coal haulage services in Queensland and is growing its presence in the Hunter Valley in New South Wales, having secured contracts to increase its total contracted volume from approximately 19mt in FY2010 up to approximately 37mt by FY2012, contingent on infrastructure expansions at mine and port, and mines exercising their right to increase tonnages.

QR National's bulk freight business is positioned to benefit from the growth in production of iron ore for export, particularly in the Mid-West region of Western Australia. It is also a significant transporter of grain.

The Company expects to improve the competitive positioning of its intermodal business as a result of recent capital investment to improve reliability and increase capacity, as well as through operational and management improvements.

Through strategic initiatives across its businesses, QR National intends to build on its existing national presence to further expand its customer base and diversify its revenue sources.

4.2 Formation of QR National

On 8 December 2009, the Premier of Queensland, the Honourable Anna Bligh MP, announced that the QR Limited coal and freight business would be sold by way of an initial public offering and listed on ASX.

To facilitate the initial public offering, QR Limited was separated into two distinct businesses on 30 June 2010:

- **Queensland Rail** includes the core public passenger business and assets, the metropolitan rail networks, the regional non-coal freight networks (excluding lines primarily dedicated to coal) and selected services businesses. The State retains full ownership of Queensland Rail; and
- **QR National** comprises the principal commercial rail freight operations, including the operation and management of the CQCN infrastructure, the above rail coal haulage operations, the above rail freight activities and selected services businesses.

A number of commercial agreements have been established between QR National and Queensland Rail that will continue post separation to support both their operations. See Section 7.4.9 for more information on the separation arrangements.

4.3 Business structure and operating model

4.3.1 Overview

QR National comprises three distinct but related operating divisions (QRN Coal, QRN Network Services and QRN Freight) which are supported by the recently formed Operational Excellence division and four key centralised corporate functions. Operational Excellence has been established to drive operational improvements across the QR National business.

4 Overview of QR National

Figure 12 illustrates QR National's organisational structure and Figure 13 shows the Company's national presence.

Figure 12 Organisational structure

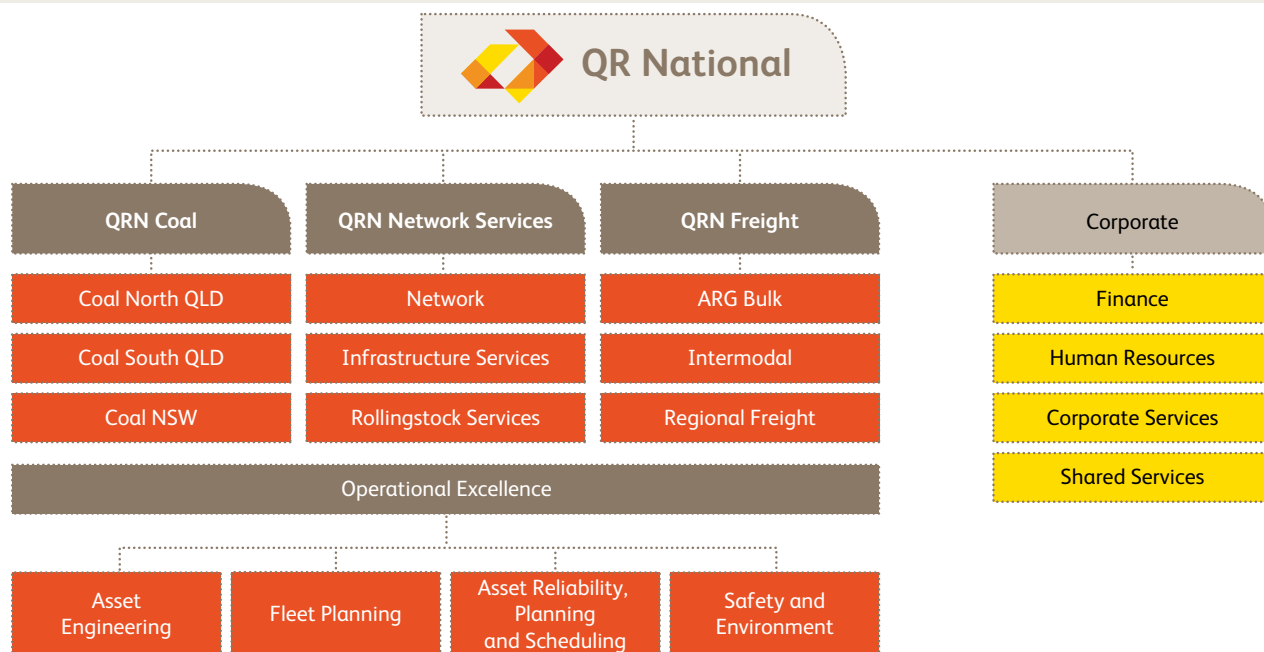
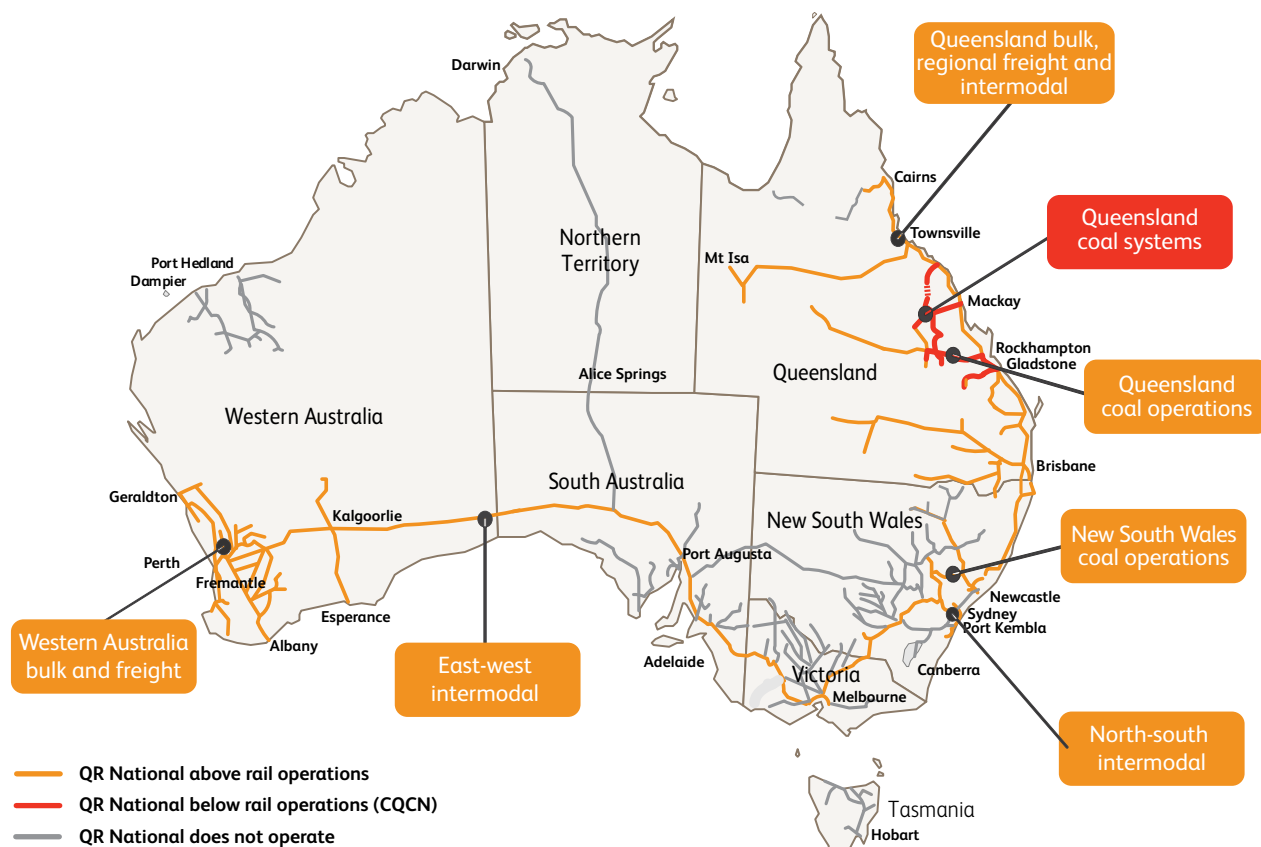


Figure 13 National presence



4 Overview of QR National

In Queensland, QR National has above and below rail operations. These include a range of rail freight haulage businesses and the operation and management of the CQCN. Outside the CQCN, QR National has arrangements in place to access the Queensland Rail network for its own freight operations. QR National also provides specialised and technical rail services to both its own businesses and external customers.

In other states of Australia, QR National provides a range of rail freight haulage services. QR National has arrangements to access the rail networks of third parties in those states and also provides selected technical rail services to external customers.

Table 7 provides an overview of QR National's operating divisions.

Table 7 Operating divisions				
	QRN Coal	QRN Network Services		QRN Freight
		Network	Services	
Business groups	- Coal North QLD - Coal South QLD - Coal NSW	Network	- Rollingstock Services - Infrastructure Services	- ARG Bulk - Intermodal - Regional Freight
Business overview	Operates more than 500 coal train services a week from 56 mines for 23 customers in Queensland and New South Wales	Provides access to and operates and manages the CQCN	Provides design, construction, overhaul, maintenance and management services to QR National as well as external customers	Specialises in the transportation of bulk mineral commodities (including iron ore), agricultural products, mining and industrial inputs, general and containerised freight
Footprint	Queensland and New South Wales	The CQCN, comprising track across four coal rail systems in central Queensland	41 locations with depots across Queensland, New South Wales and Western Australia	- Bulk: Queensland and Western Australia - Intermodal: National - Regional Freight: Queensland
FY2010 haulage	Approx 200mt		Approx 74bn gtk	- Bulk: 60mt - Intermodal: 4mt - Regional Freight: 0.1mt
FY2010 pro forma revenue ¹	\$1,621m		\$1,015m	\$1,150m
FY2010 pro forma EBITDA ²	\$383m		\$388m	\$(33)m
Locomotives ³	391		n/a	312
Wagons ⁴	8,993		n/a	7,153
Employees as at 30 June 2010	1,846		3,347	3,620

Note:

1 Excludes corporate revenue and inter-segment eliminations, as described in Section 8.2.4.

2 Excludes corporate overheads.

3 Includes owned and leased locomotives, excludes stored locomotives.

4 Includes owned and leased wagons.

4 Overview of QR National

4.3.2 Customer base

QR National's customers include globally recognised, well established companies. Table 8 sets out key external customers by operating division:

Table 8 Key external customers

QRN Coal	QRN Network Services	QRN Freight
- Anglo Coal - BHP Billiton - BHP Billiton Mitsubishi Alliance (BMA) - Ensham - Felix Resources - Jellinbah - New Hope - Peabody - Rio Tinto - Vale - Wesfarmers - Xstrata Coal	- ARTC - Pacific National - Queensland Rail - WestNet Rail	- Alcoa - BHP Billiton - CBH Group - Cleveland Cliffs Asia Pacific - GrainCorp - Incitec Pivot - Mount Gibson Iron - QNPL - Xstrata

QRN Coal typically enters into contracts with its customers to haul specified volumes in each year. QRN Freight typically seeks minimum volume commitments from its bulk customers over the life of its contracts. The actual volumes hauled under these QRN Coal and QRN Freight contracts will depend on customer demand and a range of other factors such as supply chain performance, and, as such, will differ from contracted amounts. Of the pro forma forecast revenue for QRN Coal and QRN Freight (excluding intermodal) in FY2011 and FY2012, at least 95 % and 90 %, respectively, is expected to be generated from customers under such contracts. See Section 9.2.3 for a description of the risks associated with these contracts.

4.3.3 Key suppliers

Key suppliers to QR National include providers of fuel and electricity, network access and rollingstock.

4.3.3.1 Fuel and electricity

Bulk diesel fuel represented 8.5 % of QR National's total operating costs in FY2010 and is purchased from Caltex and BP under three year contracts that expire in CY2013. QR National's haulage contracts generally have an adjustment to the relevant component of the freight rate based on the application of an escalation formula that takes into account movements in diesel fuel cost indices.

QR National purchases electricity for the operation of the CQCN. The cost of supply of traction energy and the cost of traction connection are taken into account in calculating Reference Tariffs under QR National's Access Undertaking and accordingly also in calculating the Access Charge levied upon haulage operators, including QRN Coal. A sole supplier contract for traction energy is held with ERM, a Queensland-based electricity retailer, which expires on 30 June 2012. Traction connection contracts are held with more than one supplier.

4.3.3.2 Network access

QRN Coal procures network access from QRN Network Services and Queensland Rail in Queensland and from ARTC in New South Wales. QRN Freight procures rail network access from rail network managers in all states in which it hauls freight including Queensland Rail and QRN Network Services in Queensland, RailCorp in New South Wales, ARTC in Queensland, New South Wales, Victoria, South Australia and Western Australia and WestNet Rail in Western Australia. Access Charges incurred are typically passed through to customers.

4.3.3.3 Rollingstock

QR National procures its locomotives primarily through two domestic external suppliers, UGL and Downer EDI Rail, and has also purchased locomotives from Siemens in Germany. QR National procures wagons internally from QRN Network Services and other third party manufacturers. QRN Network Services also supplies components for the QR National rollingstock fleet.

4 Overview of QR National

Rail infrastructure and major locomotive and wagon maintenance are predominantly provided internally by QRN Network Services, with track construction undertaken both internally and through the use of alliances with major infrastructure providers.

Major rollingstock investments include 45 electric locomotives (\$418m) to be delivered by the end of CY2010, 54 new diesel locomotives (\$372m) due to be delivered by June 2012, 63 locomotives being upgraded to increase haul capacity (\$484m) due to be delivered by April 2011, and 2,300 new wagons (\$570m) expected to be delivered within the next two years. This rollingstock replacement program is expected to render a fleet with a lower average age profile in the next three years, especially in the Queensland coal haulage business. Further information on the composition and age of QR National's rollingstock is found in the Appendix.

In addition to the rollingstock replacement program, QR National has implemented a rollingstock renewal program that involves cascading rollingstock through QR National's operating divisions.

4.4 Enterprise strategy

4.4.1 Overview

QR National has undertaken an enterprise-wide strategic review program and is progressing a major program to grow and transform its business activities.

The Company's strategy is built around five value-creating pillars which are summarised in Table 9.

Table 9 Value-creating pillars

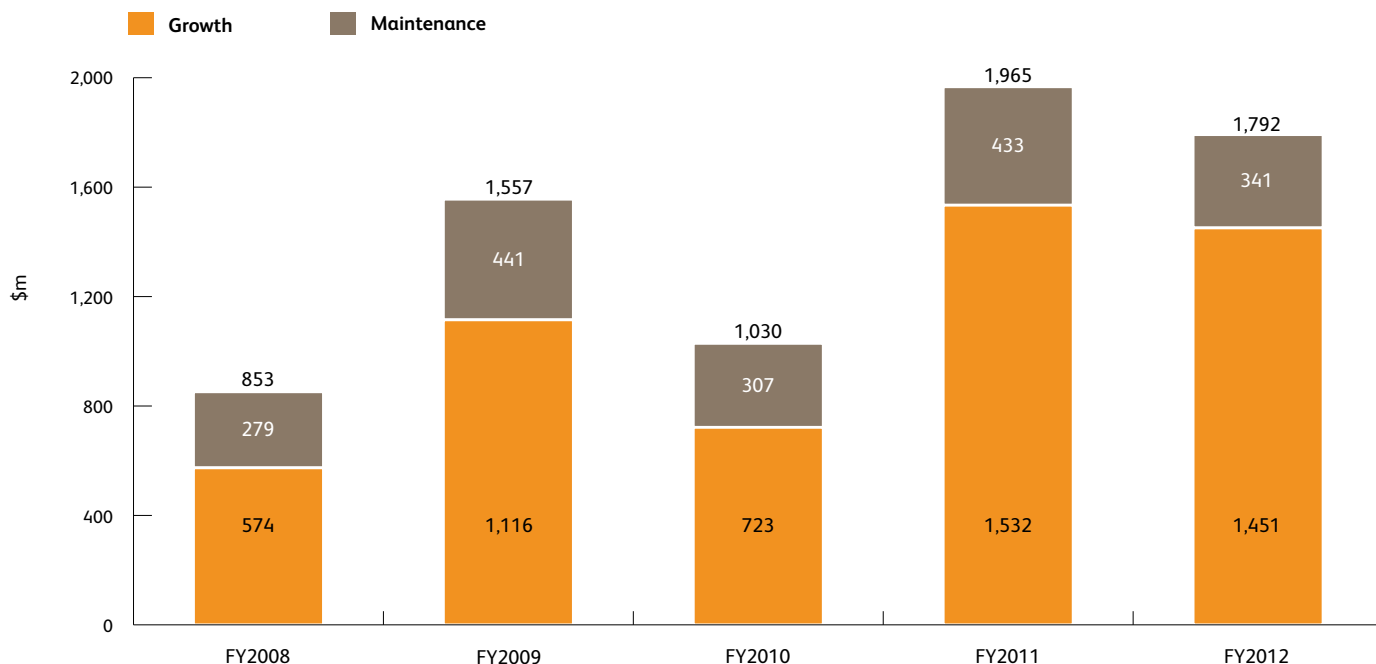
	Value-creating pillars	Strategic priorities
1	A performance-based culture	• Develop strong and empowered leadership across the organisation • Create a performance culture, improve commercial capabilities and drive greater accountability • Strengthen workforce consultation and engagement to create a more inclusive culture • Embed a strong safety culture throughout the Company
2	The right customers, markets and assets	• Improve service to customers • Focus on attractive bulk rail freight markets in Australia • Pursue cross business synergies
3	Return over life of asset view	• Focus on asset utilisation, availability and cost reduction • Improve returns on invested capital • Improve lifecycle management
4	Coal system growth	• Commit to significant, commercial growth opportunities • Improve capital efficiency • Strengthen customer relationships
5	Opportunities to diversify growth	• Pursue growth opportunities in the contestable iron ore markets in Western Australia • Build a sustainable position in the intermodal segment Australia-wide • Strategically market rail services and maintenance capabilities externally

4 Overview of QR National

4.4.2 Growth initiatives

QR National has invested, and will continue to invest, in significant capital project initiatives to drive the future growth of the business, particularly within the coal and iron ore sectors.

Figure 14 Historical and forecast capital expenditure



Over the FY2008 to FY2010 period, QR National has invested over \$3.4bn across the business, including significant investment in its rollingstock and network. QR National has also invested in people, including an experienced executive management team, and in a number of enterprise-wide transformation projects. These investments have contributed to the increase in QR National's pro forma EBITDA from \$417m in FY2008 to \$628m in FY2010.

As at 30 June 2010, QR National has approximately \$2.0bn of committed future capital spending across its three operating divisions, with the largest commitment relating to QRN Network Services, where QR National has committed future capital spending of \$1.1bn, primarily within its coal network. A further \$1.8bn of capital investment has been identified in above and below rail projects which is uncommitted at the present time.

QR National anticipates that its future capital requirements will be funded through a combination of operating cash flow and draw down of its \$3bn multi-option syndicated facility (Syndicated Facility), partially drawn down at Settlement, as described in Section 10.6.3. See Section 8.3.5 for the net draw down of external debt expected during the Forecast Period.

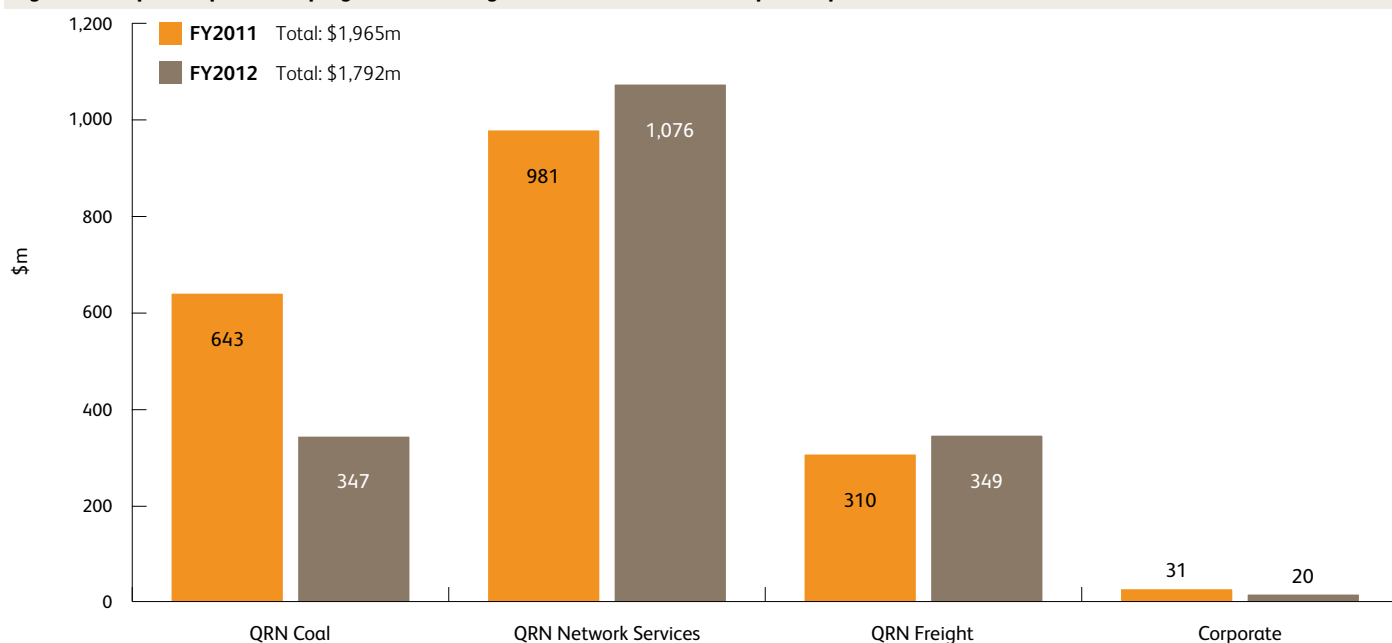
4 Overview of QR National

Table 10 Overview of capital expenditure projects

Operating division	FY2008–FY2010 capital expenditure	FY2011–FY2012 forecast capital expenditure	Key projects	Status as at 30 June 2010
Committed projects				
QRN Coal	\$1,704m	\$587m	Jilalan Yard upgrade	In progress
			Electric locomotive fleet	In progress
			106 tonne wagons	In progress
			Hunter Valley rollingstock	In progress
QRN Network Services	\$1,214m	\$1,086m	DBCT 3rd loop	Complete
			Blackwater expansion	Complete
			GAPE X50	In progress
			GSE X140	In progress
			Blackwater electrification	In progress
QRN Freight	\$422m	\$301m	Intermodal rollingstock	Complete
			Other bulk rollingstock	Complete
			Iron ore rollingstock	In progress
Other	\$98m	\$6m	Other	
Total committed	\$3,438m	\$1,980m		
Uncommitted projects				
All — uncommitted growth capital	–	\$1,777m	Below rail projects to support proposed port expansions	Uncommitted
			Additional coal and iron ore rollingstock	Uncommitted
Total	\$3,438m	\$3,757m		

Figure 15 illustrates QR National's capital expenditure program for the two year period to 30 June 2012 by division. Further details about this capital expenditure program are contained in the growth strategy section for QRN Coal, QRN Network Services and QRN Freight (Sections 4.5.1.2, 4.5.2.3 and 4.5.3.5, respectively).

Figure 15 Capital expenditure program (includes growth and maintenance capital expenditure) (\$m)



4 Overview of QR National

Many of the capital projects in which QR National is investing over FY2011 and FY2012 will not realise their full revenue and earnings potential until after FY2012.

For example, QR National will have spent approximately \$1.1bn on the GAPE X50 rail infrastructure project by the time of its scheduled completion in June 2012. This project is not expected to contribute to EBITDA in FY2011 and is expected to contribute approximately \$40m to EBITDA in FY2012. The EBITDA contribution from the GAPE X50 project is expected to increase progressively beyond FY2012 to an annual EBITDA contribution to QRN Network Services of between \$170m and \$190m when the contracted load on the rail infrastructure is fully utilised.

Accordingly, QR National expects its portfolio of capital project initiatives to drive growth for the Company well beyond FY2012.

4.4.3 Enterprise-wide transformation program

QR National's strategic review has led to the development of a major transformation program, which includes more than 20 business improvement projects across five major areas: safety, customer focus, commercial capability, growth and people. Many of these projects have commenced, with a range of initiatives being implemented both within the individual operating divisions and across the enterprise, examples of which are outlined in Table 11.

Table 11 Enterprise-wide transformation program project examples

Enterprise-wide projects	Key activities
Strong and empowered leadership Goals: - Improve operational performance and accountability - Embed a high performance culture	- Strong focus on attracting and recruiting senior leadership talent - Leadership capability assessments undertaken against internationally benchmarked performance standards - Developing an integrated business plan to implement cultural change
Commercial excellence Goals: - Increase returns and profitability - Improve customer satisfaction	- Driving improved commercial arrangements with customers e.g. contract renegotiations - Building the commercial capability at management level through targeted recruitment and improved business disciplines - Establishing commercial benchmarks that drive improvement in returns
World-class capital productivity Goals: - Increase returns on invested capital - Increase asset utilisation	- Improving capital management disciplines - Improving rigour in capital prioritisation and allocation processes - Cascading of locomotives and wagons
Procurement excellence Goals: Realise savings in annual procurement spend	- Identifying priority opportunities - Improving supplier negotiation practices and purchase pooling practices - Expanding pool of suppliers in tenders
World-class safety Goals: - Achieve zero harm - Improve operating discipline	- Increasing safety engagement in every business - Deploying safety training and coaching programs - Deploying trackside safety policies and processes - Improving incident investigations and reporting
End-to-end maintenance Goals: - Improve fleet availability and reliability - Improve volume throughput and customer satisfaction	- Completed review of locomotive maintenance practices and availability performance - Establishing accountabilities and performance measures across operating divisions - Improving maintenance planning and practices in workshops

4.4.4 Benchmarking by management

One of the pillars of QR National's enterprise strategy is to improve performance by focusing on asset utilisation, availability and cost reduction. As part of this process, QR National has commenced the use of benchmarking against accepted industry-wide operating metrics both as an indicator of its own operational performance and as a tool to identify, for internal management purposes, areas which it can target to improve operational performance and efficiencies. These metrics are assessed from both a stand-alone trend perspective and as a comparison to other rail freight operators.

See the Appendix for further information on QR National's global and domestic benchmarking.

4 Overview of QR National

4.5 Operating divisions

4.5.1 QRN Coal

4.5.1.1 Overview

QRN Coal is Australia's largest coal haulage operator, hauling on average more than 500,000 tonnes of coal each day from 56 mines to eight coal export terminals and eight domestic destinations in Queensland and New South Wales. QRN Coal hauled approximately 200mt in FY2010.

QRN Coal operates a rollingstock fleet with a book value of approximately \$2.6bn as at 30 June 2010. This fleet comprises 391 locomotives and 8,993 wagons, and operates on average over 500 services each week in Queensland and New South Wales.

Contract delivery to customers is managed across three coal businesses:

- Coal North Queensland (Newlands and Goonyella systems) – has contracts with 24 coal mines in the central and northern regions of Queensland's Bowen Basin and hauls coal to three export terminals;
- Coal South Queensland (Blackwater, Moura and West Moreton systems) – has contracts with 19 coal mines and hauls coal to six domestic destinations and three export terminals; and
- Coal New South Wales (Hunter Valley system) – has contracts with 16 coal mines in the Ulan, Central Coast and Gunnedah basin regions and hauls coal to two export ports and two domestic destinations.

Table 12 Overview of QRN Coal's operations by business for FY2010

	Coal North QLD	Coal South QLD	Hunter Valley	Total
Coal hauled (mt)	107	72	19	198
Average number of consists	34	44	5	83
Contracted mines	24	19	16	56

Note:

Coal hauled refers to coal volumes billed rather than actual coal volumes railed.

A consist is a group of locomotives and wagons which make up a train.

There are three coal mines that are serviced by both Coal North and Coal South.

See Section 4.5.2.2 for further information on QR National's coal systems.

4.5.1.2 Growth and business strategy

QRN Coal is continuing to invest significant capital into both the Queensland and New South Wales operations to underpin forecast growth and ensure the continued upgrade of the rollingstock fleet:

- **Investment in Queensland above rail capacity** – QR National is investing in rollingstock in Queensland and, as at 30 June 2010, had spent approximately 79% of a total \$1.9bn capital expenditure program, which began in 2007.
QR National's fleet in Queensland is expected to comprise 355 locomotives and 8,144 wagons by June 2012, representing an expansion in haulage capacity to meet increasing customer demand. As the newer locomotives are more powerful and the newer wagons are larger in size, they represent an expansion in haulage capacity.
- **Investment in Hunter Valley above rail capacity** – QR National expects to increase its Hunter Valley coal haulage from approximately 19mt as at 30 June 2010 to approximately 37mt by the end of FY2012, contingent on infrastructure expansions at mine and port, and mines exercising their right to increase tonnages.
QR National expects to spend approximately \$266m in FY2011 and FY2012, including the purchase of locomotives and wagons, and related maintenance and provisioning arrangements, to support the announced additional long-term contracts. The program will expand QR National's Hunter Valley rollingstock fleet from 20 to 37 locomotives and from 619 to 969 wagons by June 2012.

In addition to the above upgrades to its rollingstock fleet, QRN Coal is implementing a range of performance improvement initiatives including:

- implementing a performance management system;
- improving locomotive availability and performance;
- renegotiating customer contracts to improve commercial returns;
- identifying cost saving opportunities; and
- establishing an environmental reporting system and accurate data on its ecological footprint.

4 Overview of QR National

4.5.1.3 Customers

QRN Coal's customers are coal exporters (the owners and operators of coal mines located in Queensland and New South Wales) and domestic users (including the owners and operators of coal-fired power generation facilities in Queensland and New South Wales). In FY2010, coal exporters comprised approximately 95 % of QRN Coal's customer base (by volume).

Reflecting the capital intensive nature of the business, coal haulage contracts are typically medium to long term (five to 10 years), and include an obligation on customers to pay for the haulage of a minimum volume of coal, known as "take-or-pay" arrangements. QRN Coal's current remaining contract term is 6.6 years based on a volume-weighted average. The majority of contracts include take-or-pay arrangements, with varying thresholds under which take-or-pay arrangements would apply, and at varying rates.

In FY2010, QRN Coal's top five customers by volume accounted for 66 % of its coal volume hauled. QRN Coal's largest customer in Queensland is the BHP Billiton Mitsubishi Alliance (BMA) which is the largest coal producer in Queensland.

Over the past two years, QRN Coal has entered into new contracts and renewed or renegotiated existing contracts with several customers to better satisfy customer needs, particularly in relation to providing certainty and greater flexibility to meet unexpected increases in volume, in return for more favourable revenue protection arrangements (in the form of capacity charges). Of volumes hauled in FY2010 by QRN Coal, 18 % were under the newly negotiated contracts. This is forecast to increase to 27 % by FY2011 and 37 % by FY2012, based on the expected mix of volumes assumed in the Forecast Financial Information.

In FY2010, 45 % of volumes were supported by full pass through of below rail Access Charges to customers, with the remaining volumes supported by varying levels of pass through. This is forecast to increase to 56 % of forecast volumes in FY2012.

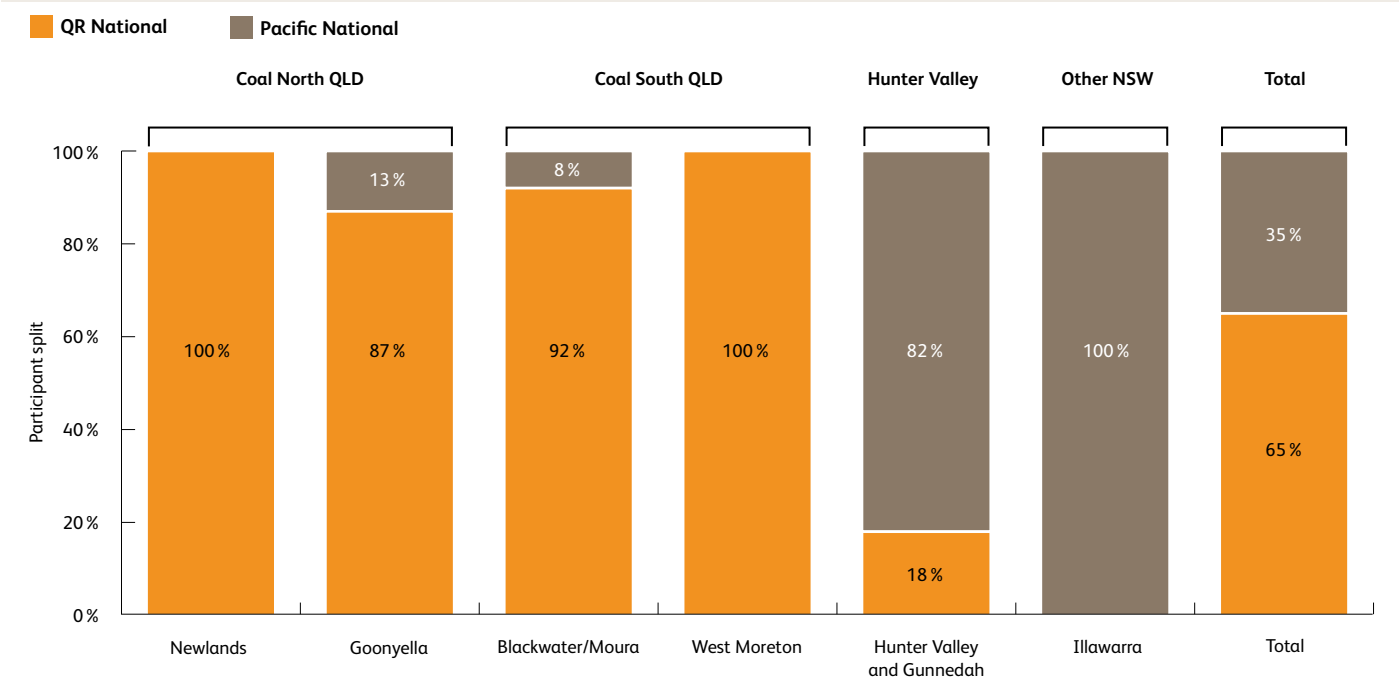
4.5.1.4 Industry position

QR National has traditionally operated in Queensland, while Pacific National has operated in New South Wales. Recently, both QR National and Pacific National have won contracts outside their traditional areas of operation. Notwithstanding Pacific National's increased presence in Queensland, the recent growth in Queensland coal production has led to an increase in QR National's haulage volumes in Queensland.

Since commencing coal haulage in New South Wales in 2005, the Company has grown its coal haulage in the Hunter Valley in New South Wales from no presence to 18 % of exported Hunter Valley volumes in FY2010. New contracts signed with Hunter Valley mining customers are expected to increase haulage to approximately 37mt by FY2012, contingent on infrastructure expansions at mine and port, and mines exercising their right to increase tonnage.

4 Overview of QR National

Figure 16 Participant split per coal system as at 30 June 2010



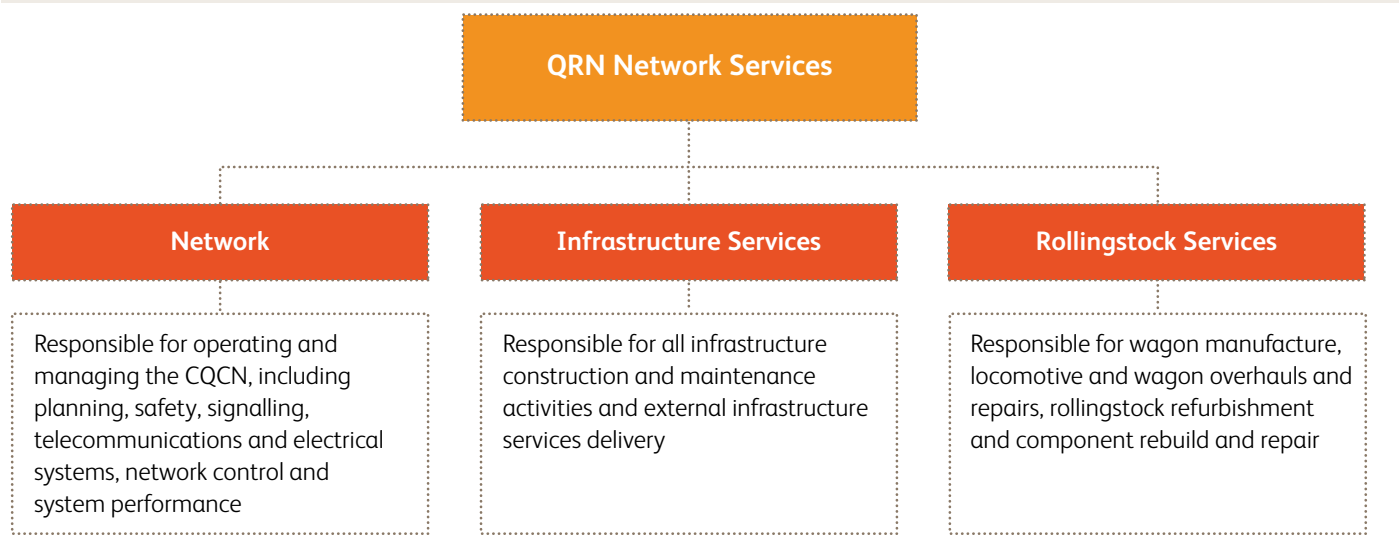
Source: Hunter and Gunnedah sourced from Port Waratah Coal Services Operating Statistics, 2 August 2010, and includes export volumes only.
Note: Participant split is based on contracted tonnes for QRN Coal for all systems other than the Hunter Valley and Gunnedah, and is estimated for Pacific National in Queensland. Actual volumes may differ from contracted volumes.

4.5.2 QRN Network Services

4.5.2.1 Overview

The QRN Network Services operating division is comprised of three businesses as shown in Figure 17.

Figure 17 Organisational structure of QRN Network Services



4 Overview of QR National

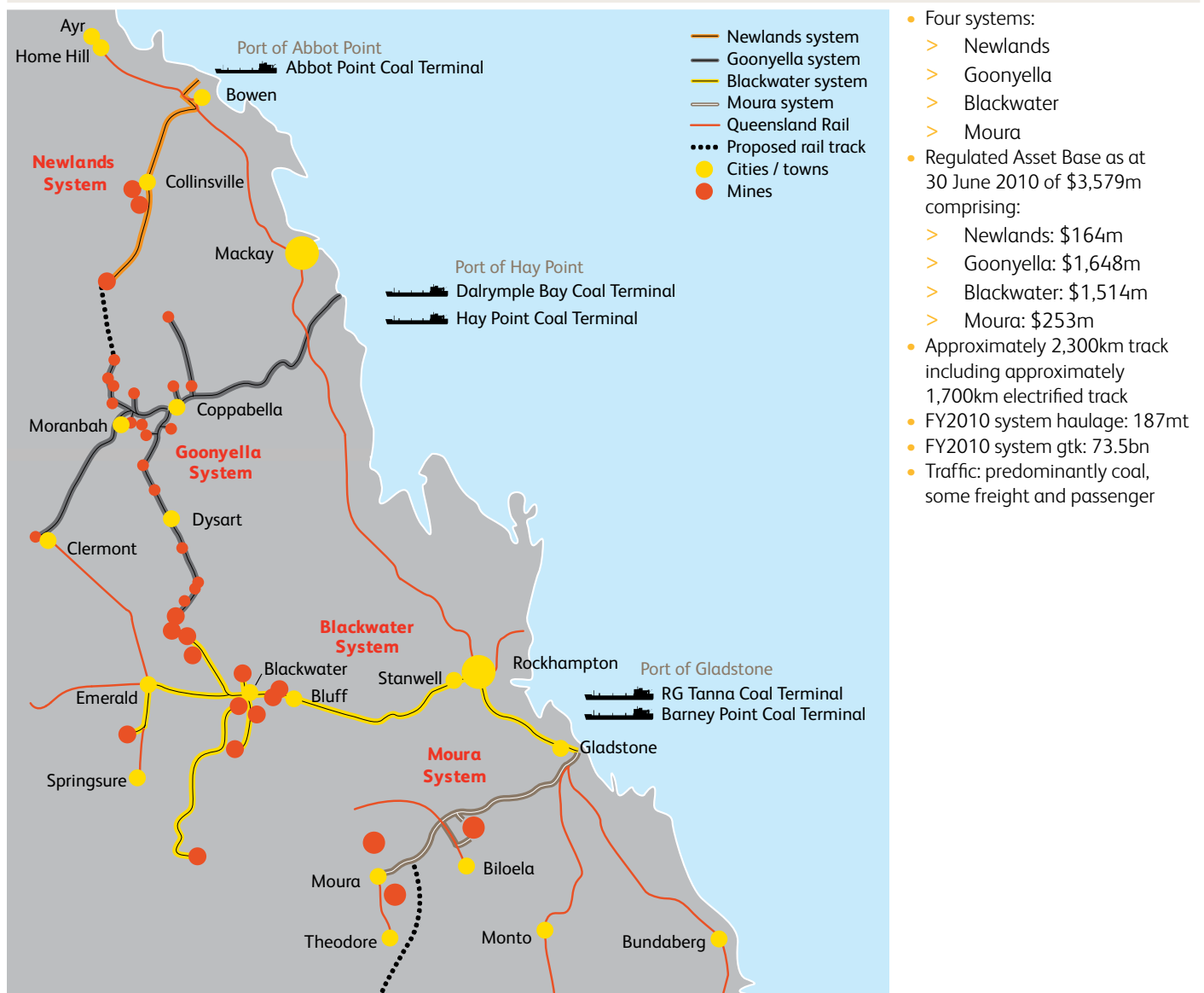
4.5.2.2 Network

QRN Network Services operates and manages the CQCN, which is an approximately 2,300km coal rail network with a contracted capacity of 229mtpa as at 30 June 2010.

The CQCN is leased from the State under 99 year lease arrangements which commenced in July 2010 (see Section 7.4.3). QRN Network Services provides access to the CQCN to QRN Coal, QRN Freight and third parties. Access to the CQCN is currently regulated by the QCA. See Section 5 for further detail on the regulatory regime.

The CQCN, which is the largest export coal rail network in Australia, comprises four major coal systems in Queensland's Bowen Basin coal region: Newlands, Goonyella, Blackwater and Moura.

Figure 18 Overview of the CQCN



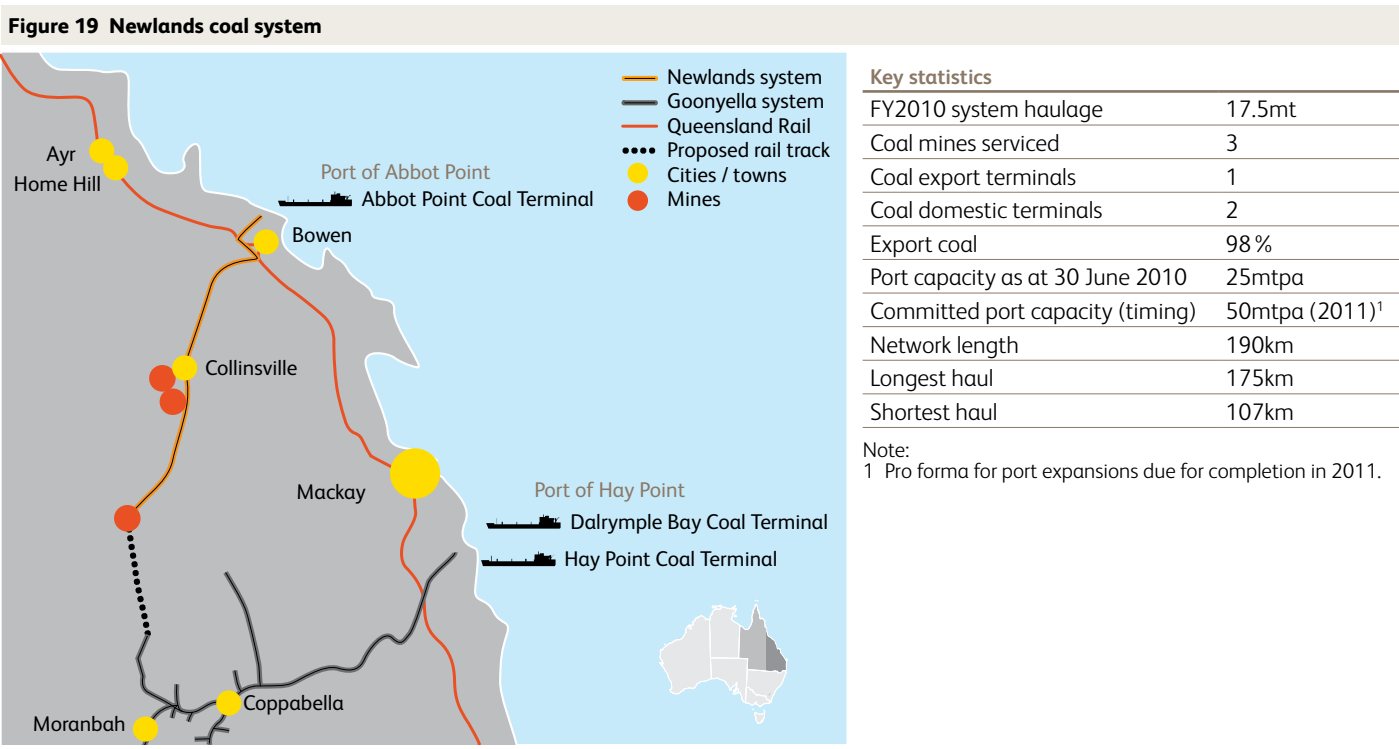
4 Overview of QR National

Coal mines in the central Bowen Basin rely primarily on the Goonyella coal system that connects coal mines in the central Bowen Basin to the Dalrymple Bay Coal Terminal (DBCT) and the Hay Point Coal Terminal (HPCT). Mines in the northern Bowen Basin rely on the Newlands rail corridor to the Abbot Point Coal Terminal.

The Blackwater and Moura systems link coal mines in the southern Bowen Basin to the Port of Gladstone as well as to domestic users around Rockhampton and Gladstone.

Newlands

- The Newlands coal system is located at the northern end of the Bowen Basin and connects to the Abbot Point Coal Terminal.
- Major expansion works are planned to extend the Newlands coal system as part of the Goonyella and Abbot Point Expansion (GAPE) project. See Section 4.5.2.3 for a description of these expansion works. Within the Newlands coal system, QR National services three mines.

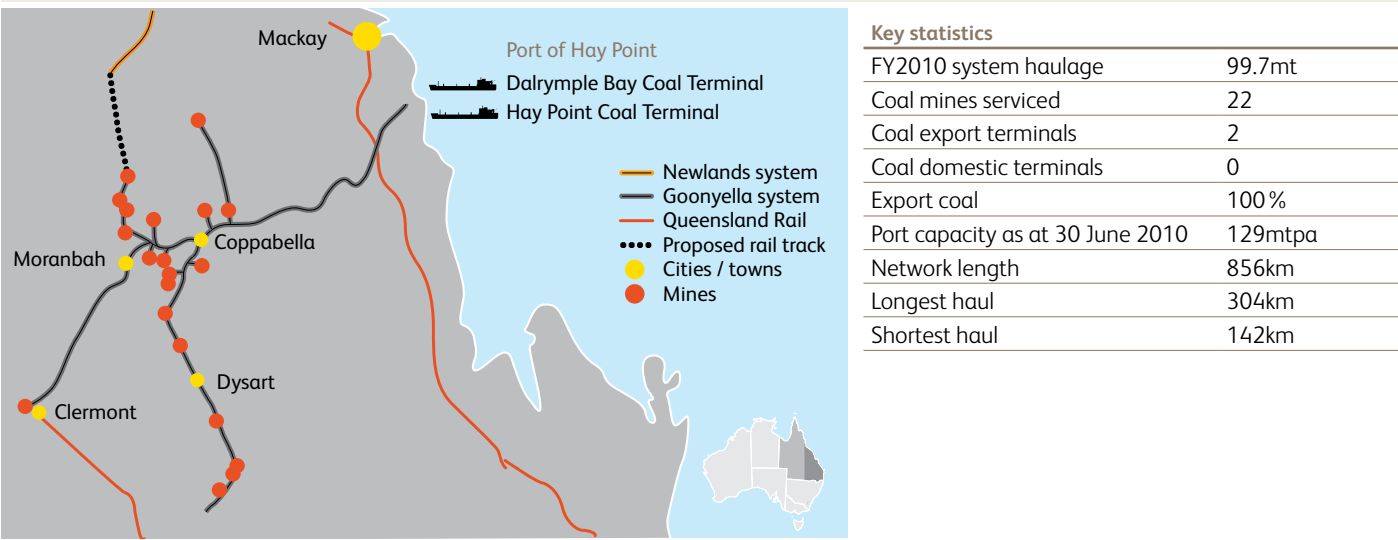


4 Overview of QR National

Goonyella

- The Goonyella coal system is located in the central Bowen Basin, which it links to the Port of Hay Point, and is the largest coal system in Queensland by tonnage hauled. The Port of Hay Point is one of the world's largest coal export ports by volume throughput. Within the Goonyella system, QR National services 22 mines.
- Coal is transported by rail to the two coal terminals at the port: the Dalrymple Bay Coal Terminal and the Hay Point Coal Terminal.

Figure 20 Goonyella coal system



4 Overview of QR National

Blackwater and Moura

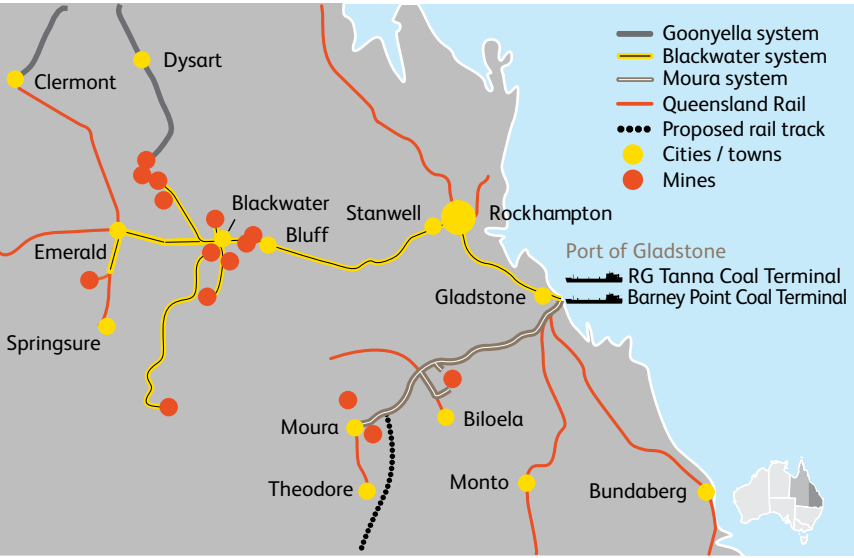
Blackwater

- The Blackwater coal system carries the second highest tonnages in Queensland, after the Goonyella system, and transports export coal from 14 mines to the RG Tanna and Barney Point coal terminals in Gladstone. Within the Blackwater coal system, domestic coal is transported to domestic end users, including the Stanwell and Gladstone power stations, the Comalco Refinery (Rio Tinto Alcan) and Cement Australia.

Moura

- The Moura coal system is coupled with the Blackwater system to service the industrial and rural communities of the Dawson and Callide valleys in central Queensland.
- Coal is transported from mines to four domestic customers (Gladstone Power Station, Queensland Alumina Ltd, Rio Tinto Alcan and Cement Australia) and the RG Tanna and Barney Point coal terminals at the Port of Gladstone.

Figure 21 Blackwater and Moura coal systems



Key statistics	Blackwater	Moura
FY2010 system haulage	58.3mt	11.3mt
Coal mines serviced	14	5
Coal export terminals	2	
Coal domestic terminals	5	
Export coal	83 %	
Port capacity as at 30 June 2010	76mtpa	
Network length	985km	228km
Longest haul	422km	190km
Shortest haul	185km	122km

4 Overview of QR National

4.5.2.3 Network growth strategy

A core component of QRN Network Services' strategy is the expansion of its coal rail network. QR National has a number of projects at various stages of commitment, as well as other potential projects which are currently under assessment. The projects included in the Forecast Financial Information are the GAPE X50, the electrification of the Blackwater coal system, and the enhancements to support capacity expansions on the Goonyella coal system (GSE X140).

QR National has a strong balance sheet to support these network expansions, with a \$3bn Syndicated Facility, partially drawn at Settlement, as described in Section 10.6.3. In addition to this debt facility, various other options are available to QR National to fund future network expansion projects, including financing of rail infrastructure by customers and potential joint ventures.

GAPE X50

QRN Network Services' major growth project is GAPE X50, which involves the construction of rail infrastructure to support the expansion of the Abbot Point Coal Terminal from a capacity of 25mtpa to 50mtpa.

GAPE X50 consists of a number of individual sub-projects including:

- the Northern Missing Link – a 69km rail track link between the Goonyella and Newlands systems;
- a major upgrade and expansion of the existing Newlands coal system between Newlands and the Abbot Point Coal Terminal; and
- capacity enhancements within the Goonyella coal system.

QR National's total expected capital expenditure for GAPE X50 (below rail only) is \$1.1bn, of which approximately \$900m remained to be spent as at 30 June 2010. Initial operation of GAPE X50 is anticipated by January 2012 and project completion is expected in June 2012.

GAPE X50 is unique in that QR National has negotiated specific commercial arrangements with Users such that it could earn higher returns than those provided for under the regulated access undertaking, in return for assuming greater risks in relation to construction cost, counterparty credit, and future contract arrangements.

Blackwater electrification

QR National has commenced the expansion of the Blackwater electric traction system. Four feeder stations are being constructed at Raglan, Wycarbah, Duaringa and Bluff including new connections to the transmission grid and replacement of the feeder station at Callemondah.

GSE X140

The GSE X140 project is expected to increase below rail capacity in the Goonyella system from 129mtpa to 140mtpa to support the expected increase in coal exports through the terminals at HPCT and DBCT. GSE X140 is currently in the pre-feasibility stage, and includes a number of rail infrastructure enhancements, including a new feeder station at Wotonga and additional holding tracks between Jilalan and the Port of Hay Point precinct.

Future major coal rail network expansion projects

QR National's Coal Rail Infrastructure Master Plan details planned and potential rail infrastructure requirements necessary to haul coal from mines in central Queensland to coastal ports and regional industrial facilities. The Master Plan is updated annually to assess network capacity requirements against future coal production forecasts across the Newlands, Goonyella, Blackwater and Moura coal systems.

As a result of this planning process, infrastructure proposals include track network expansion, signalling systems and electric power traction systems.

There are several major projects being considered by QRN Network Services in Queensland. The timing for these projects has not been finally determined and capital expenditure has not yet been committed for construction. These include:

- **Abbot Point:** Potential expansion of GAPE X50 to support the expansion of the Abbot Point Coal Terminal and potential future corridors to support further new coal terminals at Abbot Point.
- **GSE X170:** Expansion of the Goonyella system to support future expansions of the terminals at HPCT and DBCT from 140mtpa to 170mtpa (in aggregate).
- **Wiggins Island Coal Terminal (WICT) X25, X50 and X70:** Rail infrastructure to support the development of the WICT at Gladstone. Initial planned capacity of WICT is at least 20mtpa (X25) with future expansions to 50mtpa (X50) and 70mtpa (X70). WICT X25 is not expected to commence operations before 2013.
- **Surat Basin Rail:** The proposed Surat Basin Railway, also known as the Southern Missing Link, is expected to be approximately 210km in length and may connect Queensland Rail's western system near Wandoan (230km north-west of Toowoomba) with QR National's Moura system near Banana (130km west of Gladstone). QR National is a participant in a consortium that is assessing the viability of constructing this rail track infrastructure which would link the Surat Basin to WICT.

4 Overview of QR National

4.5.2.4 Infrastructure Services

The Infrastructure Services business is responsible for building and maintaining the CQCN. It also provides support services in New South Wales, Western Australia and other locations where required.

Infrastructure Services' principal customer is QR National. The Infrastructure Services business is involved in the upgrade and construction of rail infrastructure required for the network expansion projects set out above.

The business also has rail grinding contracts with two rail network operators, ARTC and WestNet Rail. The specialised maintenance capability within Infrastructure Services could be exported to other interstate markets in the future.

4.5.2.5 Rollingstock Services

The Rollingstock Services business delivers a range of services which include the manufacture of rail wagons, overhaul and repair of rollingstock, and component supply services. Rollingstock Services is currently manufacturing 160 standard gauge wagons to support QR National's Hunter Valley operations and a further 170 wagons for QR National's coal operations in central Queensland. Two major long term contracts were recently entered into for rollingstock overhaul, maintenance and supply of components for Queensland Rail's passenger fleet. In addition, the business provides a service to maintain and overhaul track maintenance machines.

The business has three workshop facilities in Queensland, located at Redbank near Brisbane, Rockhampton in central Queensland and Townsville in north Queensland.

These services are highly specialised and are able to be provided over remote geographic areas across Queensland. They will support QR National's growth strategy and may provide a future source of revenue from external customers.

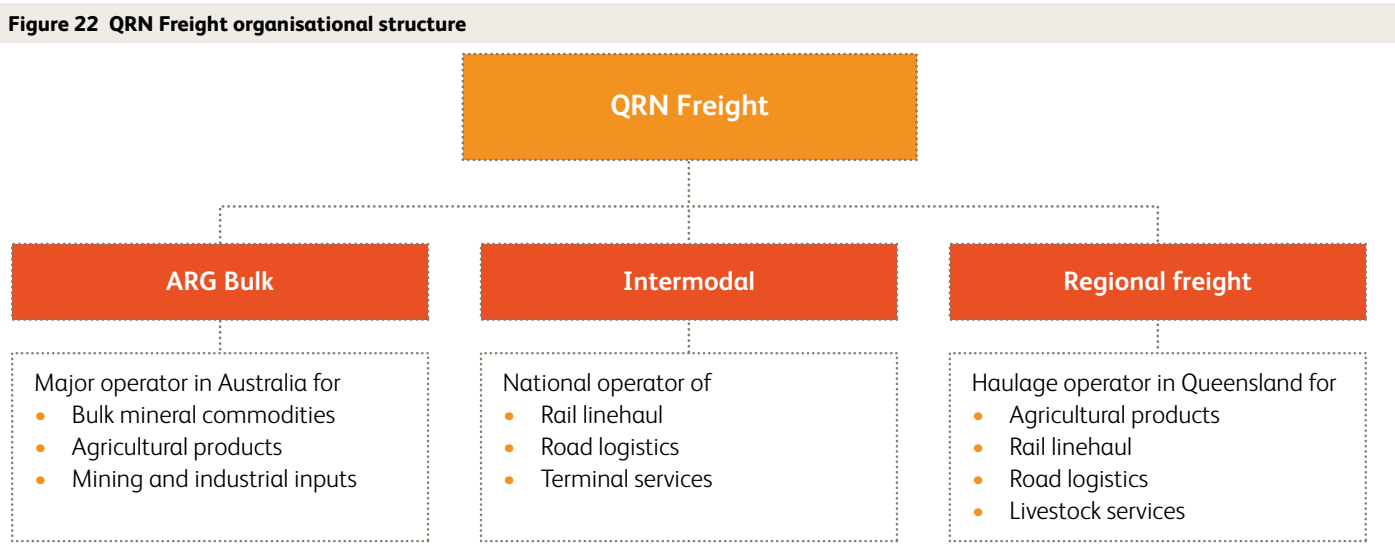
4.5.2.6 Infrastructure Services and Rollingstock Services business strategy

Infrastructure Services and Rollingstock Services are implementing a range of changes to their business models aimed at increasing efficiency, being a focused niche external player and working with above and below rail partners to reduce maintenance costs and above rail turnaround times, and minimising below rail downtime.

4.5.3 QRN Freight

4.5.3.1 Overview

The QRN Freight operating division is comprised of three businesses as shown in Figure 22.



4 Overview of QR National

4.5.3.2 ARG Bulk

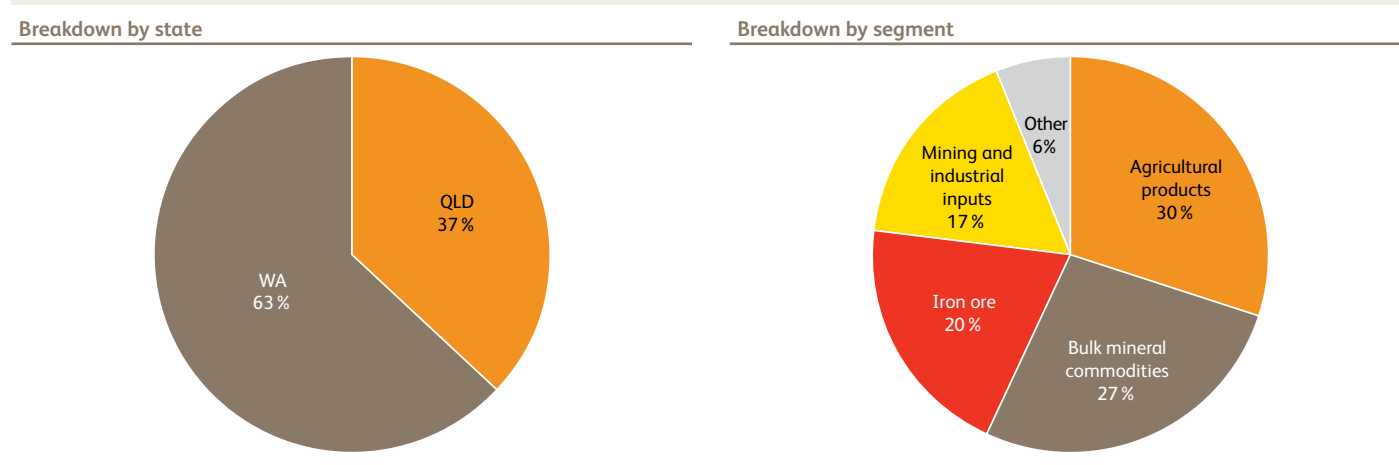
ARG Bulk operates as two separate divisions in Western Australia and Queensland:

- ARG Bulk West handles bulk mineral commodities (including iron ore), agricultural products and mining and industrial inputs in Western Australia; and
- ARG Bulk East primarily handles bulk mineral commodities, mining and industrial inputs, grain, fertiliser and sugar products in Queensland.

In FY2010, ARG Bulk generated pro forma revenue of \$714m (including internal revenue) from the transportation of approximately 60mt of bulk mineral commodities, agricultural products and mining and industrial inputs. ARG Bulk is Australia's largest rail haulier of iron ore for export outside the Pilbara region. It was also a major rail haulier of grain, alumina and bauxite in the financial year ended 30 June 2010.

The relative contributions to pro forma FY2010 revenue of each of the principal bulk freight segments within the ARG Bulk business are illustrated in Figure 23.

Figure 23 FY2010 ARG Bulk pro forma revenue breakdown (\$714m)



ARG Bulk's key driver of growth in the next five years is iron ore demand. See Section 3.3.1.2 for information on the iron ore industry.

ARG Bulk has recently secured a contract with Mount Gibson Iron for haulage of 3mtpa of iron ore, commencing in 2011. It has also executed a heads of agreement to negotiate a 10 year rail haulage agreement with Karara Mining for the transport of up to 11mtpa of magnetite concentrate and direct shipping ore to Geraldton Port. The Karara mine is expected to commence production in late 2011 and has a potential 30 year mine life. This project will be a foundation customer of the proposed new port at Oakajee when constructed.

4.5.3.3 Intermodal

The Intermodal business comprises three businesses:

- the linehaul business provides distribution and warehousing solutions for general freight, refrigerated goods and dangerous goods across Australia via a total network of five freight terminals and 44 freight distribution centres. This business operates rail services from Cairns through to Perth and is supported by a substantial road fleet with 133 trucks owned by QR National and additional trucks owned by third party subcontractors in Queensland;
- CRT Group (CRT), the road logistics business, provides specialist logistics transportation for polymers, food and industrial products. It is based in Melbourne with branches in Victoria, New South Wales, Queensland, South Australia and Western Australia with 102 trucks owned by QR National; and
- the terminal services business which operates the five freight terminals in Brisbane, Sydney, Melbourne, Adelaide and Perth, referred to above.

4 Overview of QR National

In FY2010, the Intermodal business generated \$359m in pro forma revenue (including internal revenue) and moved more than 4mt of freight.

Recent investments in rollingstock and the provision of additional services on the north-south and east-west corridors are expected to improve QR National's position in the intermodal segment.

4.5.3.4 Regional Freight

Regional Freight transports agricultural products (including livestock) and mining and industrial inputs, in addition to general and containerised freight in regional Queensland. In FY2010, Regional Freight generated pro forma revenue of \$381m (including internal revenue).

Regional Freight is a service provider to other QR National businesses. It has recently negotiated two Transport Services Contracts (TSCs) with the State which involve the State procuring freight services from QR National in regional Queensland. These TSCs are described further in Sections 7.4.6 and 7.4.7.

4.5.3.5 Growth and business strategy

QR National has developed a five year strategic plan for the QRN Freight division. This comprehensive plan identified development of growth initiatives and operational improvement as key areas of focus for the division.

Key growth initiatives include:

- investment in iron ore and intermodal above rail capacity to support the expected increase in volumes:
 - > new locomotives have been ordered for iron ore projects in Western Australia and fleet renewal in Mt Isa;
 - > investment in new locomotives and wagons to upgrade the intermodal fleet to improve reliability and increase capacity, which commenced in FY2009; and
- a targeted growth program to take advantage of opportunities in iron ore, other bulk mineral commodities and intermodal:
 - > secured heads of agreement with two key customers in the contestable iron ore markets in Western Australia;
 - > planned expansions of existing iron ore contracts well advanced;
 - > bulk mineral commodity opportunities adjacent to existing infrastructure;
 - > secured new intermodal contracts with two freight forwarders; and
 - > continuing investment in the Moorebank intermodal terminal (Sydney) and the future development of the Forrestfield intermodal terminal (Perth).

QRN Freight is also implementing a range of performance improvement initiatives including:

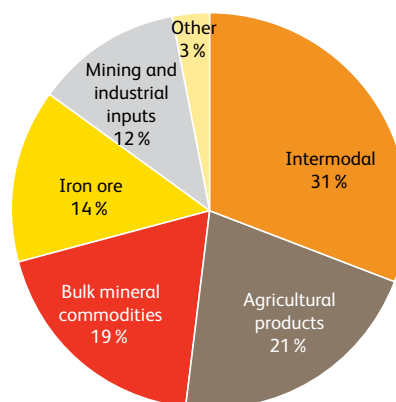
- renegotiating customer contracts to improve commercial outcomes;
- identifying cost saving opportunities;
- reducing LTIFR — reduced from 13.9 in FY2009 to 3.6 in FY2010;
- extracting operational synergies from a restructure and consolidation of the QRN Freight businesses;
- introducing new enterprise agreements for employees on the Mt Isa line; and
- establishing a high performance culture with clear accountabilities.

4.5.3.6 Customers

QRN Freight's bulk mineral commodities, agricultural products and mining and industrial inputs customers are generally large companies, with the majority of tonnages subject to long term contracts. Eight of QRN Freight's 10 largest customers by revenue are serviced by large dedicated trains, principally operating on third party tracks in both Queensland and Western Australia.

The Intermodal customer base is varied and includes polymer, food, retail and industrial customers.

Figure 24 QRN Freight commodity mix (by pro forma revenue), FY2010



4.5.3.7 Industry position

QRN Freight is the largest provider of haulage for bulk mineral commodities and agricultural products and mining and industrial inputs in Queensland and Western Australia (excluding the Pilbara region).

QRN Freight has a strategy to pursue growth in the intermodal segment with the objective of becoming a strong participant.

4 Overview of QR National

4.6 Operational Excellence

4.6.1 Overview

QR National's Operational Excellence division was recently established to work across QR National's three core operating divisions. The purpose of the Operational Excellence division is to drive improvements in operational performance across the key areas of asset engineering, fleet planning, asset reliability, planning and scheduling, and safety and environment to meet industry benchmarks.

4.6.2 Asset engineering

Asset engineering works with the operating divisions to formulate, verify, and oversee appropriate engineering strategies and standards to improve the operational performance of the rollingstock assets over their entire lifecycle.

4.6.3 Fleet planning

Fleet planning works across QR National's operations to optimise the specification, performance and allocation of rollingstock assets, including co-ordinating the transfer of older locomotives to appropriate uses in other businesses as new locomotives are acquired, and managing the appropriate retirement of aged assets. This Company-wide approach to rollingstock lifecycle management enables QR National to take advantage of the scale of its rollingstock fleet and is expected to improve the Company's operational and financial performance.

4.6.4 Asset reliability, planning and scheduling

Asset reliability, planning and scheduling oversees the design and implementation of the Company-wide rollingstock maintenance strategy, which is designed to ensure that the operational objectives of the rollingstock fleet are achieved. One of its core functions is co-ordinating the effective utilisation of maintenance facilities and equipment to achieve the reliability, availability and performance objectives of the businesses in a cost-effective manner. It also will implement various initiatives across the businesses to further improve reliability and availability of rollingstock.

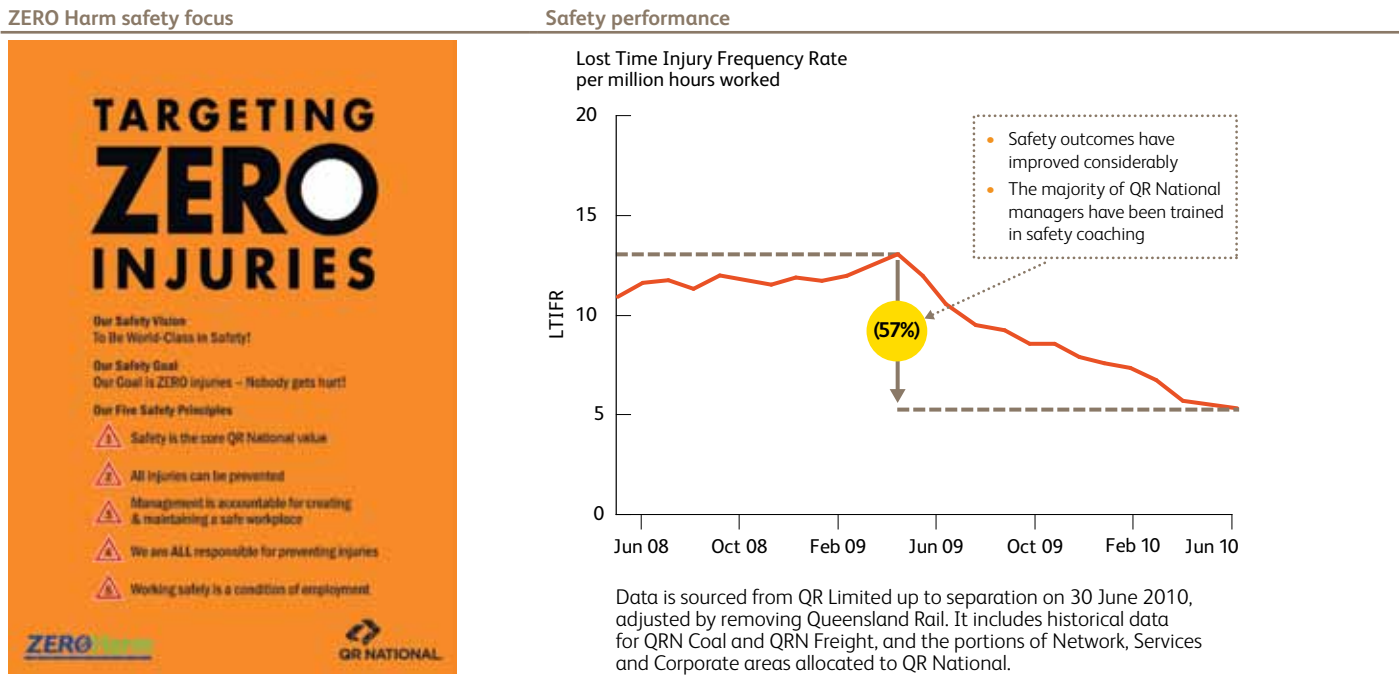
4.6.5 Safety and environment

QR National has a comprehensive approach to safety and risk management. This includes targeted internal initiatives to improve QR National's safety culture and achieve robust safety systems and behaviours among the workforce. All QR National managers and supervisors have completed or will complete safety leadership training. QR National launched a Company-wide 'Targeting ZERO Injuries' campaign to make safety a visible focus.

QR National has a dedicated safety business support unit responsible for providing advice and leadership in safety practices.

4 Overview of QR National

Figure 25 Safety principles and safety performance



QR National adopts a precautionary approach to assessing environmental risks and avoiding or mitigating the environmental impact of activities across the business including a coal dust management plan endorsed by the Queensland Department of Environment and Resource Management. QR National has introduced an environmental sustainability policy that commits the organisation to management of all its operational activities and services in an environmentally responsible manner to meet legal, social and moral obligations.

Consumption of energy derived from fossil fuels is a critical aspect of QR National’s business and, as such, the Company recognises the potential economic and environmental benefits of improved energy efficiency. QR National was a voluntary participant in the Australian Greenhouse Challenge scheme and reported its energy consumption and greenhouse gas emissions publicly until the cessation of the scheme. QR National is obliged to report greenhouse gas emissions, energy production and energy consumption and is also required to assess and report publicly on opportunities to improve energy efficiency.

4 Overview of QR National

4.7 Corporate

4.7.1 Overview

The Corporate division comprises four key areas:

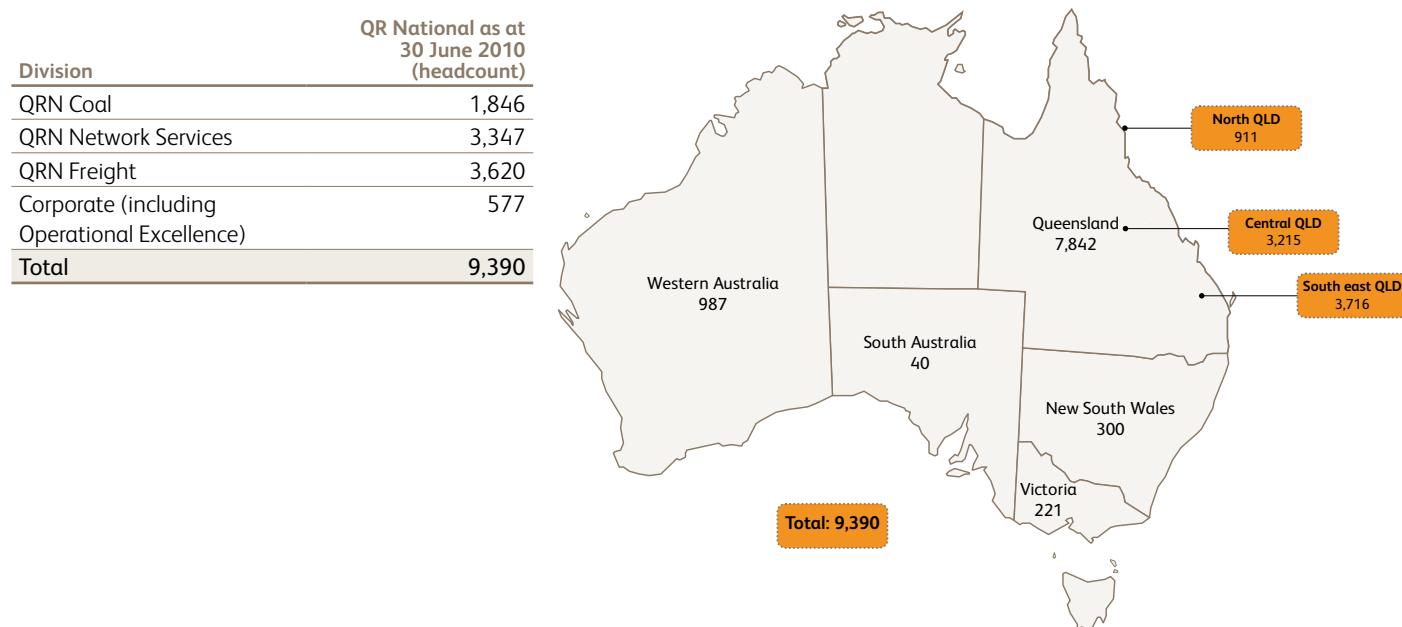
- Finance, which includes financial reporting and planning, treasury, taxation and investor relations;
- Human Resources, which comprises industrial relations, corporate communications, transformation, remuneration, talent and leadership, recruitment, and learning and development;
- Corporate Services, which comprises legal, risk, company secretariat, internal audit, marketing and branding and corporate strategy; and
- Shared Services, which is the centralised support function to QR National's operating divisions including information technology, property and procurement services.

4.7.2 Employees

QR National employs approximately 9,400 people across Australia. Permanent employees represent 91 % of the workforce. The average length of service of a QR National employee is 15 years.

QR National has a diverse range of roles spanning its workforce, including positions within the operations field, trades and construction, engineering and other professional areas. As a key attraction and retention strategy, particular focus is given to developing people through apprenticeships, traineeships and graduate programs.

Figure 26 Headcount as at 30 June 2010



4.7.2.1 Enterprise agreements

QR National has 23 business-specific enterprise agreements covering approximately 8,600 of its employees. Thirteen of these agreements, covering approximately 7,300 employees in Queensland, have recently been renegotiated with bargaining representatives, including the rail unions, and will not expire until December 2013. These 13 agreements contain no forced redundancy provisions for specified categories of employees. The remaining 10 agreements cover approximately 1,300 employees and have varying expiry dates.

An aerial photograph of a freight train traveling through a dry, hilly landscape. The train consists of several white and yellow containers. A large, semi-transparent graphic overlay, composed of several overlapping triangles in shades of green, yellow, and red, is positioned on the right side of the image. In the bottom left corner, there is a red rounded rectangle containing the chapter title and a table of contents.

5 Overview of access regulation

5.1 Introduction	73
5.2 Regulatory framework	73
5.3 Reference Tariffs and access revenue	74
5.4 Capacity expansion and Investment Framework	74

5 Overview of access regulation

5.1 Introduction

The provision of access to rail transport infrastructure is regulated in each state in which QR National conducts business. This regulation covers matters such as Access Charges, the recovery of operating and capital expenditure, capacity expansion and investment and non-discrimination between Access Seekers.

Regulation of rail access is relevant to QR National in two ways:

- access to the CQCN, which is managed by QR National's below rail business, is regulated by a Queensland-based Third Party Access regime established under the *Queensland Competition Authority Act 1997* (Qld) (QCA Act) (Queensland Access Regime) and administered by the QCA; and
- the above rail businesses of QR National are users of QR National's below rail business in the CQCN and rail networks elsewhere in Queensland and in other states. Access to these other rail networks is governed by:
 - > state-based Third Party Access regimes, including the Queensland Access Regime; or
 - > the national Third Party Access regime in the *Trade Practices Act 1974* (Cth) (TPA) (National Access Regime) administered by the Australian Competition and Consumer Commission (ACCC).

Under these regimes, the network manager must provide access to the network subject to the rules and negotiation framework of each applicable access regime.

QR National's below rail business in the CQCN is conducted by its wholly-owned subsidiary, QR Network, which is also the long term lessee of the CQCN.

QR Network generates revenue in the form of Access Charges. The provision of access to users of the CQCN, and the Access Charges that QR Network is permitted to impose, are regulated by the QCA. For this purpose, QR Network submits an Access Undertaking to the QCA at regular intervals (usually between 3–5 years) to seek approval for components of pricing and other terms for the following regulatory period. QR Network's current Access Undertaking (UT3) was approved by the QCA in October 2010 and applies to 30 June 2013.

See Section 5.2 for an overview of the Queensland and national access regimes and the application of Third Party Access regulation to QR National's below rail business in the CQCN.

5.2 Regulatory framework

The National Access Regime allows for the Certification of state-based access regimes as 'effective' by the relevant Commonwealth Minister if they meet specified criteria. Prior to the relevant Commonwealth Minister making a decision, the National Competition Council (NCC) makes a recommendation on Certification to the Minister. If there is no certified state-based access regime in place, the provisions of the National Access Regime apply if (among other things) the relevant service (e.g. the use of the rail network for transport) is 'declared' by the relevant Minister. If a service is subject to access regulation under a state-based regime that has been certified as 'effective', that service can generally not be 'declared' and so will not be subject to the National Access Regime.

The NCC is currently considering the following applications relevant to QR Network:

- an application from Pacific National for a recommendation that certain services provided by QR Network with respect to the CQCN be declared under the National Access Regime; and
- an application from the State for a recommendation that the Queensland rail access regime (which applies to rail transport services in the CQCN and certain Extensions) be certified as effective for the purposes of the National Access Regime.

In September 2010, the NCC released its draft recommendations that the Queensland rail access regime be certified as effective for a period of 10 years and that the services provided by QR Network not be declared under the National Access Regime. The NCC's final recommendations are currently expected before the end of 2010 (although the NCC can extend the statutory timeframe for making its decision) and the relevant Ministers are required to issue their decisions within 60 days of receiving the recommendations. Final decisions on both applications are therefore currently expected in early 2011. There is the possibility of an appeal from the Ministers' decisions and for the Ministers' decisions to be overturned.

If the Queensland rail access regime is certified, access to the CQCN and certain Extensions within the CQCN will continue to be regulated under the Queensland Access Regime for the duration of the Certification unless the declaration is revoked earlier or if the Commonwealth Minister believes there have been substantial modifications to the Queensland rail access regime (in which case access to the CQCN could be declared under the National Access Regime). Extensions to a new coal basin by QR Network are not currently declared under the Queensland rail access regime but could be regulated by either the Queensland Access Regime or the National Access Regime if the services they provide are declared under the relevant access regime in the future.

5 Overview of access regulation

If the Queensland rail access regime is not certified (either because the Minister decides not to certify or the Certification is successfully appealed), access to the CQCN for the provision of rail transport services could become subject to both the National Access Regime and the Queensland Access Regime. This would occur if (among other things) QR Network voluntarily submits an Access Undertaking to the ACCC, which is subsequently approved by the ACCC, or if the rail transport services are 'declared' by the relevant Minister (as Pacific National has sought).

If the services were declared under the National Access Regime, until any inconsistency arises between the Queensland Access Regime and the National Access Regime, both regulatory regimes would apply. In the event of inconsistency, the National Access Regime would apply. This would mean that the Reference Tariffs (as described in Section 5.3) in UT3 would be likely to be legally binding until the ACCC accepts different Reference Tariffs in a voluntary Access Undertaking provided by QR Network or the ACCC imposes different tariffs in the course of arbitrating an access dispute (in which case those different tariffs, which could be backdated to the declaration of the services, would apply in relation to the disputing Access Seeker only).

If the National Access Regime were to apply, it is possible that terms and conditions imposed by the ACCC in respect of the CQCN would be more or less favourable than the terms and conditions imposed under UT3, which in turn could have a positive or adverse effect on QR National's future financial performance and position. The ACCC has not previously had to assess terms that would apply to a vertically integrated rail operator under the National Access Regime, so there is some uncertainty as to how it would approach this issue. However, having regard to regulatory precedent particularly in respect of the ACCC's draft decision in relation to the Hunter Valley Access Undertaking (HVAU), as well as an independent report from Synergies Economic Consulting (included in the Appendix), the State believes that any transition to ACCC regulatory oversight would be unlikely to have a material adverse effect on QR National's future financial performance and position.

5.3 Reference Tariffs and access revenue

Reference Tariffs are approved by the QCA to provide network managers and Users with a reliable forecast of prices for defined rail services across the term of an Access Undertaking. Reference Tariffs are calculated for each system by dividing Maximum Allowable Revenue by system forecast tonnages. Maximum Allowable Revenue is based on the value of assets used to deliver the regulated service and an approved rate of return on those assets, and an allowance for depreciation, tax, operating and maintenance costs.

To the extent that actual revenues earned for coal carrying train services differ from the levels used in setting the relevant Reference Tariff, an adjustment is made in the second year subsequent to ensure QR Network earns the allowable revenue for the relevant coal system. As such, QR Network bears limited volume risk.

Under UT3, the QCA requires QR Network to undertake a condition-based assessment of the below rail assets in the CQCN by 1 January 2011 and a further assessment six months prior to the end of UT3. These assessments are different to the various reports that the Company and the QCA have obtained for various purposes previously. If there is evidence that the condition of the below rail network has deteriorated over the term of UT3 at a rate greater than a rate that would be expected under accepted good operating practice, the QCA may reduce the value of assets in the Regulated Asset Base by the estimated value of the deterioration of the assets.

5.4 Capacity expansion and Investment Framework

As part of UT3, the QCA approved principles that, for the period to June 2013, will govern the ownership, construction and financing of new rail infrastructure and modifications to existing rail infrastructure (Infrastructure Enhancements) in the CQCN to the extent that they are used in the provision of Declared Services (Investment Framework).

The Investment Framework classifies infrastructure investments under three categories:

- Extension – an enhancement, expansion, augmentation, duplication or replacement of all or part of the rail infrastructure;
- Customer Specific Branch Line – an Extension that when constructed will connect a customer's loading facility to rail infrastructure; and
- Significant Investment – a major Expansion (i.e. Extension that is not a Customer Specific Branch Line) project to support a new loading or unloading facility where the rail infrastructure has an estimated cost in excess of \$300m.

The Investment Framework provides for a number of funding options and allows Users to fund Extensions even where QR Network is willing to do so.

To apply online and pay by BPAY

Retail Investors can apply for Shares online by visiting qrnshareoffer.com.au. If you are applying online, you can only pay for Shares using BPAY. Your online Application and Application Payment must be received by 5.00 pm (Brisbane time) on the Closing Date; subject to change, the Closing Date is Friday, 12 November 2010.

BPAY is an electronic payment service that enables you to pay for Shares directly from your cheque or savings account via internet banking through participating banks, building societies and credit unions. You must apply online in order to pay via BPAY.

To use BPAY

Visit qrnshareoffer.com.au and complete an online Application. If you pre-registered for an Offer Document, you will be asked to provide your unique Application Reference Number¹, which is at the top right corner of your personalised Application Form, or on your pre-registration confirmation letter or email (if you have received one).

Once you have completed your online Application, you will be given a BPAY Biller Code and a BPAY payment reference number. You should make your Application Payment in full on the same day, as the Offer may close early and any Applications without payment cannot be accepted. You will then need to:

- 1 access your participating phone/internet banking service
- 2 select BPAY and follow the prompts:
 - enter the Biller Code and your payment reference number supplied when you completed your online Application
 - nominate the amount of your Application Payment in full
 - nominate the cheque or savings account you wish your Application Payment to come from (note that credit card payments are not allowed)
- 3 record your BPAY receipt number and the date of payment and retain a copy for your records.

Note that Applicants paying via BPAY should be aware that their own financial institution may implement earlier cut-off times with regard to electronic payment than the time at which the Retail Offer closes, and should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that the funds submitted through BPAY are received by the Closing Date.

To apply using a paper Application Form

Your Application Form and Application Payment must be received by 5.00 pm (Brisbane time) on the Closing Date; subject to change, the Closing Date is Friday, 12 November 2010. Paper Application Forms must be accompanied by cheque(s)/money order(s).

Retail Investors applying for Shares using a paper Application Form are encouraged to submit their Application Form and Application Payment as early as possible in advance of the Closing Date. Ensure you allow a sufficient period for mail processing time.

Step 1 – Which Application Form should I use?

If you...	You should use the...	Or...
pre-registered to receive an Offer Document	red personalised Application Form and reply paid envelope ²	apply online at qrnshareoffer.com.au using your Application Reference Number
pre-registered through a Broker to receive an Offer Document	yellow personalised Application Form and reply paid envelope addressed to your Broker ²	apply online through the link located on your Broker's website. The website address is also found on your pre-registration confirmation letter or email (if you have received one)
did not pre-register but requested an Offer Document during the Offer Period	orange personalised Application Form and reply paid envelope ²	apply online at qrnshareoffer.com.au using your Application Reference Number
did not pre-register and do not have a personalised Application Form	brown Application Form in the centre of this Offer Document and replied paid envelope ²	apply online at qrnshareoffer.com.au
are a Broker Firm Applicant	You should apply in accordance with instructions received from your Broker	
are an Eligible Employee accepting Shares in the Employee Gift Offer and/or if you choose to apply for additional Shares in your own name	green personalised Application Form and reply paid envelope ²	apply online at qrnshareoffer.com.au using your Application Reference Number
are an Eligible Employee applying for additional Shares in the name of your family trust account or superannuation fund account or jointly with any other person(s)	blue Application Form and reply paid envelope ²	apply online at qrnshareoffer.com.au using your Application Reference Number

¹ The eight or nine digit number found at the top right corner of any Application Form or on your pre-registration confirmation letter or email (if you have received one).

² If you have misplaced your reply paid envelope, then send your Application Form and cheque(s)/money order(s) to your Broker or 'QR National Share Offer, Reply Paid 2641, Brisbane QLD 4001'.

Step 2 – Complete the Application Form in accordance with these instructions

To complete your Application Form correctly, follow the detailed instructions on 'How to complete your Application Form' on page 3 of these orange Application Instructions.

Photocopies of Application Forms will not be accepted. Write clearly in BLOCK LETTERS using black or blue ink only.

Do not write outside the white boxes. Ensure you record your contact details in case it is necessary to contact you regarding your Application.

Applications made using the wrong Application Form or name or multiple Application Forms in the same name may be rejected.

Step 3 – Pay the Application Payment

The Retail Price will be announced by the State on or around **Monday, 22 November 2010** (by placing advertisements in major national and metropolitan newspapers in Australia). As a Retail Investor, you will pay no more than the Maximum Price per Share. Enter the total dollar value amount of Shares you wish to apply for, noting that the minimum Application amount is \$2,000 and multiples of \$100 thereafter.

When and how can I pay?

Application Form and Application Payment must be received by **5.00 pm (Brisbane time) Friday, 12 November 2010**.

To ensure your Application Form and Application Payment are processed in time and to allow for the allotment of Shares on a timely basis, follow these steps, when paying by cheque(s)/money order(s):

- 1 enter your cheque(s)/money order(s) details, Application Payment, contact name and daytime telephone number (including your area code), (in case it is necessary to contact you regarding your Application) on the Application Form in the spaces provided
- 2 make your cheque(s)/money order(s) payable to 'QR National Share Offer' for the total dollar value amount on the Application Form
- 3 ensure that your cheque(s) is/are in Australian dollars drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable'. Please ensure sufficient cleared funds are held in your bank account as your cheque(s) will be banked as soon as your Application is received. Please do not post date the cheque(s)
- 4 place the entire Application Form and cheque(s)/money order(s) in the reply paid envelope provided
- 5 do not write anything on the back of the Application Form as any additional information will not be considered.

Cash will not be accepted. Notice of receipt of your Application Payment will not be provided to you.

Step 4 – Record your Application Reference Number

You should also keep a record of your Application Reference Number so you can check on the status of your Application during the Offer Period, or your allocation of Shares after allotment takes place, by visiting qrnshareoffer.com.au or calling 1800 776 476. There is a box provided on page 3 of these orange Application Instructions for you to enter your Application Reference Number(s) (for your future reference).

Step 5 – Lodge your Application

For personalised Application Forms

Complete only the blank sections of the Application Form. Place the entire Application Form and cheque(s)/money order(s) in the reply paid envelope provided with your personalised Application Form.

Changes to pre-populated registration details on personalised Application Forms will not be accepted.

For Application Forms that are not personalised

Complete the entire Application Form. Place the entire Application Form and cheque(s)/money order(s) in the reply paid envelope provided with the Offer Document.

You can lodge your Application either by:

- mailing it for receipt by **5.00 pm (Brisbane time) Friday, 12 November 2010**, in the reply paid envelope provided. Mail as soon as possible to allow a sufficient period for mail processing time; or
- placing it in the Offer collection box at any Commonwealth Bank of Australia branch in Queensland only.

Broker Firm Applicants

If you have received an allocation of Shares in the Broker Firm Offer, you should follow the instructions received from your Broker. In particular, your Application is required to be delivered to your Broker (not the Share Registry). You should make your Application Payment in accordance with the instructions received from your Broker. Contact your Broker if you have any questions in relation to your Application in the Broker Firm Offer.

If you have misplaced your reply paid envelope, then send your Application Form and cheque(s)/money order(s) to your Broker or 'QR National Share Offer, Reply Paid 2641, Brisbane QLD 4001'.

How to complete your Application Form

These instructions are cross-referenced to each section of the relevant Application Form.

1 Detailed instructions for Applicants completing the red, yellow or orange personalised Application Form

If you are an Applicant who has registered for an Offer Document and/or if you are a Client of a Broker, you should have received a personalised Application Form. All your registration details have already been recorded on the personalised Application Form. To complete the Application Form, follow the instructions below.

1 Enter the total dollar value amount of Shares you wish to apply for.

The Retail Price will be announced by the State on or around **Monday, 22 November 2010**. As a Retail Investor, you will pay no more than the Maximum Price per Share. Note that the minimum Application amount is \$2,000 and multiples of \$100 thereafter.

2 CHESSE Holder Identification Number (HIN). If you are already a CHESSE participant, or sponsored by a CHESSE participant, and your CHESSE HIN is not pre-populated, write your CHESSE HIN here.

Lower portion of the Application Form

Enter your contact details. Clearly write your name in BLOCK LETTERS and provide a daytime contact telephone number including your area code.

Enter your cheque(s)/money order(s) details. Record your cheque(s)/money order(s) details in the table provided on the Application Form. Make your cheque(s)/money order(s) payable to 'QR National Share Offer' for the total dollar value amount on the Application Form. Ensure that your cheque(s) is/are in Australian dollars drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable'. Do not post date the cheque(s).

Enter your total dollar value amount. This must equal the amount in Box **1**.

Enter your Application Reference Number. Write your Application Reference Number on the back of your cheque(s)/money order(s) and at the top of this page in the space provided (for your future reference).

2 Detailed instructions for Applicants completing the brown Application Form

A Enter the total dollar value amount of Shares you wish to apply for.

The Retail Price will be announced by the State on or around **Monday, 22 November 2010**. As a Retail Investor, you will pay no more than the Maximum Price per Share. Note that the minimum Application amount is \$2,000 and multiples of \$100 thereafter.

B Enter the full name(s) in which you wish to hold Shares.

You can complete this Application Form as an individual, as a joint Applicant with one or two other person(s) (this would represent one Application) or under a company name. Persons under the age of 18 and trusts, estates, businesses, firms, partnerships, clubs, associations or other unincorporated bodies may not apply for Shares in their own name(s). You should refer to the table on page 4 of these orange Application Instructions for instructions on how to fill out your registered name(s) on the Application Form.

C Enter your postal address details.

You must use an Australian address. If you are making a joint Application, the address should be that of the person or company named first on the Application Form. All future correspondence will be mailed to this address.

D CHESSE Holder Identification Number (HIN).

If you are already a CHESSE participant, or sponsored by a CHESSE participant, write your CHESSE HIN here.

Lower portion of the Application Form

Enter your contact details. Clearly write your name in BLOCK LETTERS and provide a daytime contact telephone number including your area code.

Enter your cheque(s)/money order(s) details. Record your cheque(s)/money order(s) details in the table provided on the Application Form. Make your cheque(s)/money order(s) payable to 'QR National Share Offer' for the total dollar value amount on the Application Form. Ensure that your cheque(s) is/are in Australian dollars drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable'. Do not post date the cheque(s).

Enter your total dollar value amount. This must equal the amount in Box **A**.

Enter your Application Reference Number. Write your Application Reference Number on the back of your cheque(s)/money order(s) and at the top of this page in the space provided (for your future reference).

3 Detailed instructions for Applicants completing the green personalised and blue Application Forms

If you are an Eligible Employee, you are invited to accept Shares in the Employee Gift Offer. Shares in the Employee Gift Offer will only be registered under the personal details recorded on your green personalised Employee Application Form. There will be holding restrictions on these Shares. Details of the Employee Gift Offer, including the holding restrictions that apply, are set out in this Offer Document. You should also use this green personalised Employee Application Form if you wish to apply for any additional Shares, in your own name. If you wish to apply for any additional Shares in the name of your family trust account or superannuation fund account or jointly with any other person(s), apply using the blue Employee Application Form for any additional Shares.

Complete the green personalised Employee Application Form

1 Accept your Shares in the Employee Gift Offer.

Put a cross in Box **1** to accept your Shares in the Employee Gift Offer.

2 Enter the total dollar value amount of any additional Shares you wish to apply for.

The Retail Price will be announced by the State on or around **Monday, 22 November 2010**. As an Eligible Employee, you will pay no more than the Maximum Price per Share. Note that the minimum Application amount is \$2,000 and multiples of \$100 thereafter.

Complete the blue Employee Application Form

A Enter the total dollar value amount of any additional Shares you wish to apply for.

The Retail Price will be announced by the State on or around **Monday, 22 November 2010**. As an Eligible Employee, you will pay no more than the Maximum Price per Share. Note that the minimum Application amount is \$2,000 and multiples of \$100 thereafter.

B Enter the full name(s) in which you wish to hold Shares.

You can complete the blue Employee Application Form in the name of your family trust account or superannuation fund account or jointly with any other person(s). You should refer to the table on page 4 of these orange Application Instructions on how to fill out the name of your family trust account or superannuation fund account or joint names on the Application Form.

C Enter postal address details.

You must use an Australian address. If you are making a joint Application, the address should be that of the person or company named first on the Application Form. All future correspondence will be mailed to this address.

D CHESSE Holder Identification Number (HIN).

If the registered name(s) is/are already a CHESSE participant, or sponsored by a CHESSE participant, write that CHESSE HIN here.

Lower portion of the green personalised and blue Application Forms

Enter your contact details. Clearly write your name in BLOCK LETTERS and provide a daytime contact telephone number including your area code.

Enter your cheque(s)/money order(s) details. Record your cheque(s)/money order(s) details in the table provided on the Application Form. Make your cheque(s)/money order(s) payable to 'QR National Share Offer' for the total dollar value amount on the Application Form. Ensure that your cheque(s) is/are in Australian dollars drawn on an Australian branch of an Australian bank, crossed 'Not Negotiable'. Do not post date the cheque(s).

Enter your total dollar value amount. For the green Employee Application Form, this amount must equal the total dollar value amount in Box **2**. For the blue Employee Application Form, this must equal the total dollar amount in Box **A**.

Enter your Application Reference Number. Write your Application Reference Number on the back of your cheque(s)/money order(s) and at the top of this page in the space provided (for your future reference).

How to fill out your registered name(s) on the Application Forms

Type of Applicant	Correct form of name registration	Incorrect form of registration
Individual Use the given names in full, not initials	Mr John Alfred Smith	J A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC Biz P/L or ABC Co
Joint Applicants Use the full and complete names	Mr John Alfred Smith Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Trust Use the trustee(s) personal name(s)	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased estate Use the executor(s) personal name(s)	Mr Michael Smith <Est John Smith A/C>	Estate of late John Smith
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnership Use the partners' personal names	Mr John Alfred Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Long name	Mr John Alfred Michael Smith-Clark	Mr John A M Smith-Clark
Club/association/unincorporated body Use the office bearer(s) personal name(s)	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association A/C
Superannuation fund Use the name of the trustee of the superannuation fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund
Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at Section B on the relevant Application Form		

< P E T E R S M I T H A / C >

Joint Applicant 2 or account designation

5 Overview of access regulation

Under the Investment Framework, to the extent such investment is required, QR Network must fund:

- replacement capital expenditure;
- Expansions (i.e. Extensions that are not a Customer Specific Branch Line) valued at less than \$300m;
- capital expenditure valued at less than \$300m needed to respond to a capacity shortfall resulting from certain circumstances; and
- up to 30% of a partially User funded Significant Investment if it is requested to do so by a smaller User that is unable to raise debt to fund its own share of the required project funding. QR Network's commitment in this regard is limited to \$300m in any one regulatory period.

The Maximum Allowable Revenue for investments in rail infrastructure (by QR Network or Users) will be based on the regulated rates of return, unless they incur risks in addition to those that are compensated for in the regulated rate of return and a higher rate of return is approved by the QCA.

With respect to Significant Investments, the Investment Framework allows QR Network to negotiate with Users the terms of access (including additional returns). The QCA will approve the commercially agreed Access Conditions unless:

- they are not in the public interest, including the public interest in having competition in markets;
- they may disadvantage the interests of parties who are not parties to the agreement;

- QR Network has failed to provide the required information to Users regarding risk and return; or
- they would contravene a provision of the QCA Act or UT3.

All investments will take place within the regulatory environment and in accordance with the terms set out in UT3.

Before 1 January 2011, QR Network is required to incorporate the QCA's Investment Framework principles in an amendment to UT3. QR Network also has to develop a Standard User Funding Agreement which will set out the standard terms upon which Users of the CQCN will provide funding to QR Network for the development of Infrastructure Enhancements. If QR Network fails to meet these obligations to the QCA's satisfaction before 1 January 2011, the QCA has the power to finalise and approve its own Standard User Funding Agreement and impose its own amendments to UT3 consistent with the Investment Framework principles.

Included in the Appendix is a comparison of the Queensland Access Regime and the National Access Regime, an independent report from Synergies Economic Consulting on the possible implications of any change in regulatory jurisdiction from the QCA to the ACCC, an overview of the Investment Framework and a description of other areas of regulation that impact QR National's businesses.



6 Board, senior management and corporate governance

6.1 Board of Directors	77
6.2 Senior management	81
6.3 Contracts of senior management	84
6.4 Corporate governance	84

6 Board, senior management and corporate governance

6.1 Board of Directors

The Board brings relevant experience and skills to QR National including transportation, mining, legal, regional, capital and financial management and listed company experience. All Directors are non-executive Directors, except for the Managing Director and Chief Executive Officer.

Table 13 sets out a list of the Directors.

Table 13 Directors	
Name	Position
John Prescott AC	Chairman
Lance Hockridge	Managing Director and Chief Executive Officer
John Atkin	Non-Executive Director
Russell Caplan	Non-Executive Director
Allan Davies	Non-Executive Director
Graeme John AO	Non-Executive Director
Peter Kenny	Non-Executive Director
Andrea Staines	Non-Executive Director
Gene Tilbrook	Non-Executive Director

Table 14 provides biographies for the Board members.

Table 14 Board member biographies	
	John B Prescott AC – Chairman <i>BCom (Indus Rel), HonDSc, HonLLD, FAICD, FAIM, FTSE</i> Age 69, independent non-executive chairman of QR National Limited since September 2010 and independent non-executive chairman of QR Limited (now a wholly-owned subsidiary of QR National) since July 2006. Member of the IPO, Governance and Nomination Committee, the Remuneration and Succession Committee and the Safety and Environment Committee. John has substantial experience in the mining, manufacturing, transport and government sectors. He was a long-term executive of The Broken Hill Proprietary Company Limited (now BHP Billiton Limited), including 10 years as an executive director and seven years as managing director and chief executive officer (1991–1998). He was also chairman of ASC (formerly Australian Submarine Corporation Pty Ltd) from 2000–2009. John has been a director of Newmont Mining Corporation since 2002, a global counsellor of The Conference Board since 2001 and was appointed a member of the Commonwealth Remuneration Tribunal in 2010. Other directorships and consulting/advisory positions have included Conference Board USA, World Economic Forum, Booz Allen and Hamilton, J.P. Morgan Chase & Co, Proudfoot Consulting and the Asia Pacific Advisory Committee of New York Stock Exchange.

6 Board, senior management and corporate governance



Lance Hockridge – Managing Director and Chief Executive Officer

FCILT, FAIM, MAICD

Age 56, executive director of QR National Limited since September 2010 and executive director of QR Limited (now a wholly-owned subsidiary of QR National) since April 2010.

Director of QR Network and member of the Safety and Environment Committee and the IPO, Governance and Nomination Committee.

Lance joined QR Limited as Chief Executive Officer in 2007, with extensive experience in transportation and heavy industrial sectors in Australia and the United States.

During a 30-year career with The Broken Hill Proprietary Company Limited (now BHP Billiton Limited), and BlueScope Steel, he was a member of the leadership team that led BlueScope Steel's successful demerger from BHP and the creation of a new publicly listed company.

In 2005, Lance was appointed president of BlueScope Steel's North American operations where he led a major turnaround in safety, production and financial performance. Other roles at BHP included human resources and industrial relations, general manager of BHP Transport, head of the Long Products Business and president of Industrial Markets.



John Atkin – Non-Executive Director

BA (Hons), LLB (Hons), MAICD

Age 53, independent non-executive director of QR National Limited since September 2010 and independent non-executive director of QR Limited (now a wholly-owned subsidiary of QR National) since April 2010.

Director of QR Network and Chairman of the IPO, Governance and Nomination Committee.

John is chief executive officer of The Trust Company Limited and a director of The Australian Outward Bound Foundation.

John has over 20 years experience in the management of professional service firms, and extensive experience in strategy development and execution. Prior to his current executive appointment in January 2009, John was the managing partner of Blake Dawson, where he led a successful transformation of the firm. Previously he had been a senior partner at Mallesons Stephen Jaques where he specialised in mergers and acquisitions and equity capital markets.



Russell Caplan – Non-Executive Director

LLB, FAICD

Age 64, independent non-executive director of QR National Limited since September 2010 and independent non-executive director of QR Limited (now a wholly-owned subsidiary of QR National) since April 2010.

Member of the Audit and Risk Management Committee and the IPO, Governance and Nomination Committee.

Russell has extensive international experience in the oil and gas industry. In a 42 year career with Shell he held senior roles in the upstream and downstream operations and corporate functions in Australia and overseas. From 1997 to 2006, Russell had senior international postings in the UK, Europe and the USA. From 2006 to July 2010, he was chairman of the Shell Group of Companies in Australia.

He is chairman of the Melbourne and Olympic Parks Trust, a non-executive director of Orica Limited and a member of the Board of the Global Foundation.

Russell is a former non-executive director of Woodside Petroleum Limited and of the Australian Science Media Centre.

6 Board, senior management and corporate governance



Allan Davies – Non-Executive Director

BE Mining (Hons)

Age 58, independent non-executive director of QR National Limited since September 2010 and independent non-executive director of QR Limited (now a wholly-owned subsidiary of QR National) since October 2008.

Chairman of the Remuneration and Succession Committee and member of the Safety and Environment Committee.

Allan has 36 years experience in the Australian and international coal and metalliferous mining industries.

He is a director of XLX Pty Ltd, executive director of Whitehaven Coal Ltd and a member of the advisory board of Qube Logistics. Allan was a founding executive director of Excel Coal Limited and an inaugural director of Pacific National Pty Ltd. From 2000 until early 2006, Allan worked as director Operations for Patrick Corporation in addition to being a founding executive director at Excel Coal Limited. He also had an extensive career in mining with companies including MIM Holdings Ltd, Union Corporation, BP Coal and Rio Tinto.



Graeme John AO – Non-Executive Director

FCILT, MAICD

Age 67, independent non-executive director of QR National Limited since September 2010 and independent non-executive director of QR Limited (now a wholly-owned subsidiary of QR National) since April 2010.

Chairman of the Safety and Environment Committee and member of the Remuneration and Succession Committee.

Graeme has 30 years of management experience in the transport operations sector including 16 years as managing director of Australia Post. He was also a senior executive of TNT Australia Ltd.

He is a director of West Australian Newspaper Holdings, Racing Victoria and a commissioner of the Australian Football League. Graeme's previous roles include chairman of Australian Air Express, chairman of Star Track Express, chairman of Kahala Posts Group, director of the International Post Corporation (Netherlands), vice chairman of Sai-Cheng Logistics International (China), and a trustee of the Committee for Melbourne and the MCG. He has received the Australian Sports Medal and Centenary Medal.



Peter Kenny – Non-Executive Director

Age 66, independent non-executive director of QR National Limited since September 2010 and independent non-executive director of QR Limited (now a wholly-owned subsidiary of QR National) since October 2009.

Director of QR Network and member of the Safety and Environment Committee.

Peter has extensive experience in the rural sector. Peter is the chairman of Biosecurity Queensland and a member of the Australian Landcare Council, the National Biosecurity Advisory Council and the Cape York Heritage Committee. He represents Queensland agriculture on the Queensland Premier's Advisory Council on Climate Change.

Peter has owned and managed rural properties in different industries including cattle, dairying, orchards, lucerne and piggeries. His work over many years with AgForce included membership of the state council and state executive. He was president of AgForce Cattle for four years and then AgForce general president for four years. He was a councillor and secretary of the Cattlemen's Union of Australia and its representative on the AgForce Unity Working Group and a director of the National Farmers Federation.

6 Board, senior management and corporate governance



Andrea Staines – Non-Executive Director

BEcon, MBA, FAICD

Age 45, independent non-executive director of QR National Limited since September 2010 and independent non-executive director of QR Limited (now a wholly-owned subsidiary of QR National) since April 2010.

Chairman of QR Network and member of the Audit and Risk Management Committee.

Andrea has extensive corporate, financial and commercial experience and advisory experience in governance, strategy and risk management. She is a director of Allconnex Water and the Brisbane Royal Children's Hospital Foundation. Former directorships include Australian Rail Track Corporation Limited, Gladstone Ports Corporation and Early Learning Services (now G8).

Andrea is a former chief executive officer of Australian Airlines, a Qantas subsidiary she co-launched in 2002 as a member of the carrier's 12 person senior team. She previously held various financial, strategy and economic roles at Qantas. Prior to that, she held various financial roles at American Airlines' headquarters in Dallas.



Gene Tilbrook – Non-Executive Director

BSc, MBA

Age 59, independent non-executive director of QR National Limited since September 2010 and independent non-executive director of QR Limited (now a wholly-owned subsidiary of QR National) since April 2010.

Chairman of the Audit and Risk Management Committee and member of the IPO, Governance and Nomination Committee.

Gene has broad experience in corporate strategy, investment and finance. He joined Wesfarmers in 1985 and was an executive director from 2002 to 2009. Between 2000 and 2006, when Wesfarmers was a joint owner of Australian Railroad Group (ARG), he was a director of ARG and chairman of WestNet Rail.

Gene is chairman of Transpacific Industries and a director of Fletcher Building, GPT Group, the Australian Government-owned broadband group NBN Co, the Perth International Arts Festival, the Bell Shakespeare Company and the Committee for Perth. He is also a councillor of Curtin University and the Australian Institute of Company Directors WA.

6 Board, senior management and corporate governance

6.2 Senior management



Lance Hockridge – Managing Director and Chief Executive Officer

FCILT, FAIM, MAICD

See Section 6.1 above.



Michael Carter – Executive Vice President and Chief Executive Officer, Network Services

BEng, BBus, MAICD, AFAIM

Michael has broad experience in leadership roles over a 25 year career in the rail industry, including freight, passenger and heavy haul rail operations.

He was adviser to the London Underground during its restructuring and is a director of the Rail Industry Safety Standards Board, the Australian Logistics Council and the Australian Rail Association. Michael is also a former member of Union of International Railways World Executive Council.



Lindsay Cooper – Executive Vice President and Executive General Manager, Operational Excellence

Assoc Dip MEng, GradCert Legal Studies

Lindsay has more than 38 years of experience in the rail industry with extensive specialist expertise in heavy rail engineering, manufacturing, project management, asset management and optimisation.

He was previously executive general manager of QR Services (now part of QRN Network Services), where he led the business through a significant period of transformation.

6 Board, senior management and corporate governance



Curtis Davies – Executive Vice President and Chief Executive Officer, Coal Customers and Strategy
BSc Mathematics (Hons), CA (ICAEW)

Curtis has broad experience in finance, strategy, transformation leadership, operations, marketing and customer service roles in a range of industries including transport.

He joined QR National from Qantas where he held a number of senior executive roles over a 13 year period. As executive general manager Services, he led a portfolio of businesses with 10,000 staff covering operations and strategy for Australian Airports, Catering and Pilot Training.

Curtis also worked for nine years with KPMG, the first eight years in London in Corporate Finance and Audit, involved with industries as diverse as banking, property, media, manufacturing and shipping.



Ken Lewsey – Executive Vice President and Chief Executive Officer, Freight
BBus

Ken has over 20 years experience in the logistics, steel distribution and manufacturing industries. He has an extensive background in strategic planning, marketing, business development, business integration and leadership of senior executive teams.

Ken was previously chief executive officer of ARG, the bulk freight subsidiary of QR National, and has also held roles with Brambles including managing director of Cleanaway Industrial and regional director of Brambles Industrial Services.

Ken has also held senior and general management roles within the steel industry, including Smorgon Steel and BHP Steel.



Marcus McAuliffe – Executive Vice President and Chief Executive Officer, Coal Operations
BA, MBA, DipOH&S, AssocDipPersAdmin, CertVocInstruction, AAICD

Marcus is a highly experienced manager in the transport and logistics industries. He has gained a wealth of knowledge and operational expertise in commercial environments through senior management roles at Chemtrans, Incitec Fertilisers, United Transport Services (Brambles), Patrick Logistics and Pacific National.

He will be a director of Integrated Logistics Company Pty Ltd (upon its incorporation) and is a founding member of the Service Provider Leaders forum, which includes port, above rail and rail network operators.

6 Board, senior management and corporate governance



Deborah O'Toole – Executive Vice President and Chief Financial Officer

LLB

Deborah has extensive experience and expertise as a chief financial officer of listed companies in a range of industries.

She was appointed as QR Limited's chief financial officer in December 2007 after a career that included 20 years in the mining industry. She was chief financial officer of MIM Holdings Ltd for six years and is a former chief financial officer of Queensland Cotton.

Deborah is a director of CSIRO and was chair of the Audit Committee for CSIRO for six years.

She is a former director of Norfolk Group Ltd and has served as a member of the Queensland Biotech Advisory Council and the Advisory Committee for the Banking and Finance School of the Queensland University of Technology. She has also been a member of the Workers Compensation Board of Queensland, Queensland Country Health Society and subsidiary companies of MIM Holdings Ltd including overseas corporations.



Greg Pringle – Executive Vice President and Chief Corporate Services Officer

BA (Politics and Economics), LLB, PostGradDipIndRelations, MBA(UQ)

Greg has a depth of senior management experience and knowledge, acquired through a diverse professional and business career in which he held various senior executive roles in governance, risk management, law and compliance.

He is currently a serving member on the board of trustees of the prudential regulator to the Australian travel industry (TCF).

Greg was previously the group company secretary for Flight Centre Ltd and is also a past magistrate, senior lawyer and strategic risk management consultant with PricewaterhouseCoopers.



John Stephens – Executive Vice President and Chief Human Resources Officer

BBus

John has more than 25 years of experience in industrial relations, human resources and other senior management positions. His most recent role before joining QR National was vice president human resources with BHP Billiton.

Before that, John held a range of senior human resources roles in Australia, Indonesia and Canada.

6 Board, senior management and corporate governance

6.3 Contracts of senior management

For details in relation to employment contracts for the Managing Director and Chief Executive Officer and information in relation to senior management, including remuneration and equity incentives, refer to Sections 10.11 and 10.12 and the Appendix.

6.4 Corporate governance

6.4.1 The Board and corporate governance

Details of the Directors as at the Offer Date are set out in Section 6.1.

The Board is responsible for the operational and financial performance of the Company, including its corporate governance. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return. The Board is therefore concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests and that the Company, its Directors, officers and employees operate in an appropriate environment of good corporate governance. Accordingly, the Board has adopted corporate governance policies and practices designed to promote responsible management and conduct of the Company.

The main policies and practices adopted by the Company are summarised below. In addition, the Board has adopted a Board Charter which sets out its responsibilities in greater detail.

The corporate governance framework for the Company is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

6.4.2 Board appointment and composition

The Constitution of the Company provides that the number of Directors must not be less than three. The Board is currently made up of nine Directors, one of whom is an executive Director.

As at the Offer Date, all of the Board members, other than the Managing Director and Chief Executive Officer, are independent Directors.

The Board considers that an independent Director is a non-executive Director who is not a member of the Company's management and who is free of any business or other relationship that could materially interfere with the independent exercise of their judgement.

6.4.3 Risk management

The Company is committed to managing its risks in an integrated, systematic and practical manner. The overall objective of risk management is to assist the Company to achieve its objectives by appropriately considering both threats and opportunities and making informed decisions.

The Audit and Risk Management Committee oversees the process for identification and management of risk in the Company (see Section 6.4.4.2). The corporate risk division is responsible for providing oversight of the risk management function and assurance on the management of significant risks to the Managing Director and Chief Executive Officer and the Board.

The Company's risk management framework, responsibilities and accountabilities are aligned with the Company's business model where the individual businesses are accountable for demonstrating they are managing their risks effectively and in accordance with the Board approved risk management policy and framework. The risk management framework has a strong focus on key organisational controls. A focus on the key organisational controls helps to shape the strategies, capabilities and culture of the organisation, identify and address vulnerabilities, strengthen the system of internal controls and build a more resilient organisation.

The Company also has a risk register with risk profiles populated at the various layers of the organisation and a management specification that outlines the processes for the prevention, detection and management of fraud within the Company, and for fair dealing in matters pertaining to fraud.

6.4.4 Board responsibilities

6.4.4.1 Overview

The Board has the ultimate responsibility for setting and approving policy regarding the business and affairs of the Company for the benefit of Shareholders.

The Board delegates management of the Company's resources to the senior management team, under the leadership of the Managing Director and Chief Executive Officer, to deliver the strategic objectives and goals determined by the Board.

In discharging their duties, Directors are provided direct access to and may rely upon senior management and outside advisers and auditors. Board committees and individual Directors may seek independent professional advice at the Company's expense for the purpose of the proper performance of their duties.

To assist the Board in performing its duties, it has established the following committees (each of which has its own respective terms of reference):

- Audit and Risk Management Committee;
- Remuneration and Succession Committee;
- Safety and Environment Committee; and
- IPO, Governance and Nomination Committee.

The Board may establish other committees from time to time if required.

6 Board, senior management and corporate governance

6.4.4.2 Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to assist the Board by monitoring and reviewing the effectiveness of the Company's controls in the areas of operational and balance sheet risk and financial reporting.

The committee discharges these responsibilities by:

- monitoring the Company's financial, legal and compliance responsibilities relating to financial reporting;
- monitoring the Company's internal control structures;
- approving the scope and reviewing the performance of the Company's internal and external audit; and
- providing the Board with advice and recommendations on the establishment and implementation of a risk management framework and reviewing the effectiveness and operation of the risk management framework.

Members of management and the external auditors may attend meetings of the Audit and Risk Management Committee by invitation. The committee may also seek financial and legal advice in accordance with the Board's general policy.

The committee will review its performance and the terms of reference at least annually and make recommendations as it sees fit to the Board.

The Audit and Risk Management Committee consists of three non-executive Directors. The current members of the committee are:

- Gene Tilbrook (chairman);
- Russell Caplan; and
- Andrea Staines.

The committee's terms of reference provide that the committee is to be comprised of at least three Board members. All members of the committee must be independent non-executive Directors.

6.4.4.3 Remuneration and Succession Committee

The purpose of the Remuneration and Succession Committee is to assist the Board in discharging its responsibilities by:

- reviewing and approving the remuneration of Board members and senior executives;
- reviewing and approving senior executive and Board member termination payments;
- overseeing compliance with statutory obligations relating to remuneration disclosure;
- reviewing policies and reporting relating to any current and future incentive programs;
- monitoring remuneration strategy in order to ensure that it drives long term growth; and

- reviewing and advising the Board on succession planning for the Managing Director and Chief Executive Officer and his Direct Reports.

The committee will review its performance and the terms of reference at least annually and make recommendations as it sees fit to the Board.

The Remuneration and Succession Committee consists of three non-executive Directors. The current members of the committee are:

- Allan Davies (chairman);
- John B Prescott AC; and
- Graeme John AO.

The committee's terms of reference provide that the committee is to be comprised of at least three Board members. All members of the committee must be independent non-executive Directors.

6.4.4.4 Safety and Environment Committee

The purpose of the Safety and Environment Committee is to review and make recommendations to the Board by:

- developing standards, work practices and attitudes which promote safety and environmental performance;
- reviewing and monitoring compliance with statutory obligations relating to environmental and safety obligations;
- reviewing and monitoring compliance with environmental and safety strategy and policies;
- advising the Board on environmental and safety strategy and policies; and
- directing and overseeing a review of physical security at QR National premises at least twice yearly.

The committee also undertakes any other specific tasks or functions delegated to the committee by the Board.

The committee will review its performance and the terms of reference at least annually and make recommendations as it sees fit to the Board.

The Safety and Environment Committee consists of five members, including four non-executive Directors. The current members of the committee are:

- Graeme John AO (chairman);
- John B Prescott AC;
- Allan Davies;
- Peter Kenny; and
- Lance Hockridge.

6 Board, senior management and corporate governance

The committee's terms of reference provide that the committee is to be comprised of at least three Board members. A majority of committee members must be independent non-executive Directors.

6.4.4.5 IPO, Governance and Nomination Committee

The purpose of the IPO, Governance and Nomination Committee is to review and make recommendations to the Board on:

- the Offer;
- the governance policies, framework and compliance of the Company;
- the code of conduct and any breaches of the code of conduct;
- the issuing of an annual corporate governance statement;
- the performance of the Board;
- the independence of Directors;
- succession planning for non-executive Directors;
- the terms and conditions on which non-executive Directors are appointed and hold office;
- Board composition and strategies to address Board diversity; and
- the Company's Annual Report and Annual General Meeting.

The committee also undertakes any other specific tasks or functions delegated to the committee by the Board.

The committee will review its performance and the terms of reference at least annually and make recommendations as it sees fit to the Board.

The IPO Governance and Nomination Committee consists of five members, including four non-executive Directors. The current members of the committee are:

- John Atkin (chairman);
- John B Prescott AC;
- Russell Caplan;
- Gene Tilbrook; and
- Lance Hockridge.

The committee's terms of reference provide that the committee is to be comprised of at least three Board members. A majority of committee members must be independent non-executive Directors.

6.4.5 Policies

6.4.5.1 Overview

Some of the key governance policies that the Board has put in place are as follows:

- disclosure and communications policy;
- securities dealing policy; and
- risk management policy (see Section 6.4.3).

6.4.5.2 Disclosure and communications policy

The Company places a high priority on communication with Shareholders and is aware of the obligations it has under the Corporations Act and the ASX Listing Rules to keep the market fully informed of information which is not generally available and which may have a material effect on the price or value of the Shares.

The Company has adopted a disclosure and communications policy, which establishes procedures to ensure that Directors and management are aware of and fulfil their obligations in relation to providing timely, full and accurate disclosure of material information to the Company's stakeholders and complying with the Company's disclosure obligations under the Corporations Act and ASX Listing Rules.

The policy provides guidance on the Company's disclosure obligations under the Corporations Act and ASX Listing Rules, establishes a best practice procedure for compliance with continuous disclosure obligations and for appropriate and effective communication with the Shareholders, the media and the market. Associated with the disclosure and communications policy is the disclosure and materiality guidelines for officers and employees, which provides further guidance on complying with the disclosure and communications policy.

6.4.5.3 Securities dealing policy

The Company has adopted a securities dealing policy, which takes effect upon the Company being admitted to the Official List of ASX and sets out guidelines for dealing in securities, including best practice procedure in relation to Directors', management's and employees' dealing in the Company's securities.

Subject to the overriding restriction that persons may not deal in securities while they are in possession of material price-sensitive information, Directors and employees must not deal in securities in the Company during a "black-out period" (such as from 1 January to (and including) the day of announcement of the Company's half

6 Board, senior management and corporate governance

year results (February) or from 1 July to (and including) the day of announcement of the Company's full year results (August) and for any other period designated by the Board and advised to the employees). Directors and executives are subject to additional requirements and must give notice and receive approval from the Chairman or Company Secretary before commencing to deal in securities.

6.4.6 QR Network

6.4.6.1 Overview

QR Network is the lessee of the CQCN from the State. Recent amendments to the *Transport Infrastructure Act 1994* (Qld) (TIA), ensure the independence of the QR Network board. The majority of the directors of QR Network must consist of persons who meet conditions of independence.

In summary, a person may not be regarded as independent if they are an employee of a QR National company, a consultant or adviser who has material arrangements with a QR National company, a substantial shareholder of a QR National company or an officer of a non-QR National company that is a substantial shareholder of a QR National company.

Under the TIA, QR Network can only enter into an Access Agreement with another QR National company where it has received approval from the QR Network board. The QR Network board can only give approval where it is reasonably satisfied the agreement is on arms-length terms.

6.4.6.2 QR Network board

The QR Network board charter provides that the QR Network board's key responsibilities include:

- overseeing and monitoring management of QR Network;
- ensuring that the Company complies with its obligations under Access Undertakings given to the QCA to prepare separate accounts;
- monitoring QR Network's compliance with the regulatory requirements of the TIA and the QCA Act; and
- ensuring that any transactions between QR Network and other members of the QR National group and relating to the use of regulated rail infrastructure are conducted on an arms-length basis.

The QR Network board charter also provides that the board should be comprised of a majority of non-executive directors who are independent.

Directors of the Company who are directors on the QR Network board are:

- Andrea Staines (chairman);
- John Atkin;
- Peter Kenny; and
- Lance Hockridge.

In addition, Michael Carter, Executive Vice President and Chief Executive Officer, Network Services, is a director of QR Network.

6.4.6.3 Ringfencing obligations

QR Network is subject to ringfencing obligations under the *Queensland Competition Authority Act 1997* (Qld) and the Access Undertakings it provides to the QCA from time to time.

The ringfencing obligations are procedures and measures for the purpose of separating QR Network's regulated below rail business from other QR National businesses.

The board of QR Network is responsible for monitoring QR Network's compliance with its ringfencing obligations.

Additionally, QR Network is required to procure from the Board an undertaking to the QCA that QR National will take such actions as are necessary to enable it to comply with its ringfencing obligations where QR Network is reliant on QR National in order to do so.



7 Relationship between QR National and the State

7.1 State as a Shareholder	89
7.2 State as a regulator	89
7.3 State as a facilitator of industry	89
7.4 Contractual relationships between the State, QR National and Queensland Rail	90

7 Relationship between QR National and the State

7.1 State as a Shareholder

7.1.1 Overview

The State is currently the owner of all the shares in QR National. Following completion of the Offer, the State will have a continuing relationship with QR National, including as a shareholder, regulator, facilitator of industry, lessor, contractor, customer and service provider.

This Section describes these relationships, together with various contractual arrangements between QR National and the State.

7.1.2 State's shareholding

Following completion of the Offer, the State will retain an interest of between 25 % and 40 % in QR National, regardless of whether the Over-allocation Option set out in Section 2 is exercised. Other than the State, no individual or company (national or foreign-owned), together with its associates, will be permitted to hold voting power in QR National of more than 15 %. The State does not intend to remain a Shareholder in the longer term.

7.1.3 Escrow period

The State has entered into an escrow arrangement with QR National in respect of its retained shareholding following the Offer from the date on which Shares under the Offer are first quoted on ASX until QR National releases its FY2012 results to ASX. Under the escrow arrangement, the State has voluntarily agreed that it will not deal with the Shares which it holds, subject to the following exceptions:

- transfers of Loyalty Bonus Shares to Successful Applicants who hold their Shares until 7 December 2011, as set out in Section 2;
- in order to satisfy demand from eligible Shareholders under a QR National initiated Dividend Reinvestment Plan (if any);
- where the State sells Shares to a single investor and the size of the sale or sales (as the case may be) is at least 3 % of QR National's issued capital and the transferee agrees to be bound by the same escrow conditions that apply to the State; or
- as part of a QR National capital management initiative (if any), such as a buy-back or capital reduction.

See Section 9.4.2 for the risks associated with the State's retained holding of shares.

7.1.4 Structure of the State's shareholding

The State's shareholding will be held through Queensland Treasury Holdings Pty Ltd (QTH). QTH is a company owned jointly by the State and Queensland Treasury Corporation (QTC). The State has entered into an agreement with QTH under which it agrees to transfer its remaining Shares to QTH following completion of the

Offer. QTH does not intend to have influence over QR National other than through the exercise of its normal voting rights in matters submitted to a vote of Shareholders. QTH does not intend to nominate directors to the Board.

7.2 State as a regulator

7.2.1 Overview

Following completion of the Offer, a large proportion of the activities of QR National will continue to be regulated by the State under various statutes.

7.2.2 State legislation

The principal legislation which applies to QR National, like other above and below rail operators, is the *Transport Infrastructure Act 1994* (Qld), which is administered by the Queensland Department of Transport and Main Roads. The *Transport Infrastructure Act 1994* (Qld) provides part of the framework within which the rail industry in Queensland is conducted and regulated and includes arrangements designed to preserve existing passenger and non-coal freight train paths. Rail safety issues are covered by the *Transport (Rail Safety) Act 2010* (Qld).

See the Appendix for further information on regulations affecting QR National.

7.2.3 Queensland Competition Authority

The QCA Act establishes the QCA as an independent body not subject to direction by the State in relation to its oversight of access regulation.

See Section 5 for details of the regulatory access regime and its effect on QR National's business, and to the Appendix for a description of other areas of regulation that impact QR National. See Section 9.3 for a description of risks to QR National related to government regulation.

7.3 State as a facilitator of industry

The State plays a role as facilitator to all sectors of the Queensland coal supply chain, both present and future. Participants and potential participants in the Queensland coal industry routinely contact various Queensland government agencies to understand the State's approach to facilitating the provision of supporting rail and port infrastructure.

These discussions can lead to new greenfield rail facilities to service coal mine developments in areas not serviced by existing rail infrastructure.

On occasion, coal companies have also sought facilitation of rail corridor identification and acquisition (for subsequent lease from

7 Relationship between QR National and the State

the State) to support new rail capacity in relation to haulage for existing mines.

The State is engaged with proponents in the development of existing and new coal mines in the Surat, Galilee and Bowen Basins. Parties that have approached the State include Hancock Coal, Xstrata, Waratah Coal and BHP. Currently, the more developed of the proposals are the Galilee Basin mine to port proposal and the Surat Basin rail development of the Southern Missing Link. Others, including the development of rail infrastructure for the Bowen Basin to support new and expanded mine and port developments, such as expanded or new coal terminals at Abbot Point, Hay Point, Dalrymple Bay and Dudgeon Point are at varying stages of development, with some being only at a conceptual stage. Some proponents have also indicated that they may investigate incorporating above rail operations into their proposals. The TIA allows any party to seek accreditation as an above rail operator.

QR National has no favoured position, compared to other proponents, when it comes to development proposals being considered by the State, with all proposals being considered on their merits, as part of the State's normal role in industry development facilitation.

7.4 Contractual relationships between the State, QR National and Queensland Rail

7.4.1 Overview

The separation of the QR National and Queensland Rail businesses occurred on 30 June 2010, as described in Section 4.2. Following the Offer, a number of contractual relationships will continue between the State, QR National and Queensland Rail. These contracts broadly fall into three different categories. First, a number of these contracts reflect business-as-usual activities, such as access by QR National to the Queensland Rail network and by Queensland Rail to QR National's network. A second category of contracts reflects the means by which QR National is granted rights by the State to the CQCN, such as the rail corridor and infrastructure leases. The third category reflects separation and transition arrangements between the State, QR National and Queensland Rail.

This Section describes a number of those relationships between the State, QR National and Queensland Rail.

7.4.2 Access Agreements between QR National and Queensland Rail

Both QR National and Queensland Rail operate rollingstock on each other's rail network. Like other above rail operators, access arrangements are governed by existing contracts between QR National and Queensland Rail.

QR National provides wholesale access rights to Queensland Rail, designed to enable Queensland Rail to honour pre-existing access contracts with third party operators, where the relevant network comprises both that of Queensland Rail and QR National.

7.4.3 Rail corridor leases and infrastructure

QR National leases from QTH the rail track-related infrastructure that comprises the existing CQCN. The rail track-related infrastructure that comprises the Northern Missing Link, and any new duplications or realignments of the leased infrastructure that are wholly-owned by QR National, will be similarly leased to QR National by QTH with effect from the commissioning of that infrastructure.

QR National leases from Queensland Rail the existing rail track-related infrastructure that comprises the Parana-Rocklands and the Durroburra-Kaili sections of the North Coast Line.

Most of the land on which the leased infrastructure is located is held by the Department of Transport and Main Roads under a perpetual lease from the State, and is subleased by the Department to QR National pursuant to two subleases—one relating to the CQCN corridor land and the other relating to the two sections of the North Coast Line. Due to a concurrent lease granted by the Department to Queensland Rail, Queensland Rail is, in effect, the immediate lessor to QR National of the two sections of the North Coast Line in place of the Department.

The land and infrastructure leases have an initial term that expires on 30 June 2109. The term of the infrastructure leases may be extended for rolling periods of 99 years following 20 years notice given by the relevant lessor, in which case the term of the corresponding land leases will also be extended. The rent payable under the leases is \$1 per year, if demanded.

Termination events are generally limited to breaches by QR National, in which case time is provided for the cure of those breaches before termination can occur. If the leases are terminated for a breach by QR National, the relevant infrastructure lessor must seek to dispose of the leased infrastructure and land, with the net disposal proceeds being paid to QR National. In circumstances where the lessor's right to extend is not exercised and the lease expires, the relevant lessor must pay QR National an amount equal to the fair market value of the leased infrastructure.

QR National may grant security over, assign and sublease its rights under the infrastructure and land leases relating to the CQCN without the relevant lessor's consent provided certain conditions are satisfied. Conversely, QR National may not grant security over, assign or sublease its leasehold rights in relation to the

7 Relationship between QR National and the State

Parana-Rocklands and Durroburra-Kaili sections of the North Coast Line without the relevant lessor's consent.

Under the land leases, the Department has rights to require QR National to surrender its lease in relation to such parts of the air space above the leased land as are required for other uses, and to grant rights (such as easements) in respect of the land for support of or access to adjoining land, the provision of services to adjoining land, to enable services to cross the land, the installation and operation of telecommunications systems and services, and underground passage. However, the exercise by the Department of these rights is subject to restrictions that are intended to minimise interference with QR National's railway operations.

7.4.4 Native title arrangements

QR National has various interests in land, including interests in the CQCN through the 99 year lease arrangements with the State (which commenced on 30 June 2010) and interests as the owner or lessee of other land held for its business activities throughout Australia.

The existence of native title is recognised as part of the common law of Australia and may be inconsistent with other land rights. The State has not established that native title has been extinguished in all land that is regarded as operationally significant to QR National. While there are a number of native title claims registered with the National Native Title Tribunal, this does not mean that native title in fact exists in any particular case. No claim has been commenced against QR National seeking to establish the existence of native title rights of any kind as at 30 September 2010.

If native title is shown to exist in land in which QR National has an interest, QR National could be prevented or limited in its use of the land or be required to pay compensation.

Native title has been extinguished over the land included in the CQCN as at 1 July 1995.

With respect to land that has been included, or has been acquired for railway purposes for inclusion, in the CQCN since July 1995, native title has been extinguished as to all but certain discrete parcels of land. Where native title has not been extinguished over that land, the State intends to compulsorily acquire all rights, including native title rights (if any), in that land. The State intends to procure that following the compulsory acquisition of the land, the land will be included in the lease arrangements with QR National. QR National will be responsible for the costs of the compulsory acquisition and will indemnify the State for compensation payable to the holders of native title rights (if any) compulsorily acquired.

7.4.5 Cross border leases

QR National is a party to a number of cross border lease transactions involving rollingstock used for its freight business. These cross border lease transactions typically entail the rollingstock being sold to a foreign trust that then leases the rollingstock to another foreign entity that in turn subleases the rollingstock to QR National. QR National has the option to purchase the leased rollingstock at specified dates by paying the purchase option exercise price (which is typically funded, at least in part, either through the release of funds or the liquidation of securities that are held by other parties for that purpose).

Of QR National's rollingstock fleet of 703 locomotives and 16,146 wagons, 178 locomotives and 2,820 wagons are subject to cross border leases. In the ordinary course, QR National will be entitled to purchase 26 of the leased locomotives and 471 of the leased wagons on or by 15 February 2011, with the remaining 152 locomotives and 2,349 wagons being able to be purchased by early January 2014. However, it is possible that the majority of the remaining leased wagons will be purchased prior to this date if the leases to which they are subject are terminated by agreement or if QR National exercises an early purchase option. QR National is currently considering whether it will pursue either of these courses of action. The obligations of QR National under the cross border lease transactions are guaranteed (either expressly or implicitly) by the State. As QR National will cease to be wholly-owned by the State following the Offer, the State, QTC and QR National have entered into interface deeds by which they manage and allocate responsibilities and liabilities as to these cross border lease transactions. See Section 9.2.19 for the risks involved in these transactions.

7.4.6 Regional Freight Transport Services Contract

QR National is a party to a Transport Services Contract with the State (acting through the Department of Transport and Main Roads) under which QR National will provide some specific rail and road-based regional freight services in Queensland.

The contract commenced on 1 July 2010 and expires on 30 June 2015.

For the initial two and a half years (to 31 December 2012), the contract provides for payments from the State to QR National, being fixed monthly base payments, further quarterly payments and monthly capital expenditure payments, in aggregate totalling \$127.8m (12 months to 30 June 2011), \$125.4m (12 months to 30 June 2012) and \$63.5m (six months to 31 December 2012). There is an adjustment for actual fuel costs.

7 Relationship between QR National and the State

After 31 December 2012, and until expiry of the contract, there is a process to calculate payment amounts for the services then required by the State, using the same methodology as the initial two and a half year term. There is also a process to determine any capital amounts required for QR National to provide the services detailed in the contract.

The contract requires an additional payment by the State of \$90m over the full term. The first \$36m is payable at 31 December 2012 with three equal further payments of \$18m each on 31 December 2013, 31 December 2014 and 30 June 2015. If the contract is terminated earlier, other than for usual termination events, the full \$90m is payable to QR National, less any such additional payments already paid.

7.4.7 Livestock Transport Services Contract

QR National is a party to a Transport Services Contract with the State (acting through the Department of Transport and Main Roads) under which QR National will provide up to 264 rail-based livestock transportation services on a best endeavours basis each cattle season (generally from March to November each year, depending on market and weather conditions) in Queensland.

The contract commenced on 1 July 2010 and expires on 31 December 2015.

For the initial two and a half years (to 31 December 2012), the contract provides for payments from the State to QR National, being fixed monthly base payments and further monthly payments, in aggregate totalling \$22.2m (12 months to 30 June 2011), \$22.7m (12 months to 30 June 2012) and \$11.6m (six months to 31 December 2012). There is an adjustment for actual fuel costs.

After 31 December 2012, and until expiry of the contract, there is a process to calculate payment amounts for the services then required by the State, using the same methodology as the initial two and a half year term. There is also a process to determine any capital amounts required for QR National to provide the services detailed in the contract.

The contract requires an additional payment by the State of \$13m over the contract term. The first \$5.2m is payable at 31 December 2012, with three equal further payments of \$2.6m each on 31 December 2013, 31 December 2014 and 31 December 2015. If the contract is terminated earlier, other than for usual termination events, the full \$13m is payable to QR National, less any such additional payments already paid.

7.4.8 Indemnities given by the State

The State has granted indemnities to QR National, its Directors and certain of its officers as to liability which may be incurred

by them in connection with the Offer. Other officers are also beneficiaries of an indemnity from the State for liability which may be incurred by them as a result of carrying out or causing QR National to carry out tasks preparatory to, and in connection with, the Offer. The indemnities do not extend to any liability which arises as a result of wilful default, dishonesty, bad faith, malicious acts or omissions, common law fraud, or which relates to any criminal liability or to the extent that the persons are indemnified by insurance.

7.4.9 Separation arrangements between QR National and Queensland Rail

QR National and Queensland Rail are parties to a Separation Facilitation Agreement (SFA) and related agreements. Under the SFA, each company may procure services from the other to support their respective business-as-usual activities from 1 July 2010 on a similar basis as previously conducted. The SFA requires the parties to establish the necessary internal resources or to contract with third parties to replace these transitional services over the term of the agreement (expiring 30 June 2013, with a once-only ability for either party to extend for a further year).

The SFA also requires both parties to use reasonable endeavours to transfer a contract, asset or liability that they agree relates exclusively to the business of one of them and which was not transferred to that party as part of the separation of QR National and Queensland Rail on 30 June 2010.

An IT and Payroll Transitional Services Agreement exists between QR National and Queensland Rail, to enable Queensland Rail to continue its business-as-usual activities whilst it procures its own information technology infrastructure. QR National will provide those information technology services on a cost recovery basis over the initial two years of the contract. If Queensland Rail exercises an option for a third year, there is an uplift in service fees payable to QR National.

7.4.10 State as a customer and service provider

In the future, the State expects that entities it owns or controls will continue to contract with QR National as customers or service providers, and that such arrangements will be entered into as third party arrangements.

7.4.11 Superannuation arrangements for QR National employees

The State has made the commitment that existing employees of QR National and its subsidiaries, as at the Offer Date, will retain their existing superannuation arrangements with the State Superannuation Public Sector Scheme (QSuper).

7 Relationship between QR National and the State

QSuper is an employer sponsored fund, with the major employer being the State. There are a number of membership categories in QSuper, which are either accumulation or defined benefits in nature.

As at 30 June 2010, there were approximately 2,670 QR National employees who were defined benefit members of QSuper. QSuper's defined benefit categories are closed to new members. As at 1 July 2010, QR National employees comprised approximately 3.5 % of the total membership of the QSuper defined benefit categories.

QR National's standard employer contributions to the QSuper defined benefit superannuation scheme have been 12.75 % of superannuable salary since 2000, equating to approximately \$23m in aggregate in the financial year ended 30 June 2010. The employer contributions are forwarded to QSuper, but deposited within the consolidated funds of the State and held separately by the Treasurer for the purpose of meeting the defined benefit payments as they fall due.

The Treasurer has ultimate responsibility for funding payments to defined benefit members. The State has in place funding arrangements designed to achieve the purpose of meeting the defined benefit obligations for its members. To ensure sufficient funds are available for that purpose, the Treasurer has the ability to require employers to pay any amounts needed to meet these benefits. Generally, this is handled through the regular standard fortnightly contribution paid by every employer, which has been determined on the advice of the State Actuary.

The State Actuary makes a recommendation to the Treasurer on the standard employer contribution rate required to fund the normal range of benefits, at the conclusion of each triennial actuarial investigation. The most recent actuarial investigation was completed in 2008. The next triennial investigation on the circumstances of QSuper as at 30 June 2010 is due by 30 June 2011. This investigation is undertaken on QSuper as a whole and is not segregated into different employers or occupations.

QR National will remain a participating employer in the QSuper defined benefit scheme and will continue to be liable to pay employer contributions in order to meet the defined benefit obligations for its existing employees.

The State has provided QR National with an indemnity if the Treasurer requires QR National to pay any amounts required to meet the defined benefit obligations which are:

- not calculated by reference to the same method as payments required of other State public sector units that contribute to the defined benefit category of QSuper;

- above 15.75 % of the superannuable salary of QR National employees within the period of five years after the date on which QR National is listed on ASX;
- above 25.5 % of the superannuable salary of QR National employees during any period in which QR National employees are members of the defined benefit categories; or
- in the form of a capital contribution.

This indemnity is subject to QR National not taking any unilateral action, other than with the approval of the State, that causes a significant increase in unfunded liabilities e.g. as a result of substantial increases in salary in excess of comparative State wages growth or an accelerated program of QR National redundancies.

QR National can in the future elect to deposit capital amounts in lieu of employer contributions, subject to those arrangements being to the satisfaction of the State Actuary.



8

Financial information

8.1 Overview	95
8.2 Pro Forma Historical Financial Information	96
8.3 Forecast Financial Information	106
8.4 Sensitivity analysis on forecasts	115

8 Financial information

8.1 Overview

The financial information of QR National contained in this Section has been prepared by the Directors and includes:

- Pro Forma Historical Financial Information which is defined as QR National's:
 - > pro forma historical consolidated statements of revenue, EBITDA and EBIT for FY2008, FY2009 and FY2010;
 - > pro forma historical consolidated balance sheet as at 30 June 2010; and
 - > pro forma historical consolidated cash flow statements before interest, tax and financing activities for FY2008, FY2009 and FY2010; and
- Forecast Financial Information which is defined as QR National's:
 - > pro forma and statutory forecast consolidated income statements for FY2011 and FY2012;
 - > pro forma forecast consolidated cash flow statements before financing activities for FY2011 and FY2012; and
 - > statutory forecast consolidated cash flow statements for FY2011 and FY2012.

The following table summarises the pro forma historical consolidated statements of revenue, EBITDA and EBIT and pro forma and statutory forecast consolidated income statements. The summary financial information presented is discussed in Section 8.2 (Pro Forma Historical Financial Information) and Section 8.3 (Forecast Financial Information), with further detail in the Appendix.

Table 14 Summary financial information

	Pro forma historical			Pro forma forecast		Statutory forecast	
\$m	FY2008	FY2009	FY2010	FY2011 ¹	FY2012	FY2011 ¹	FY2012
Revenue	2,402	2,614	2,903	3,363	3,736	3,396	3,736
EBITDA	417	493	628	894	1,101	825	1,101
EBITDA margin	17.4%	18.9%	21.6%	26.6%	29.5%	24.3%	29.5%
EBITDA growth		18.2%	27.4%	42.4%	23.2%		
EBIT	99	141	204	427	578	358	578
EBIT margin	4.1%	5.4%	7.0%	12.7%	15.5%	10.5%	15.5%
EBIT growth		42.4%	44.7%	109.3%	35.4%		
Profit after income tax				289	369	408	369

Note:

- 1 The key differences between the pro forma forecast for FY2011 and the statutory forecast for FY2011 are non-recurring transaction-related expenses, a timing adjustment on a revenue item in QRN Network Services and the interest and tax effects of the restructure, as described in Section 8.3.2.

Financial information presented in this Section that is described as “statutory” or “unadjusted” has been prepared in accordance with the recognition and measurement principles of all relevant Australian Accounting Standards and International Financial Reporting Standards (IFRS). The financial information described as “pro forma” has however been adjusted and presented in a manner not consistent with the recognition and measurement principles of all Australian Accounting Standards and IFRS, in that it reflects (i) the recognition of certain items in periods different from the applicable period under Australian Accounting Standards and IFRS, (ii) the exclusion of certain transactions that occurred in the relevant periods and (iii) the impact of certain transactions as if they occurred on 30 June 2010. QR National believes that this presentation provides useful information as it permits investors to examine what it believes to be (i) the underlying financial performance of its business presented on a consistent basis with the Forecast Financial Information and (ii) the financial position adjusted to reflect transactions occurring at Settlement as if these transactions had occurred on 30 June 2010. The accounting policies of QR National have been consistently applied throughout the periods presented.

Investors should be aware that certain of the financial information included in this Offer Document may be considered “non-GAAP financial measures”. These measures include EBIT and EBITDA and the Appendix includes further information to assist an investor in interpreting those terms which are not defined under Australian Accounting Standards.

The Pro Forma Historical Financial Information and the Forecast Financial Information have been subject to reviews carried out in accordance with Australian Auditing Standards applicable to review engagements by KPMG Transaction Services (Australia) Pty Limited whose Investigating Accountant's Report on the Pro Forma Historical Financial Information and Investigating Accountant's Report on the Forecast Financial Information are contained in the Appendix. Prospective investors should note the scope and limitations of the respective reports.

The Investigating Accountant's Report on the Forecast Financial Information has been prepared solely in connection with the Retail Offer of Shares in Australia and has been intentionally omitted from the Institutional Offering Memorandum being distributed in the United States of America and Canada.

8 Financial information

The financial information presented in this Section should be read in conjunction with the key risks in Section 9 and other information contained in this Offer Document, the Appendix and the Financial Statements. See Section 10.21 for a list of information available in the Appendix.

8.2 Pro Forma Historical Financial Information

8.2.1 Basis of preparation and presentation

QR National was incorporated on 14 September 2010 and did not undertake any trading activities between its incorporation and 21 September 2010 when it became a non-operating holding company for a group comprising itself, QR Limited and QR Limited's controlled entities, by issuing shares to the State in exchange for the State's existing shares in QR Limited.

Up until 30 June 2010, QR Limited was the ultimate parent entity of a group which owned the QR National business and the Queensland Rail business. The Queensland Rail business was separated from QR Limited on 30 June 2010 as described in Section 4.2 through (i) a restructuring whereby certain assets and liabilities attributable to the Queensland Rail business were transferred to QR Limited's wholly-owned subsidiary Queensland Rail Limited (formerly named QR Passenger Pty Ltd) and (ii) the subsequent transfer by QR Limited of its shares in Queensland Rail Limited to the State.

Immediately following the restructure, QR Limited and its remaining subsidiaries conducted only the QR National business. Subsequently, QR National became QR Limited's non-operating holding company and the group comprising QR National, QR Limited and QR Limited's controlled entities was formed.

As a result of the above, there is no actual historical financial information for the group comprising QR National, QR Limited and QR Limited's controlled entities. The Pro Forma Historical Financial Information included in this Offer Document and the Appendix has been prepared by the Directors in order to present potential investors with information to assist them in understanding what the underlying historical financial performance and cash flows of the group comprising QR National, QR Limited and QR Limited's controlled entities would have been had that group operated as a stand-alone consolidated group since 1 July 2007, on a consistent basis with forecast operations.

The Pro Forma Historical Financial Information has been derived from the audited historical consolidated financial statements of QR Limited for FY2008, FY2009 and FY2010 (Financial Statements). In accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations, the Financial Statements separately present and disclose continuing operations (which comprise the QR National business) and discontinued operations (which comprise the Queensland Rail business). A detailed explanation of the allocation methodologies for separating the continuing and discontinued operations in the Financial Statements is presented in the Appendix.

Certain adjustments have also been made to the historical financial information for the continuing operations of QR Limited to provide investors with information on what QR National believes to be the underlying financial performance of its business presented on a consistent basis with the Forecast Financial Information. These adjustments are described in Section 8.2.2 and in the Appendix.

The QR National business was historically operated as part of a larger State-owned entity under a corporate structure with a different gearing and tax profile. Accordingly, only pro forma historical consolidated statements of revenue, EBITDA and EBIT and pro forma historical consolidated cash flow statements before interest, tax and financing activities have been presented because historical interest income, borrowing costs, income tax expense, interest received, interest paid, income taxes paid and net cash inflow/(outflow) from financing activities are not considered to be meaningful or appropriate for potential investors.

8 Financial information

8.2.2 Pro forma historical results

Table 15 Pro forma historical consolidated statements of revenue, EBITDA and EBIT

\$m	Pro forma historical		
	FY2008	FY2009	FY2010
Revenue	2,402	2,614	2,903
– Consumables ¹	(1,142)	(1,202)	(1,243)
– Employee benefits expense	(823)	(884)	(993)
– Other expenses	(20)	(35)	(39)
Total operating expenses	(1,985)	(2,121)	(2,275)
EBITDA	417	493	628
Depreciation and amortisation expense	(318)	(352)	(424)
EBIT	99	141	204

Note:

1 Consumables include fuel costs, access costs payable to third parties, and expenditure on general maintenance and administrative supplies.

A reconciliation of QR National's pro forma EBIT to QR Limited's unadjusted EBIT from continuing operations is presented in Table 16.

A reconciliation of QR Limited's profit after tax from continuing operations to unadjusted EBIT from continuing operations is presented in the Appendix.

Table 16 Reconciliation from pro forma to unadjusted EBIT

\$m	FY2008	FY2009	FY2010
Pro forma EBIT	99	141	204
– Timing-related adjustments	(58)	(9)	68
– Transaction-related adjustments	–	–	(34)
– Individually significant items	89	(77)	(310)
Unadjusted EBIT from continuing operations	130	55	(72)

Adjustments made to QR Limited's unadjusted EBIT from continuing operations to derive QR National's pro forma EBIT comprise:

- timing-related adjustments: QRN Coal earns additional revenues in some circumstances where hauled tonnages are below certain thresholds. These additional revenues are called deficit tonnage charges. In addition, QRN Network Services revenue is subject to a cap mechanism that serves to ensure the network recovers its full regulated revenue over the regulatory period, with the majority of under or over recovery in access tariffs (net of take-or-pay charges) during a financial year being charged or refunded in the second financial year following. These additional revenues are called revenue cap adjustments. The Pro Forma Historical Financial Information and pro forma Forecast Financial Information reflect a reallocation of revenue from deficit tonnage charges and revenue cap adjustments to a period earlier than is allowable under Australian Accounting Standards and IFRS. Whilst a lag effect in relation to these items is part of the ongoing business activities of QR National, to provide comparability between the Pro Forma Historical Financial Information and the pro forma Forecast Financial Information, adjustments have been made to:
 - > recognise revenue from deficit tonnage charges in QRN Coal in the period in which the service was due to be provided. In preparing statutory financial statements, this revenue is recognised in the period following that in which the service was due to be provided where the customer elects to pay the charges rather than to reduce future tonnage entitlements; and
 - > recognise revenue from revenue cap adjustments in QRN Network Services in the period in which the service was provided. In preparing statutory financial statements, such revenue cap adjustments are recognised as adjustments to revenue in the period in which they are charged/refunded to customers, which is generally two years after the period in which the service was provided;
- transaction-related adjustments: removal of the effect of certain items associated with the restructure and separation described in Section 8.2.1 and with the Offer which are not reflective of the ongoing business activities of QR National; and

8 Financial information

- individually significant items: removal of the effect of certain items considered to be individually significant in understanding the underlying financial performance of QR National, having regard to the Directors' best estimate assumption that items of a similar size and nature will not arise during the Forecast Period (FY2011 and FY2012) including: impairment expenses and reversals; unrealised gains and losses on commodity and foreign exchange derivative transactions, which going forward are expected to be reflected through equity under hedge accounting; realised gains and losses on foreign exchange derivative transactions in relation to capital expenditure, which going forward are expected to be reflected in the cost of the asset under hedge accounting; a revision to an accounting estimate in relation to the provision for environmental remediation exposures; gains and losses on the sale of certain properties; and a charge in relation to stamp duty incurred in FY2010 relating to an acquisition prior to FY2008. Prospective investors should note that these individually significant items may recur in the future from the ongoing business activities of QR National.

See the Appendix for further explanation of these adjustments.

8.2.3 General factors affecting the operating results of QR National

8.2.3.1 Overview

Set out below is a brief discussion of the main factors that affected QR National's operating and financial performance for FY2008, FY2009 and FY2010, and which the Company expects will continue to affect operating and financial performance in future periods. This is not intended to be an exhaustive list of all factors which have impacted QR National's historical operating and financial performance or which are expected to impact QR National's forecast operating and financial performance.

8.2.3.2 Coal freight volumes

Table 17 Summary of coal freight volumes

	Pro forma historical		
	FY2008	FY2009	FY2010
QRN Coal			
– Tonnes hauled (m)	184.1	186.7	198.4
– ntk (bn)	42.8	43.5	45.3
QRN Network Services			
– ntk (bn)	39.2	40.2	45.4

Note: Tonnes hauled refers to coal volumes billed rather than actual coal volumes railed.

The financial performance of QRN Coal and QRN Network Services is dependent on coal volumes hauled. Coal volumes hauled by QRN Coal have increased each year over the historical period, resulting from both growth in the domestic coal industry in the form of new mine developments and expansion of mine, port and system operations, and investment by QR National in additional rollingstock to increase its capacity to deliver on contracted coal volumes. The growth in coal haulage in FY2009 was constrained by the global financial crisis. The significant increase in coal haulage of QRN Network Services in FY2010 reflects QRN Coal's record tonnage hauled in FY2010 and growth in supply chain capacity, offset by the impact of significant wet weather events as discussed below.

Movements in coal volumes impact QRN Coal and QRN Network Services differently:

- QRN Network Services is largely protected from a fall in coal volumes due to take-or-pay and/or revenue cap arrangements. Any revenue shortfall compared with the Maximum Allowable Revenue is recovered either under take-or-pay arrangements in the year of the shortfall, or two years later under revenue cap adjustments; and
- QRN Coal is affected by production levels because some existing contracts do not offer full protection from volume shortfalls or from take-or-pay charges made by QRN Network Services. See Section 8.4 for further details of the potential impact of volume shortfalls on the QRN Coal business.

8 Financial information

8.2.3.3 Bulk and general freight volumes

Table 18 Summary of bulk and general freight volumes

	Pro forma historical		
	FY2008	FY2009	FY2010
QRN Freight (external volumes)			
– Bulk ntk (bn)	13.6	14.3	15.2
– Non-bulk ntk (bn)	4.8	4.2	3.7

QRN Freight is exposed to a range of factors which impact bulk and general freight volumes, including production of bulk products in Western Australia and Queensland, and general economic conditions. Within QRN Freight, the non-bulk freight services (including services to regional Queensland) were particularly affected by the difficult economic circumstances experienced in Australia in calendar years 2008 and 2009, reflected in consecutive decreases in ntk in FY2009 and FY2010 respectively.

QRN Freight operates a range of general and livestock freight services in regional Queensland which were not profitable in FY2008, FY2009 and FY2010. Historically, these services have been undertaken due to the State's requirements as QR National's shareholder. Losses in relation to regional freight increased in FY2010 as a result of changes to enterprise agreements which included an increase in long-service leave balances measured in accordance with accounting standards. The EBITDA loss recognised for QRN Freight attributable to the regional freight business was \$77m in FY2009 and \$91m in FY2010. QRN Freight also incurred a loss on the provision of these services in FY2008, however, this result was not prepared on a basis consistent with the results in subsequent years and has therefore not been presented.

QR National has entered into two Transport Services Contracts (TSCs) with the State for general and livestock freight to obtain funding for these services totalling \$150m in FY2011 and \$148m in FY2012. These amounts compare with a TSC in FY2008, FY2009 and FY2010 of \$26m, \$29m and \$27m, respectively. The revised TSC arrangements are described further in Sections 7.4.6 and 7.4.7.

8.2.3.4 Above rail contract renegotiations

QR National has entered into new contracts and renewed or renegotiated existing contracts with customers to better meet customer needs. Changes include providing certainty and greater flexibility to meet unexpected increases in volume. In return for these changes, these contracts have typically involved a combination of haulage rate changes, pass through arrangements for access fees, cost escalation formulae which take account of movements in fuel cost indices, contractual take-or-pay arrangements for volumes and CPI escalation. These factors have contributed to an improved EBITDA margin over FY2008 to FY2010 and are expected to contribute to the forecast increase in EBITDA margin over FY2011 and FY2012.

8.2.3.5 Regulatory decisions of the QCA regarding Access Charges

The tariff rates earned on the substantial majority of the infrastructure assets managed within QRN Network Services are regulated by the QCA. The QCA determines a Maximum Allowable Revenue for below rail access services. The approval of tariff rates by the QCA is fundamental to the financial results of QRN Network Services. QR National has been successful in obtaining a 27 % average increase in tariffs with effect from 1 July 2009 (the tariffs in the most recent regulatory decision in June 2010, were backdated to apply from 1 July 2009). The current approved tariffs apply for the four years from 1 July 2009 to 30 June 2013.

8 Financial information

8.2.3.6 Weather conditions

QR National earns revenues based on the transportation of coal and other bulk and non-bulk products. In most years, increased rainfall and inclement weather during the wet season in Queensland (from January to April) cause a decrease in average daily tonnes hauled compared with the dry season from May to December. The effect in each period on each division depends on both the severity of the adverse weather conditions and the specific location where such conditions impact the rail network and/or port or mine infrastructure. Specific impacts over the historical period have included restrictions to mining activity as a result of flooding, derailments and signalling issues, speed restrictions and port and corridor closures.

Coal haulage by QRN Coal in FY2010 was impacted by Cyclone Ului, which caused the closure of the Hay Point Coal Terminal for one week. Coal haulage in FY2008 was also significantly impacted by severe flooding in central and northern Queensland in January 2008 associated with Cyclone Helen.

Railing of agricultural products such as sugar and grain in both Queensland and Western Australia are also dependent on weather. The effect in each period depends on the success of local and international harvests, and the resulting impact on local and global balances of supply and demand for agricultural products. QRN Freight was also impacted during FY2009 by flood events in northern Queensland which resulted in 11 weeks of track closures.

8.2.3.7 Employee costs

QR National has a highly specialised and unionised workforce operating under 23 business specific enterprise agreements covering approximately 8,600 (approximately 92 %) of its employees. The most significant renegotiations which impacted the financial results during the three years ended 30 June 2010 were the renegotiations of enterprise agreements with QRN Coal and regional freight train drivers which took effect during FY2010. The impact on financial results exceeded percentage wage increases agreed as a result of the flow-on impact on accumulated leave balances.

Thirteen of these enterprise agreements, covering approximately 7,300 employees in Queensland, have recently been renegotiated with bargaining representatives, including the rail unions, and will not expire until December 2013. These enterprise agreements have been approved by Fair Work Australia on 10 September 2010. Under these enterprise agreements, average wages and entitlements are set to increase by 4% per annum until 31 December 2013.

Nine of the remaining 10 enterprise agreements relate to employees in QRN Freight subsidiary companies, including the bulk and intermodal businesses. The remaining enterprise agreement is restricted to Tasmania and does not currently apply to any employees.

QR National competes for train drivers nationally and internationally. QR National also faces competition for its engineers and trade staff from the mining sector. Accordingly, the efficiency of operations and the staff costs in critical parts of the business are also impacted by the general labour market conditions in Australia and competition with mining and mining services companies in particular.

8 Financial information

8.2.3.8 Capital expenditure

Table 19 Capital expenditure profile

\$m	Pro forma historical	Pro forma forecast	
	FY2008	FY2009	FY2010
QRN Coal	393	713	598
QRN Network Services	342	571	301
QRN Freight	87	246	89
Corporate	31	27	42
Total¹	853	1,557	1,030
Relating to:			
– Growth capital expenditure	574	1,116	723
– Maintenance capital expenditure	279	441	307

Note:

1 Excludes the impact of capitalised interest expense.

QR National's capital expenditure program over the last three financial years has been dominated by investment in above and below rail projects in Queensland in response to market growth and to meet expected future demand. This includes significant investment in new and upgraded rollingstock, the Jilalan Yard provisioning and maintenance facilities and a number of QRN Network Services projects that have facilitated access to mine, mainline or port track capacity.

Capital expenditure on rollingstock in QRN Coal in the last three financial years related to an expansion in haulage capacity to meet increasing customer demand in the CQCN and to support several major contract wins in the Hunter Valley in New South Wales.

Capital expenditure in QRN Freight relates primarily to investment in overhaul of existing rollingstock, and investment in intermodal rollingstock to establish a more competitive offering in this growing sector.

Table 20 Summary of rollingstock fleet

Numbers ¹	FY2008	FY2009	FY2010
QRN Coal			
– Locomotives	341	366	391
– Wagons	7,412	8,230	8,993
QRN Freight			
– Locomotives	344	310	312
– Wagons	7,183	7,375	7,153

Note:

1 Locomotive and wagon numbers presented reflect current use of the assets.

Capital expenditure in Corporate primarily reflects spend on QR National's fleet of motor vehicles and IT systems.

8 Financial information

8.2.4 Management Discussion and Analysis of pro forma historical results

8.2.4.1 Overview

This Section includes a discussion of the QR National pro forma historical consolidated revenue, EBITDA and EBIT. For Management Discussion and Analysis by operating division and details on inter-division eliminations, refer to the Appendix.

Table 21 Pro forma historical statements of revenue, EBITDA and EBIT by operating division

\$m	Pro forma historical		
	FY2008	FY2009	FY2010
Revenue			
– QRN Coal	1,244	1,372	1,621
– QRN Network Services	792	854	1,015
– QRN Freight	1,094	1,148	1,150
– Corporate	87	101	132
– Inter-segment eliminations	(816)	(862)	(1,015)
Consolidated revenue	2,402	2,614	2,903
EBITDA			
– QRN Coal	301	350	383
– QRN Network Services	300	285	388
– QRN Freight	(73)	(62)	(33)
– Corporate	(111)	(80)	(110)
– Inter-segment eliminations	–	–	–
Consolidated EBITDA	417	493	628
EBIT			
– QRN Coal	175	203	199
– QRN Network Services	182	154	234
– QRN Freight	(118)	(111)	(96)
– Corporate	(140)	(105)	(133)
– Inter-segment eliminations	–	–	–
Consolidated EBIT	99	141	204

Note: A reconciliation of QR National's pro forma EBIT to QR Limited's unadjusted EBIT from continuing operations is presented in Section 8.2.2. A reconciliation of QR Limited's unadjusted profit after tax from continuing operations to unadjusted EBIT from continuing operations is presented in the Appendix.

8.2.4.2 FY2010 compared to FY2009

Revenue for FY2010 increased \$289m (11%), from \$2,614m for FY2009 to \$2,903m, primarily as a result of the impact of revenue uplifts arising from the regulatory determination made by the QCA (which was published in June 2010 and applies retroactively from 1 July 2009), record coal volumes hauled and higher average above rail rate per tonne hauled.

EBITDA for FY2010 increased \$135m (27%), from \$493m for FY2009 to \$628m. The revenue increase in FY2010 was partially offset by increases in both employee benefits expense and consumables costs. The increase of \$109m in employee benefits expense was a result of increases in employee numbers in preparation for growth, escalation of employee entitlements in line

with enterprise agreements and the renegotiation of enterprise agreements with QRN Coal train crew. Consumables costs increased \$41m in FY2010, reflecting external access charges and other variable costs associated with the increase in coal haulage between the periods offset by a reduction in fuel costs. Losses in QRN Freight reflect regional freight and intermodal losses offset by profits on bulk freight services. The EBITDA loss attributable to regional freight increased by \$14m, from \$77m in FY2009 to \$91m in FY2010.

EBIT for FY2010 increased \$63m (45%), from \$141m for FY2009 to \$204m. The \$72m increase in depreciation and amortisation expense reflects the additional investment in infrastructure and rollingstock through FY2009 and FY2010 in preparation for expansion of the business.

8 Financial information

8.2.4.3 FY2009 compared to FY2008

Revenue for FY2009 increased \$212m (9%), from \$2,402m for FY2008 to \$2,614m, primarily as a result of increases to network tariff rates under the regulatory undertaking and increases to above rail rates achieved by QRN Coal through renegotiation of contracts.

EBITDA for FY2009 increased \$76m (18%), from \$417m for FY2008 to \$493m. The revenue increase of \$212m was partially offset by increases in both employee benefits expense and consumables costs. The increase in employee benefits expense of \$61m reflects increases in employee numbers, escalation of employee entitlements in line with enterprise agreements, and the renegotiation of enterprise agreements with QRN Freight train drivers. The increase in consumables costs of \$60m reflects the incremental cost of fuel, external access charges and other variable costs associated with the increase in coal haulage between the periods, escalation in input costs, and higher corporate costs. Losses in QRN Freight reflect regional freight and intermodal losses offset by profits on bulk freight services.

EBIT for FY2009 increased \$42m (42%), from \$99m for FY2008 to \$141m. The increase in depreciation and amortisation expense of \$34m reflects the additional investment in infrastructure and rollingstock through FY2008 and FY2009 in preparation for expansion of the business.

8.2.5 Pro forma historical consolidated balance sheet

This Section sets out the QR National pro forma historical consolidated balance sheet after adjusting the historical balance sheet as presented in the 30 June 2010 financial statements for the restructure transactions and the tax effect of the Offer. The adjustments are described in Table 22.

The restructure transactions comprise:

- transfer to the State of a further \$347m of assets on 31 August 2010 and the removal of \$16m of liabilities held for distribution relating to the Queensland Rail business on 31 August 2010 as described in Section 8.2.1;
- a restructure of borrowings under which \$4.3bn of borrowings from QTC will be transferred to the State under Transfer Notice for nil consideration prior to Settlement. This amount is fixed (subject to the cash balance adjustment referred to below) and reflects actual borrowings as at 30 June 2010 adjusted for additional draw downs in the period from 1 July 2010 to Settlement less an amount not being transferred under Transfer Notice. Both these latter amounts will vary depending on the actual level of draw downs in the period prior to Settlement;

- payment of a dividend to the State of \$86m to be funded by QTC (\$80m) and the offset of amounts receivable from the Queensland Department of Transport and Main Roads (\$6m). The additional borrowings will also be converted to equity with the balance of QTC borrowings prior to Settlement;
- the portion of QTC borrowings not transferred to the State under Transfer Notice will be repaid at Settlement from proceeds of the Syndicated Facility and is estimated at \$500m being the amount that QR National plans to draw down for capital expenditure in the period between 1 July 2010 and Settlement that will not be funded from operating cash flows. This amount has been presented in the pro forma historical consolidated balance sheet as an increase in assets under construction;
- variances in operating cash flows or actual capital expenditure from the estimates used in determining the \$500m will result in the actual level of the Syndicated Facility to be drawn down at Settlement to refinance the QTC borrowings being greater or less than \$500m; and
- the balance of cash held by QR National at Settlement will also be transferred to the State as a repayment of outstanding debt.

The tax effect of the Offer represents:

- the deferred tax consequences of exit from the national tax equivalent regime applicable to entities controlled by state governments in Australia and entry into the federal tax regime including the entry into tax consolidation immediately upon completion of the Offer. The net benefit is recognised as a reduction in the deferred tax liability and is largely attributable to an uplift in depreciable tax cost bases of assets, which is realised over the life of the assets of the Company, and the recognition of depreciable tax cost bases on certain contracts. The deferred tax liability is not removed entirely. The main contributing factor to the pro forma deferred tax liability is that the total depreciable tax cost base of assets on exit from the national tax equivalent regime will be below the total accounting written down value of these assets.

No adjustment has been made for one-off payments to staff of \$4,000 in cash per employee under enterprise agreements, plus \$1,000 worth of Shares transferred by the State to Eligible Employees without monetary payment under the Employee Gift Offer. The cost of the \$4,000 in cash per employee totalling \$37m will be paid out of post Offer operating cash flows or financed by draw down of working capital facilities. This amount is included in the statutory forecast consolidated cash flow statement before financing activities described in Section 8.3.5.

Assets under construction at 30 June 2010 comprises \$401m in relation to QRN Network Services, \$285m in relation to QRN Coal, \$56m in relation to QRN Freight, and \$70m in relation to Corporate.

8 Financial information

Table 22 Pro forma historical consolidated balance sheet as at 30 June 2010

\$m	As presented in the 30 June 2010 financial statements	Restructure transactions	Tax effect of the Offer	Pro forma
ASSETS				
Current assets				
Cash and cash equivalents	8	(8)	–	–
Trade and other receivables	531	(6)	–	525
Inventories	167	–	–	167
Derivative financial instruments	16	–	–	16
Other current assets	10	–	–	10
Assets held for distribution	347	(347)	–	–
Total current assets	1,079	(361)	–	718
Non-current assets				
Receivables	1	–	–	1
Investments accounted for using the equity method	1	–	–	1
Derivative financial instruments	6	–	–	6
Other financial assets	36	–	–	36
Property, plant and equipment	6,572	–	–	6,572
Assets under construction	812	500	–	1,312
Intangible assets	39	–	–	39
Inventories	24	–	–	24
Other non-current assets	4	–	–	4
Total non-current assets	7,495	500	–	7,995
Total assets	8,574	139	–	8,713
LIABILITIES				
Current liabilities				
Trade and other payables	335	–	–	335
Borrowings	4,266	(4,266)	–	–
Provisions	15	–	–	15
Derivative financial instruments	15	–	–	15
Other current liabilities	310	–	–	310
Liabilities held for distribution	16	(16)	–	–
Total current liabilities	4,957	(4,282)	–	675
Non-current liabilities				
Derivative financial instruments	8	–	–	8
Borrowings	–	500	–	500
Deferred tax liabilities	529	–	(183)	346
Provisions	53	–	–	53
Other non-current liabilities	343	–	–	343
Total non-current liabilities	933	500	(183)	1,250
Total liabilities	5,890	(3,782)	(183)	1,925
Net assets	2,684	3,921	183	6,788
EQUITY				
Contributed equity	2,067	4,007	–	6,074
Reserves	(2)	–	–	(2)
Retained profits	619	(86)	183	716
Total equity	2,684	3,921	183	6,788

8 Financial information

8.2.6 Pro forma historical cash flows

Table 23 Pro forma historical consolidated cash flow statements before interest, tax and financing activities

\$m	Pro forma historical		
	FY2008	FY2009	FY2010
Cash flows from operating activities			
EBITDA	417	493	628
Changes in working capital	6	(62)	52
Non-cash items ¹	(10)	(10)	(12)
Net cash inflow from operating activities before interest and tax	413	421	668
Net cash outflow from investing activities ²	(730)	(1,632)	(1,073)
Net cash outflow before interest, tax and financing activities ³	(317)	(1,211)	(405)

See the Appendix for further detail on liquidity and capital resources, including commitments and contingencies.

Notes:

- 1 Non-cash items represent the non-cash component of revenues earned under access facilitation deeds offset by non-cash impacts of inventory obsolescence and bad debt provisions.
- 2 Cash flows from investing activities are presented excluding net payments for investments and available for sale of financial assets and proceeds from the disposal of assets of \$10m in FY2008, \$22m in FY2009 and \$48m in FY2010. QR National does not consider such items representative of its underlying cash flows presented on a consistent basis with forecast operations, and therefore they are not considered to be meaningful to investors.
- 3 See Section 8.2.1 for a description of non-disclosure of interest, tax and financing activities.
- 4 A reconciliation of QR National's pro forma net cash outflow before interest, tax and financing activities to QR Limited's unadjusted net cash outflow before interest, tax and financing activities is presented in the Appendix.
- 5 Net cash outflows from investing activities represents the cash payments for additions to property, plant and equipment. This varies from the capital expenditure presented elsewhere in this Offer Document because of the movement in year end capital expenditure accruals. To the extent that capital expenditure has been recognised within property, plant and equipment but not paid in cash as at the balance date, or has been recognised within property, plant and equipment in a prior period but paid in cash in the current period, a timing difference will arise which is reflected in cash flows from investing activities above.

8.2.7 Management Discussion and Analysis of pro forma historical cash flows

8.2.7.1 FY2010 compared to FY2009

Working capital

Movement in working capital contributed an inflow of \$52m in FY2010 compared with an outflow of \$62m in FY2009. The primary driver for the inflow was a decrease of \$35m in the trade debtors balance.

Investing activities

Net cash outflow from investing activities decreased from \$1,632m in FY2009 to \$1,073m in FY2010. The \$1,073m net cash outflow from investing activities in FY2010 primarily reflects investment in the Jilalan Yard provisioning and maintenance facilities, electric locomotives and investment in rollingstock in New South Wales (QRN Coal), and a loop at the Dalrymple Bay Coal Terminal, investment in duplications and electrification in the Blackwater system and GAPE X50 (QRN Network Services).

8.2.7.2 FY2009 compared to FY2008

Working capital

Movement in working capital contributed a cash outflow of \$62m in FY2009 and a cash inflow of \$6m in FY2008. The movement in working capital is attributable to timing differences in payments and receipts in relation to operating activities.

Investing activities

Net cash outflow from investing activities increased from \$730m in FY2008 to \$1,632m in FY2009. The \$1,632m net cash outflow from investing activities in FY2009 primarily reflects investment in the Jilalan Yard provisioning and maintenance facilities, electric locomotive fleet upgrades and additional 106 tonne wagons (QRN Coal), Blackwater duplications, the Lake Vermont spur and balloon loop and GAPE X50 (QRN Network Services) and investment in rollingstock for the intermodal business (QRN Freight).

The \$730m net cash outflow from investing activities in FY2008 included Jilalan Yard provisioning and maintenance facilities and electric locomotive fleet upgrades, investment in other rollingstock (QRN Coal), Goonyella system expansions and upgrades, Blackwater duplication (QRN Network Services) and investment in rollingstock for the intermodal business (QRN Freight).

8 Financial information

8.3 Forecast Financial Information

8.3.1 Basis of preparation and presentation

As described in Section 8.2.1, QR National was incorporated on 14 September 2010. The statutory Forecast Financial Information is based on the assumption that the Directors elect to present its financial statements for the year ending 30 June 2011 to include the results of the group comprising QR National, QR Limited and QR Limited's controlled entities for the full year from 1 July 2010 to 30 June 2011.

The Forecast Financial Information has been prepared by the Directors and is presented in accordance with customary practice for offerings in Australia, and on a basis consistent with the Pro Forma Historical Financial Information. The accounting policies disclosed in the Appendix have been consistently applied in the preparation of the Forecast Financial Information. For comparative purposes, certain Pro Forma Historical Financial Information is disclosed in this Section.

The Forecast Financial Information was prepared by the Directors based on an assessment of present economic and operating conditions, and on a number of best estimate assumptions regarding future events and actions, as set out in Section 8.3.4. This information is designed to assist investors in assessing the reasonableness and the likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors consider the assumptions to be reasonable when viewed as a whole. However, this information is not fact and you are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and their impact might differ from that assumed in preparing the Forecast Financial Information and consequently, actual results are likely to vary from the Forecast Financial Information. Any variations may be materially positive or negative because the assumptions, and therefore the Forecast Financial Information, are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of the State, QR National and the Directors and are not predictable on a reliable basis.

Accordingly, neither QR National nor any other person can give any assurance that the outcomes described in the Forecast Financial Information will be achieved. Events and outcomes might differ in quantum and timing from the assumptions, with material consequential impact on the Forecast Financial Information. The sensitivity analysis in Section 8.4 is a summary of the sensitivity of the forecast net profit after tax for FY2011 and FY2012 to changes in certain key variables.

The Forecast Financial Information, together with comparative Pro Forma Historical Financial Information for FY2008, FY2009 and FY2010, is set out in Tables 14 and 24 in both pro forma and statutory format. Pro forma Forecast Financial Information has been adjusted to exclude the effect of certain items which, in the view of the Directors, are likely to have an impact on prospective investors' ability to understand the financial and operating performance of the business, presented on a basis comparable to the Pro Forma Historical Financial Information.

The Forecast Financial Information should be read together with the Directors' best estimate assumptions and sensitivity analysis, the key risks in Section 9 and other information contained in this Offer Document.

8 Financial information

8.3.2 Pro forma and statutory forecast income statements

Table 24 Pro forma historical consolidated statements of revenue, EBITDA and EBIT and pro forma and statutory forecast consolidated income statements

\$m	Pro forma historical			Pro forma forecast		Statutory forecast	
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2011	FY2012
Revenue	2,402	2,614	2,903	3,363	3,736	3,396	3,736
– Consumables ¹	(1,142)	(1,202)	(1,243)	(1,408)	(1,497)	(1,442)	(1,497)
– Employee benefits expense	(823)	(884)	(993)	(1,060)	(1,133)	(1,117)	(1,133)
– Other expenses	(20)	(35)	(39)	(1)	(5)	(12)	(5)
Total operating expenses	(1,985)	(2,121)	(2,275)	(2,469)	(2,635)	(2,571)	(2,635)
EBITDA	417	493	628	894	1,101	825	1,101
Depreciation and amortisation expense	(318)	(352)	(424)	(467)	(523)	(467)	(523)
EBIT	99	141	204	427	578	358	578
Net finance expense				(16)	(53)	(139)	(53)
Profit before income tax				411	525	219	525
Income tax benefit/(expense)				(122)	(156)	189	(156)
Profit after income tax				289	369	408	369

Note:

1 Consumables expenditure includes fuel costs, access costs payable to third parties, and expenditure on general maintenance and administrative supplies.

In presenting the pro forma forecast consolidated income statement for FY2011, adjustments have been made to the statutory forecast consolidated income statement to reflect that:

- QR National forecasts to incur \$45m of non-operating costs in FY2011 in respect of the restructuring and separation of the discontinued businesses which were transferred to Queensland Rail, and in respect of the Offer. These costs comprise advisory and system separation costs incurred in respect of the restructure and the Offer, and stamp duty estimated as payable in New South Wales. These costs have been removed from the statutory forecast consolidated income statement in presenting the pro forma forecast consolidated income statement for FY2011;
- QR National has forecast to recognise an employee benefits expense of \$57m which comprises the payment of \$37m to employees under enterprise agreements negotiated with union representatives which provide for a one-off payment of \$4,000 per eligible employee as at Settlement; \$9m expense related to the Employee Gift Offer; and \$11m expense related to incentive schemes for management and employees in relation to the Offer;
- revenue cap adjustments of \$33m forecast to be earned in FY2011 have been removed and allocated back to the financial year in which the service was provided (FY2009);
- the capital structure of QR National will change at Settlement as described in Section 8.2.5. It is estimated that \$500m of the Syndicated Facility will be drawn down at Settlement to repay the portion of borrowings from QTC that will not be transferred to the State via Transfer Notice for nil consideration. The forecast interest costs on borrowings from QTC which will be recognised as interest expense in the period from 1 July 2010 to Settlement have been removed in presenting the pro forma forecast consolidated income statement above; and
- following Listing, the tax cost base of assets and liabilities resets under income tax legislation specific to privatisations and as a result of the tax consolidation regime. The depreciable tax cost base of assets is forecast to reset to amounts which exceed the current tax cost base of tangible assets (but are lower than the current accounting written down values). In addition, a depreciable tax cost base is established for certain contracts upon tax consolidation by QR National and deferred tax balances recognised in relation to employee entitlement provisions will reverse upon privatisation. These tax expense impacts have been removed from income tax expense in presenting the pro forma forecast consolidated income statement above such that the effective tax rate is approximately equal to the statutory corporate tax rate (currently 30%).

8 Financial information

No such matters are forecast to arise in FY2012 and therefore there are no differences between the statutory and pro forma forecast for FY2012. The Appendix includes a reconciliation of the pro forma forecast to the statutory forecast.

8.3.3 Management Discussion and Analysis of the forecast income statements

Table 25 Pro forma historical and forecast statements of revenue, EBITDA and EBIT by operating division

\$m	Pro forma historical	Pro forma forecast	
	FY2010	FY2011	FY2012
Revenue			
– QRN Coal	1,621	1,794	2,032
– QRN Network Services	1,015	1,122	1,244
– QRN Freight	1,150	1,362	1,466
– Corporate	132	141	126
– Inter-segment eliminations	(1,015)	(1,056)	(1,132)
Consolidated revenue	2,903	3,363	3,736
EBITDA			
– QRN Coal	383	431	514
– QRN Network Services	388	476	557
– QRN Freight	(33)	89	139
– Corporate	(110)	(102)	(109)
Consolidated EBITDA	628	894	1,101
EBIT			
– QRN Coal	199	209	273
– QRN Network Services	234	317	380
– QRN Freight	(96)	26	53
– Corporate	(133)	(125)	(128)
Consolidated EBIT	204	427	578

8 Financial information

8.3.3.1 FY2011 compared to FY2010

Revenues for FY2011 are forecast to increase by \$460m (16%), from \$2,903m for FY2010 to \$3,363m. This is as a result of:

- an expected increase in coal tonnages of 10% arising from existing contracts in New South Wales and additional rollingstock investment in Queensland to meet market growth;
- additional earnings from the investment in network infrastructure in line with the regulatory pricing framework; and
- continued growth in bulk freight services, revenues from two new contracts secured earlier in FY2010 and in early FY2011 in the intermodal business and an increase of \$123m in payments from the State relating to the operation of existing regional freight services.

EBITDA for FY2011 is forecast to increase by \$266m (42%) from \$628m for FY2010 to \$894m. This reflects:

- the margin impact of increased tonnages in QRN Coal;
- additional earnings on existing network infrastructure; and
- the direct impact on EBITDA of the incremental payments from the State described above and a net increase in contribution from the growth in volumes on intermodal and bulk freight services.

EBIT for FY2011 is forecast to increase by \$223m (109%) from \$204m for FY2010 to \$427m. The \$43m increase in depreciation and amortisation expense reflects the additional investment in network infrastructure and rollingstock through FY2010 and FY2011, and depreciation of the Jilalan Yard provisioning and maintenance facilities which were completed in June 2010.

8.3.3.2 FY2012 compared to FY2011

Revenues for FY2012 are forecast to increase by \$373m (11%), from \$3,363m for FY2011 to \$3,736m as a result of:

- growth in revenues from New South Wales coal haulage contracts, impact of price renegotiations in Queensland and commencement of railings on the Northern Missing Link following completion of GAPE X50 by January 2012; and
- railings from the commencement and expansion of iron ore projects in Western Australia.

EBITDA for FY2012 is forecast to increase by \$207m (23%), from \$894m for FY2011 to \$1,101m. This reflects:

- the margin impact of the expansions in New South Wales, impact of contract renegotiations and commencement of coal haulage contracts on the Northern Missing Link;
- higher returns expected on the investment in the Northern Missing Link network infrastructure; and
- the margin impact of railings from the commencement and expansion of iron ore projects in Western Australia.

EBIT for FY2012 is forecast to increase by \$151m (35%), from \$427m for FY2011 to \$578m. The increase in depreciation and amortisation expense of \$56m reflects the additional depreciation on rollingstock associated with the expansion projects in New South Wales, Queensland and Western Australia and depreciation of network infrastructure for the Northern Missing Link from 1 January 2012.

8.3.4 Directors' best estimate assumptions underlying the Forecast Financial Information

The Forecast Financial Information is based on the following best estimate assumptions:

8.3.4.1 General assumptions

- No significant change in the economic conditions (including financial market stability) prevailing in Australia and the markets in which QR National operates other than those changes reflected in the key revenue assumptions set out in Section 8.3.4.2.
- No significant change in the legislative regimes and regulatory environments in the jurisdictions in which QR National and its key customers and suppliers operate.
- No change in applicable accounting standards that would have a material impact on QR National's financial reporting or disclosure.
- No material industrial or employee relations disputes, litigation, strikes, acts of terrorism or acts of God which have a material impact on the operations of QR National.
- No material change in capital expenditure requirements from those included in the Forecast Financial Information caused by factors outside QR National's control.
- No material environmental losses or material legal claims.
- No material acquisitions or disposals.
- Key personnel are retained.
- No material external factors which impact the timing of major network expansions including the Northern Missing Link (expected to be operational by January 2012).
- No significant delays in the performance of any major contracts and parties to those contracts will continue to comply with the contracts' terms and maintain all relevant licences and approvals.
- No significant amendment to any material contract.

8 Financial information

8.3.4.2 Revenue assumptions

Table 26 QRN Coal

\$m	Pro forma historical	Pro forma forecast	
	FY2010	FY2011	FY2012
Revenue (\$m)	1,621	1,794	2,032
– Above rail revenue (\$m)	841	953	1,063
– Pass through of access charges (\$m)	696	787	908
– Other revenues (\$m)	84	54	61
Coal hauled (mt) ¹	198.4	218.8	233.0
Coal hauled (ntk bn)	45.3	50.5	52.5
Revenue per '000 ntk (\$/ntk)	35.80	35.52	38.78

Note:

1 The pro forma historical coal hauled of 198.4mt in FY2010 refers to coal volumes billed rather than the actual coal volumes railed (197.1mt).

- Revenues are forecast at contract and haul level, with rates and volumes based on contractual terms adjusted to incorporate an allowance for adverse weather conditions and other infrastructure capacity constraints based on past experience.
- Contracts expiring in the Forecast Period account for 1.4mt and 6.4mt in FY2011 and FY2012, respectively. These contracts are assumed to be renewed on improved terms to those currently in effect.
- Volume expansions under existing contracts in the Forecast Period account for 2.8mt and 6.7mt in FY2011 and FY2012, respectively. Expansion tonnes are forecast to be hauled under the same terms and conditions as those currently in effect.
- The forecast includes commissioning of 10 additional consists introduced during FY2011 and one additional consist in FY2012 to provide sufficient capacity to carry the forecast volumes.
- The Northern Missing Link is assumed to commence operation by January 2012, resulting in an additional 3mt of coal hauled in the six months post commissioning based on preliminary discussions with customers.

Table 27 QRN Network Services

	Pro forma historical	Pro forma forecast	
	FY2010	FY2011	FY2012
Revenue (\$m)	1,015	1,122	1,244
– Access revenue (\$m)	645	723	821
– External	48	71	105
– Internal	597	652	716
– Other revenue (\$m)	370	399	423
ntk hauled (bn)	45.4	49.1	53.9

- Forecast revenue for the network includes track access revenues on regulated infrastructure. External revenue includes revenue from multiple third party operators, including Queensland Rail under a “Wholesale Access Agreement”.
- Revenue of \$128m and \$154m is forecast in FY2011 and FY2012, respectively, for the provision of engineering and construction services on external projects and from other external sources. These projects include mine site-specific construction works required which QR National expects to win at tender based on its historical track record.
- Revenue of \$175m and \$177m is forecast in FY2011 and FY2012, respectively, for the provision of engineering services to internal QR National customers. This forecast is based on agreed demand plans and service agreements.

8 Financial information

Table 28 QRN Freight

	Pro forma historical	Pro forma forecast	
	FY2010	FY2011	FY2012
Revenue (\$m)	1,150	1,362	1,466
ntk hauled (bn) ¹	18.9	19.4	22.7
Revenue per '000 ntk (\$/ntk)	60.97	70.03	64.45

Note:

1 Excludes volumes associated with road haulage. This represented approximately 1.2mt in FY2010.

- Forecast bulk revenues are based on existing contract terms with tonnage forecasts derived from customer advice of required tonnages and operating track record. Forecasts for grain tonnages have been aligned with historic grain harvest volumes over the last five years. The forecast is based on the renewal of bulk contracts expiring during the Forecast Period on existing terms.
- Forecast intermodal revenues are based on historical trends in volumes adjusted for the full year impact of expected volumes from two new customers secured during FY2010 and in early FY2011, and incorporate an increase in rates in line with inflation.
- Forecast revenues for regional freight services relate to amounts receivable under the TSCs with the State, as described in Sections 7.4.6 and 7.4.7.

8.3.4.3 Operating expense assumptions

General

- There is a general inflation assumption of 2% in FY2011 and 2.5% in FY2012 except as described below.
- Employee benefits expense is based on existing numbers of employees, adjusted for forecast growth in requirements due to the growth in the business. Average annual wage inflation of 4% has been assumed based on existing enterprise agreements.

Table 29 Employee benefits expense

	Pro forma historical	Pro forma forecast	
	FY2010	FY2011	FY2012
Employee benefits expense (\$m) — gross	1,075	1,212	1,237
Employee benefits expense (\$m) — net of capitalised costs	993	1,060	1,133
Full-time equivalent employees	9,361	9,775	9,898

Note:

1 Employee numbers as at year end.

- Consumables have been forecast based on historical consumption adjusted for the impact of expansion of the network in Queensland and interstate coal and freight operations.
- Fuel costs (gross of diesel fuel rebate) are forecast taking into account forward fuel price curves as required.
- The Company has diesel fuel price hedging contracts in place given that not all of the contracts with customers contain escalation provisions to take account of diesel fuel price changes. The forecasts reflect the existing hedges in relation to diesel commodity derivatives and no unrealised gains or losses are forecast.
- Access charges are based on forecast volumes and distances and contracts or current regulatory undertakings which govern prices.
- No deficit in funding of the defined benefit superannuation category as at 30 June 2010 is assumed as QR National does not have reasonable grounds to forecast the existence or quantum of any potential deficit as described in Sections 7.4.11 and 9.2.6 for discussion.
- No unrealised gains or losses on hedges which fail to meet designation or effectiveness tests for the purposes of complying with accounting standards are assumed.

8 Financial information

QRN Coal

- Forecast labour expenditure for FY2011 includes incremental costs of \$4.9m for an additional 34 train crew and drivers to service the forecast tonnage increases.

QRN Network Services

- Network operating costs are based on historical trends, with an allowance for planned recruitment, inflation and labour cost escalation.
- Consumable expenditure incurred by the QRN Network Services division for engineering services and recharged to QRN Coal and QRN Freight is based on agreed demand plans for internal services.
- Electricity charges are forecast based on contracted prices.

QRN Freight

- Forecast operating costs include additional labour costs of \$8.8m and \$9.6m for FY2011 and FY2012, respectively, for the recruitment of train crew and drivers to deliver forecast tonnage increases, particularly in Western Australia.

Corporate

- Forecast consumables costs are based on historical consumption and an allowance for inflation.
- Additional administrative expenses associated with the running of the Company as a publicly listed company are included in the forecast.
- Forecast costs associated with the Operational Excellence division are not recharged to the operating divisions.

8.3.4.4 Depreciation and amortisation expense assumptions

- Depreciation rates are based on the useful lives of the existing asset base, adjusted for the impact of additional capital expenditure (described below) from the date of commissioning of assets.
- On a consolidated basis, depreciation expense represents approximately 14 % of revenue throughout the Forecast Period reflecting the substantial recent and concurrent investment in relatively short asset life rollingstock as well as longer asset life below rail infrastructure. As returns on these investments materialise over time, depreciation expense as a proportion of revenue is expected to decline from current levels.

8.3.4.5 Net finance expense assumptions

- It is assumed there is no change to the capital structure from the pro forma historical consolidated balance sheet, as set out in Section 8.2.5.
- Capital expenditure of \$1,365m in the period from Settlement to 30 June 2011, and \$1,792m in FY2012 is funded via a combination of draw down of the Syndicated Facility and forecast cash flow from operations.
- Net interest expense includes borrowing costs and undrawn facility fees net of forecast interest income. The base interest rate charged on the facility is a function of the prevailing market rate. QR National expects to manage the floating interest rate on the facility over time via interest rate hedging or other fixed rate debt instruments.
- See Section 10.6.2 for further discussion of the Syndicated Facility terms and conditions.
- Interest expense is reduced by \$55m, including establishment fees, in the period from Settlement to 30 June 2011 and by \$79m in FY2012, for the capitalisation of interest related to the Syndicated Facility which fund assets under construction during their development phase.

8.3.4.6 Taxation assumptions

- Taxation assumptions reflect the corporate income tax rate of 30 % currently applicable in Australia for FY2011 and FY2012.
- The statutory forecast tax expense reflects QR National's assessment of the impact on its current and deferred tax balances upon exit from the national tax equivalent regime. The pro forma forecast tax expense removes the effect of this non-recurring income tax benefit and forecasts an effective tax rate of 29.7 %, having regard to non-temporary differences.

8 Financial information

8.3.5 Pro forma historical and pro forma and statutory forecast cash flows

The table below sets out the pro forma historical consolidated cash flow statements before interest, tax and financing activities, pro forma forecast consolidated cash flow statements before financing activities and statutory forecast consolidated cash flow statements.

Table 30 Pro forma historical and pro forma and statutory forecast cash flows

\$m	Pro forma historical	Pro forma forecast		Statutory forecast	
	FY2010	FY2011	FY2012	FY2011	FY2012
Cash flows from operating activities					
EBITDA	628	894	1,101	825	1,101
Changes in working capital	52	(25)	(79)	164	(79)
Non-cash items	(12)	5	(15)	5	(15)
Net cash inflow from operating activities before interest and tax	668	874	1,007	994	1,007
Interest paid		(71)	(132)	(221)	(132)
Tax paid		–	(14)	–	(14)
Net cash inflow from operating activities		803	861	773	861
Cash flows from investing activities					
Net payments made to acquire assets	(1,073)	(1,965)	(1,792)	(1,965)	(1,792)
Net cash outflow from investing activities	(1,073)	(1,965)	(1,792)	(1,965)	(1,792)
Net cash outflow before financing activities		(1,162)	(931)	(1,192)	(931)
Dividend payments				(80)	(193)
Net draw down of external debt				1,272	1,124
Net cash inflow from financing activities				1,192	931
Net cash inflow / (outflow)				–	–

In presenting the pro forma forecast consolidated cash flow statements before financing activities, adjustments have been made to the statutory forecast consolidated cash flow statements to reflect:

- adjustment to movements in working capital between FY2011 and FY2010 relating to the accrual of amounts (\$189m) receivable under the QCA's recent regulatory decision. This movement reflects the accrual of revenue from customers over the course of FY2010 relating to the expected uplift in rates (which were to be effective from 1 July 2009) from this regulatory decision, which could not be invoiced to customers until the decision was finally approved. The rate uplift has been approved, but the mechanism for the invoicing is expected to be endorsed by the QCA no later than December 2010, and these amounts will be invoiced to customers and received in cash during FY2011;
- the cash effect of pro forma adjustments made to the statutory forecast consolidated income statements, as discussed in Section 8.3.2; and
- removal of forecast interest expense in relation to interest paid on QTC borrowings between 30 June 2010 and Settlement. Cash interest paid differs to forecast interest expense by the amount of interest capitalised on the balance sheet.

The pro forma forecast consolidated cash flow statements before financing activities have not been adjusted for the impact of:

- cash tax payable in FY2011 and FY2012; and
- cash tax payable on profits earned prior to Listing and payable in FY2012.

8 Financial information

8.3.5.1 Cash flow assumptions

- EBITDA is assumed to convert to cash with no impact on working capital movements arising from the pro forma adjustments made in determining pro forma EBITDA.
- Working capital assumptions are based on contractual arrangements in place with key debtors and creditors, and historically observed seasonality trends.
- Cash interest paid is higher than the net finance expense due to the effect of capitalisation of interest related to the Syndicated Facility which fund assets under construction during their development phase.
- The forecast cash tax payable is based on QR National's assessment of the applicable requirements of the tax laws on the Company's tax returns for FY2011 and FY2012. Forecast temporary differences include deductions in the period incurred of capitalised interest, capitalised labour and maintenance capital expenditures.
- Forecast total capital expenditure of \$1,965m in FY2011 includes \$491m in relation to the construction works for the GAPE X50 network expansion project; the purchase of additional rollingstock to service the emerging iron ore market in Western Australia; the purchase of growth and replacement rollingstock for QRN Coal in Queensland; and the purchase of rollingstock to support QRN Coal's growth in New South Wales.
- Capital expenditure of \$600m is forecast to be incurred between 1 July 2010 and Settlement, funded by borrowings from QTC or from operating cash flows. The balance of expenditure for FY2011 is forecast to be funded by operating cash flows and draw down of the Syndicated Facility on or after Settlement.
- Forecast total capital expenditure of \$1,792m in FY2012 includes a further \$351m in continuing construction works for GAPE X50 and related projects; the upgrade of track associated with the expansion of WICT to 25 mtpa; and further rollingstock purchases to service the iron ore expansion projects in Western Australia.
- In FY2011, dividend payments reflect the \$80m dividend payable to the State prior to Settlement described in Section 8.2.5. In FY2012, dividend payments reflect amounts calculated in accordance with Section 2.7.

Table 31 Pro forma historical and pro forma forecast capital expenditure profile

	Pro forma historical	Pro forma forecast	
	FY2010	FY2011	FY2012
QRN Coal	598	643	347
QRN Network Services	301	981	1,076
QRN Freight	89	310	349
Corporate	42	31	20
Total	1,030¹	1,965	1,792
Relating to:			
– Growth capital expenditure	723	1,532	1,451
– Maintenance capital expenditure	307	433	341

Note:

1 The amount shown as capital expenditure for FY2010 differs from the net cash flow from investing activities by \$43m as a result of accrual movements.

8 Financial information

8.4 Sensitivity analysis on forecasts

8.4.1 Sensitivity analysis

The Forecast Financial Information is based on (i) certain economic assumptions about future events that are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the State, QR National, the Directors and management and (ii) assumptions with respect to future business decisions or actions which are subject to change.

Tables 32 and 33 set out a summary of the sensitivity of the forecast net profit after tax to variations in a number of key variables. The sensitivity analysis is specific to the forecast for FY2011 and FY2012. The changes in the key variables set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables over the full year. In practice, changes in variables may offset each other or may be additive, and it is likely that QR National's management would respond to any adverse change in one variable by taking action to minimise the net effect on QR National's earnings. The sensitivities should be read in conjunction with the Directors' best estimate assumptions underlying the Forecast Financial Information described above and the notes set out in Section 8.4.2 and the key risks in Section 9.

Table 32 Sensitivity analysis on forecasts

\$m	Impact on:	
	Profit/(loss) after income tax for FY2011	Profit/(loss) after income tax for FY2012
Coal volumes hauled by QRN Coal + 5 %	51.0	58.0
Coal volumes hauled by QRN Coal – 5 %	(33.6)	(39.5)
Non-renewal of QRN Coal contracts expiring in FY2011 and FY2012	(3.1)	(19.7)
Consumer Price Index +/- 1 %	(+/-) 10.5	(+/-) 12.2
Diesel fuel price +/- 10 %	(-/+) 0.1	(-/+) 0.3
Interest rates +/- 100 bps	0.0	(-/+) 4.0
Six month delay in commissioning of GAPE X50	0.0	(33.9)
Six month delay in uncontracted Western Australian iron ore expansion projects	(0.1)	(13.3)

8.4.2 Notes to the sensitivity analysis

Coal volumes hauled

The most material sensitivity to QR National's financial performance is a variance in coal volumes, particularly through the CQCN. This impacts the earnings of QRN Coal and QRN Network Services. There are a broad range of potential outcomes which depend on where the tonnage variance occurs and the reason for the variance in tonnages.

The impact of a 5 % increase in volumes hauled by QRN Coal versus a 5 % decrease in volumes hauled by QRN Coal is asymmetrical as a result of the application of revenue protection mechanisms in a downside scenario. These protection mechanisms differ between above and below rail businesses, and as a result a volume shortfall impacts the two parts of the business differently. In order to provide further clarity on this point, the table below expands on the consolidated impact set out in Table 32 to show the impact on QRN Coal EBIT, QRN Network Services EBIT and the consolidated EBIT and profit after tax for both financial years.

The QRN Coal above rail amount reflects the impact of a variance in above rail haulage revenues arising from a change in the level of volumes hauled, adjusted for the change in variable costs and the impact of revenue protection mechanisms that would likely apply in a downside scenario.

The QRN Coal below rail amount reflects the impact of a take-or-pay charge that would likely be levied by QRN Network Services, but only the amount that cannot be recouped from the above rail customers via access charge pass-through arrangements in customer contracts.

The QRN Network Services below rail amount in a downside scenario reflects the shortfall in access tariff revenues, net of the application of take-or-pay charges levied on above rail operators. In an upside scenario, the amount reflects the over-recovery of access tariff revenues. Under the revenue cap mechanism that serves to ensure the network recovers its full regulated revenue over the regulatory period, the majority of under or over recovery in access tariffs (net of take-or-pay charges) during a year is charged or refunded in the second financial year following (i.e. two years time lag). As a result, a component of QRN Network Services' variance should be considered a timing difference only, as shown in the Table 33.

8 Financial information

Table 33 Coal volume sensitivity

\$m	Impact on			
	FY2011		FY2012	
	+5 %	-5 %	+5 %	-5 %
Coal volume hauled by QRN Coal (mt) ¹	229.8	207.9	244.7	221.4
EBIT				
QRN Coal—above rail increase/decrease ²	39.8	(26.5)	44.0	(28.6)
QRN Coal—below rail take-or-pay charge ³	15.3	(6.1)	Nil	(17.0)
QRN Network Services—below rail—permanent ³	3.0	(3.0)	3.2	(3.2)
QRN Network Services—below rail—timing difference refunded/ recovered 2 years later ³	14.7	(12.4)	35.6	(7.6)
Consolidated impact on EBIT	72.8	(48.0)	82.8	(56.4)
Impact on profit after income tax	51.0	(33.6)	58.0	(39.5)

Note:

1 A 5 % shortfall in QRN Coal volumes equates to 10.9mt in FY2011 and 11.7mt in FY2012. In QRN Network Services a 5 % shortfall equates to 10.2mt in FY2011 and 11.1mt in FY2012.

2 The calculation assumes the variance is evenly spread across systems and customers – this is an important assumption in a downside scenario as the extent of revenue protection in the above rail contracts differs across customers. If the shortfall was to arise in one particular system or be attributable to a specific customer, the impact could be greater or less than the amounts calculated above.

3 In a downside scenario, the below rail impact will vary depending on the reason for the shortfall. In general, shortfalls attributable to below rail outages will increase the proportion of the recovery sought via the revenue cap mechanism rather than via a take-or-pay charge levied on the above rail operators. The calculation above assumes an attribution of fault between above and below rail operators consistent with that recently observed.

Non-renewal of coal contracts expiring in FY2011 and FY2012

The results of QR National are sensitive to the non-renewal or replacement of above rail coal volumes. This scenario assumes the loss of contracts expiring during the forecast period and that the rollingstock attributable to these contracts is not redeployed or cascaded to other divisions and therefore is unutilised. It is also assumed that the volumes are railed by a competitor and there is therefore no impact on QRN Network Services.

Consumer price index

The sensitivity reflects the impact of a change in price of consumables. This has been applied to revenue contracts and forecast operating costs (excluding labour and depreciation). The freight rate escalation formula in QR National's haulage contracts generally takes account of movements in CPI.

Diesel fuel price

Diesel fuel prices are impacted by a range of factors including the US\$ price of oil and the movement in the Australian dollar / United States dollar exchange rate. The sensitivity illustrates the impact of a movement in the fuel prices due to market price or currency fluctuations on diesel fuel volumes which are not adequately covered by freight rate escalation formulae in haulage contracts with customers after taking into account forward contracts in place.

Interest rates

The sensitivity provides an indication of the expected change in profit if interest rates change by 100 bps, excluding any impact of interest rate hedging or other fixed rate debt instruments.

The sensitivity includes the impact of the capitalisation of interest related to the Syndicated Facility which fund assets under construction during their development phase.

Delay in GAPE X50

The results of QR National are sensitive to the commissioning date of major new infrastructure, which impacts QRN Coal and QRN Network Services. The sensitivity reflects an estimate of the impact of a six month delay in the initial operation of this infrastructure from January 2012 to 30 June 2012. The sensitivity reflects the removal of the above rail revenues and associated direct costs and the below rail revenues and associated costs. There is no adjustment to the interest costs or capitalisation of interest assumed in this sensitivity.

Delay in Western Australian iron ore expansion projects

The results of QRN Freight's bulk business in the Forecast Period are sensitive to delays in new and expansionary iron ore projects in Western Australia. This sensitivity illustrates the impact of a six month delay in railing from all such projects included in FY2011 and FY2012.



9 Key risks

9.1 Introduction	118
9.2 Business risks	118
9.3 Regulatory risks	122
9.4 Investment risks	124

9 Key risks

9.1 Introduction

There are a number of risks and uncertainties, both specific to QR National and of a general nature, which may either individually or in combination have a material adverse effect on the business, operational performance and financial results of QR National, its investment returns and the value of the Shares. Many of these risks are outside the control of the State, QR National and its Directors. There can be no guarantee that QR National will achieve its stated objectives or that any forward-looking statements or forecasts included in this Offer Document will eventuate.

This Section describes the areas that are believed to be the major risks associated with an investment in QR National. These risks have been separated into business risks (described in Section 9.2), regulatory risks (described in Section 9.3) and investment risks (described in Section 9.4). Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in QR National and should consider the risks in conjunction with other information disclosed in this Offer Document. Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking advice from their stockbroker, accountant or other professional adviser before deciding whether to invest in QR National.

9.2 Business risks

9.2.1 Deterioration in economic environment and demand for coal

QR National is exposed to the general risks associated with operating in the transport and logistics sectors. The performance of QR National's rail freight businesses is highly dependent upon the Australian, Asian and global economies. In the event that conditions in any of these economies deteriorate, especially those on which QR National is highly dependent, including China, India, Japan, Taiwan and Korea, this may result in lower levels of international trade, in particular lower levels of demand for Australian exports.

Demand for QR National's rail freight business is dependent on demand for coal, and, to a lesser extent, other commodities. In the event of a change in legislation or policy in any of the major markets for coal, which is designed to reduce greenhouse gas emissions, the demand for coal, especially thermal coal, may diminish. Additionally, if the Australian Government were to introduce a carbon or other similar tax which resulted in an increase in the price of Australian coal, that may make Australian coal less competitive on global markets and therefore reduce demand for Australian coal.

An adverse change in general economic conditions or a reduction in the demand for coal or other commodities may have a material

adverse effect on QR National's business, operational performance and financial results.

9.2.2 Key customer concentration and contracts

QR National's revenue from its above rail operations is heavily reliant on its relationship with major customers. This is particularly significant for QRN Coal where the five largest customers by volume accounted for 66% of volumes hauled for the financial year ended 30 June 2010. The failure to hold, maintain or renew contracts with major customers or to renew them on the same or more favourable terms or the financial failure or default in a payment obligation of a major customer could have a material adverse effect on QR National's business, operational performance and financial results.

In addition, customers may choose to delay or suspend currently planned projects. Any such delay or suspension could have a material adverse effect on QR National's business, operational performance and financial results.

Customers may contract with one of QR National's existing or future competitors or decide to adopt a different business model and undertake above rail haulage services themselves or develop their own below rail capacity outside the CQCN.

Any failure of third parties, including QR National's key customers and key suppliers, to honour their contractual commitments may have a material adverse effect on QR National's business, operational performance and financial results. QR National is also subject to the risk that its rights against third parties, including QR National's key customers and key suppliers, may not be enforceable in all circumstances.

9.2.3 Revenue protection

In cases where volumes hauled are less than contracted amounts, there is a risk that revenue protection clauses may be inadequate.

Many of QR National's above rail revenue contracts contain provisions intended to protect QR National's revenue against reductions in actual tonnages hauled. However, not all contracts contain such protections and to the extent revenue protection mechanisms are in place, these protections do not completely protect QR National's revenue against tonnage shortfalls resulting from the events described above. For example, revenue protection clauses typically do not apply where the shortfall is due to a 'force majeure' event such as a cyclone event and others do not protect against the full amount of shortfalls.

In the case of below rail, where the actual revenues earned are less than the levels used in setting the relevant Reference Tariff, the shortfall is recovered in one of two ways. First, subject to the reason for the shortfall, take-or-pay charges may be levied on the above rail customers, with charges based on contracted

9 Key risks

train service entitlements set out in the Access Agreements. Secondly, a revenue cap mechanism exists whereby actual below rail revenue is compared to the regulatory determination and under/over recoveries are adjusted in the Reference Tariff in the second financial year subsequent. Take-or-pay charges, where applicable, are levied first in determining the amount calculable under the revenue cap mechanism. Shortfalls which are ultimately recovered under the revenue cap mechanism subject QR National to timing risk on revenue recognition, and as such, the financial results could be adversely (or positively) affected in one year with a corresponding adjustment two financial years subsequent.

QR National is also exposed in situations where its network levies a take-or-pay charge on the above rail business which cannot be passed through to the end customer as a result of weaker contractual protection in the older contracts.

The extent to which volumes hauled are less than the contracted amounts could therefore have an adverse impact on QR National's business, operational performance and financial results. The extent of such risk will depend on the factors involved and the application of any revenue protection clauses in the relevant customer contracts.

9.2.4 Supply chain constraints

QR National's long-term strategy for its coal and iron ore haulage businesses assumes a certain level of growth in Australian coal and iron ore exports, and such growth is, to a certain extent, dependent on the successful development of coal and iron ore reserves into globally cost competitive operating mines. The level of growth in Australian coal and iron ore exports is supported by expected demand growth in countries such as China and India. It assumes that the coal and iron ore supply chain, particularly key export port terminals and third party rail infrastructure providers, is able to maintain and expand capacity to accommodate future anticipated export volumes. Potential constraints in the supply chain could have an adverse impact on QR National's business, operational performance and financial results.

9.2.5 Growth strategy and enterprise-wide transformation plan

QR National has embarked upon a wide ranging growth strategy, comprising major capital expenditure programs to capitalise on opportunities presented by the Australian commodities sectors, particularly coal and iron ore. In addition, QR National is undergoing a transformation from a government-owned integrated passenger and freight haulage corporation to a separated freight haulage entity listed on ASX. Core components of QR National's transformation and growth strategy include its asset replacement and renewal plans and maintenance strategies. Any failure to effectively execute its growth strategy, separation project or transformation

to a privatised business model or any delay in relation to the implementation of specific growth or transformation initiatives, could have an adverse effect on QR National's business, operational performance and financial results.

9.2.6 Superannuation

Most QR National employees are eligible to be members of the Queensland State Public Sector Scheme (QSuper). As at 30 June 2010, there were approximately 2,670 QR National employees who were defined benefit members of QSuper.

QR National's standard employer contributions to the QSuper defined benefit categories have been 12.75 % of superannuable salary since 2000.

The State has provided QR National with an indemnity in certain circumstances if the Treasurer requires QR National to pay, under the *Superannuation (State Public Sector) Act 1990* (Qld), any amounts to meet the defined benefit obligations. See Section 7.4.11 for further information on the superannuation arrangements for QR National employees.

Subject to the indemnity provided by the State, QR National may be exposed to an increase in future contributions to ensure adequate provisioning to meet the defined benefit payments for its employees. This could arise due to changes in asset values, the level of interest rates used to discount future liabilities, actuarial assumptions and experience, benefit plan changes, changes in the exercise of discretions under or, differences or changes in, the interpretation or application of, the provisions of the QSuper fund rules and the method of calculating benefits, changes in the application of assets held outside of QSuper within the consolidated fund of the State, or changes in liabilities of the fund whether arising in relation to QR National or the broader QSuper defined benefit membership.

Because of the large number of variables that determine funding requirements for the defined benefit categories, which are difficult to predict, as well as any legislative action, future cash funding requirements for QSuper's defined benefit categories could be significantly higher than currently estimated amounts. If so, these funding requirements could have an adverse impact on QR National's business, operational performance and financial results.

9.2.7 Employee relations

A significant proportion of QR National's employees belong to labour unions. QR National's enterprise agreements have been approved by Fair Work Australia and the majority expire in December 2013. Any strike or other industrial action or failure to resolve a material dispute with labour unions could have an adverse impact on QR National's business, operational performance and financial results.

9 Key risks

9.2.8 Competitive position

QR National's competitive position across its freight haulage markets may deteriorate as a result of factors including actions by competitors, the entry of new competitors (including existing customers deciding to undertake above rail haulage activities themselves or develop their own below rail capacity outside the CQCN) or a failure by QR National to position itself successfully in the broader freight haulage markets in which it competes.

A deterioration in QR National's competitive position may result in a decline in revenue, loss of key personnel or a loss of market share which could have an adverse effect on QR National's business, operational performance and financial results.

9.2.9 Capital expenditure plan

The business carried on by QR National is capital intensive. QR National's operating and financial performance is dependent on its ability to effectively manage significant capital projects (such as GAPE X50, GSE X140, Blackwater electrification and the rollingstock investment program) within budgets and timeframes and on sufficient funding being available for capital expenditure requirements. Any inability by QR National to effectively manage or complete its capital expenditure plans within budget or within the intended timeframe could have an adverse impact on QR National's business, operational performance and financial results.

9.2.10 Funding

QR National may be required to access the capital markets to meet some of its funding requirements or diversify its funding base, including the raising of additional equity or the issuance of debt instruments. Instability or disruptions of the capital markets or deterioration of QR National's financial condition due to internal or external factors could restrict or eliminate QR National's access to, or significantly increase the cost of, various financing sources. Instability or disruptions of the capital markets and deterioration of QR National's financial condition, alone or in combination, could impact the ability of QR National to access the capital markets or result in a reduction in QR National's credit rating, which could prohibit or restrict QR National from accessing external sources of short and long-term debt financing or significantly increase the associated costs.

Failure to obtain financing on commercially acceptable terms and on a timely basis, or at all, may cause QR National to forego business opportunities or result in increased financing costs or a need to raise capital. This could adversely affect QR National's business, operational performance and financial results.

9.2.11 Interest rates, currency, fuel price and hedging

QR National's financial performance is affected by fluctuations in interest rates, foreign exchange rates and fuel price. For example, QR National is subject to interest rate fluctuations on its debt facilities, which have been recently entered into. In addition, QR National acquires a portion of equipment such as rollingstock in foreign denominated currencies from companies outside Australia, which exposes QR National to risks associated with exchange rates for the Australian dollar. Variations in interest rates, adverse currency movements against the Australian dollar and fuel prices that are not effectively hedged may increase QR National's debt funding costs, capital expenditure commitments and fuel expenditure, respectively.

QR National manages its currency and fuel price risks by using derivative instruments and may seek to manage its interest rate risk in the future by using such instruments. QR National's results of operations may be adversely affected if its hedges are not effective to mitigate interest rate, foreign exchange rate and fuel price risks, if QR National is under-hedged or if a hedge provider defaults on its obligations under hedging agreements. There can be no assurance that QR National's hedging arrangements or hedging policy will be sufficient or effective or that changes in interest rates, foreign exchange rates or fuel prices will not have a material adverse effect on QR National's business, operational performance and financial results.

Further, in preparing the Forecast Financial Information, QR National has assumed the derivative instruments referred to above qualify for hedge accounting treatment under Australian Accounting Standards such that unrealised gains and losses are recognised in a hedge reserve rather than in the income statement. There is a risk that the Company may not meet the technical requirements set out in the accounting standards to qualify for such treatment. If this were to occur, unrealised gains and losses on the relevant derivative contracts may be recognised in the income statement, which could have an adverse impact on QR National's financial results and position.

9.2.12 Key management and employees

The successful operation and growth of QR National depend to a significant extent upon the performance and expertise of key staff and QR National's ability to attract and retain skilled employees, which is adversely impacted by the expected retirement of an ageing workforce and increased competition for specialised trades. Changes that adversely effect QR National's ability to attract and retain skilled employees could materially impact QR National's business, operational performance and financial results.

9 Key risks

9.2.13 Adverse weather conditions

Adverse weather conditions and natural disasters may directly impact QR National's operations. For example, severe flooding could interrupt the operation of normal rail freight services. This may have an adverse impact on QR National's business, operational performance and financial results.

A part of QR National's freight business is related to the provision of haulage services for agricultural commodities, including grain, sugar and fertiliser. Adverse weather conditions and natural disasters such as drought or flood could be detrimental to the production of such commodities. As a consequence, the business, operational performance and financial results of QR National's freight business could be adversely impacted.

9.2.14 Electricity supply

QR National relies upon the continuous supply of electricity for its network operations in Queensland. Any large-scale or prolonged disruption to this electrical supply may have a material impact on QR National's business, operational performance and financial results.

9.2.15 Fuel costs

Fuel costs constitute a significant portion of QR National's transportation expenses. QR National may be unable to recover its actual cost of fuel through fuel surcharge mechanisms. Fuel prices may fluctuate dramatically, and significant price increases could have a material adverse effect on QR National's business, operational performance and financial results.

9.2.16 Insurance

Although QR National considers that its insurance coverage is appropriate, it is not insured against all foreseeable risks for its business. The ability to claim under any existing insurance policies will always depend on the terms of the relevant policy and, in particular, any exclusions. There is a risk that QR National's insurance policies will not be sufficient to cover damages when they arise which could have a material adverse effect on QR National's business, operational performance and financial results.

9.2.17 Litigation

QR National may be subject to litigation and other claims or disputes in the course of its business, including employment disputes, contractual disputes, freight loss or property damage and occupational and personal claims by third parties and employees with respect to its operations.

Due to the nature of its operations, it is also possible that claims against QR National could arise from its regulators. Customers and

third parties could also make claims against QR National for failing to comply with its contractual and other legal obligations. Future events, such as increases in the number of claims that are filed, developments in legislative and judicial standards and the costs of settling claims, could have a material adverse effect on QR National's business, operational performance and financial results.

See Section 10.16 for further information in relation to litigation and claims.

9.2.18 Native title

Australia recognises a form of native title that reflects the entitlement of indigenous inhabitants to their traditional lands. See Section 7.4.4 for a description of the intended compulsory acquisition by the State of rights, including native title rights, affecting discrete parcels of land associated with the CQCN.

There are a number of native title claims registered with the National Native Title Tribunal. While no native title claims have been made against QR National as at 30 September 2010 over lots associated with QR National's business, including lots forming part of the CQCN, there is a risk that a claim could be made that native title exists. A successful claim could prevent or limit QR National's use of the land or require QR National to make payments, including to the State under the indemnity arrangements described in Section 7.4.4, which could have an adverse impact on QR National's business, operational performance and financial results.

9.2.19 Cross border leases

The cross border lease arrangements described in Section 7.4.5 could potentially give rise to the risk of QR National being deprived of locomotives and wagons in the event that QR National (or the State or QTC) breaches the obligations owed to the cross border lease counterparties. In addition, in some cases, QR National may be required to pay money to these counterparties under the cross border lease arrangements, or to the State under the interface deeds described in Section 7.4.5.

The interface deeds also require QR National to bear costs and liabilities that would not have been borne by QR National if it had remained in State ownership, and some of the events that give rise to these costs and liabilities may not be within the control of QR National. QR National also bears certain risks related to counterparties involved in the release of funds or liquidation of securities held as part of the lease arrangements. If these risks were to eventuate, they could have a material adverse effect on QR National's business, operational performance and financial results.

9.2.20 Information technology

QR National is heavily reliant on the operational capability and reliability of its information technology systems and staff across

9 Key risks

its business operations. Disruptions to QR National's information technology systems, including computer hardware, software and communications equipment, could lead to service interruptions, security breaches or other operational difficulties, which could have a material adverse effect on its business, operational performance and financial results.

9.2.21 Impact of services businesses on variability of QR National's earnings

The Infrastructure Services and Rollingstock Services businesses within QR Network Services provide services of both an operating and capital expenditure nature principally for other businesses within QR Network Services and across QR National. The mix of projects between operating and capital expenditure can vary significantly from year to year, and much of the cost base is fixed in nature. Accordingly, variations in the nature of services provided by these businesses and the level of utilisation of the fixed cost base can give rise to variability in QR National's earnings from year to year which could have an adverse impact on QR National's financial results.

9.2.22 Asset impairment

The carrying amounts of QR National's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and an impairment loss is recognised if the carrying amount exceeds its estimated recoverable amount. For goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated each year. Changes in assumptions underlying the estimation of the carrying amount of non-financial assets of QR National as a result of deteriorating market conditions could result in future impairments of assets, which could have an adverse impact on QR National's financial results.

9.3 Regulatory risks

9.3.1 General matters

QR National's operations are subject to regulatory oversight, including access, safety accreditation, operational, economic, environmental and industrial (including occupational health and safety) regulation. Changes in government policy and regulation may have a material adverse effect on QR National's business, operational performance and financial results. Also, failure to comply with applicable laws and regulations could have a material adverse effect on QR National and subject it to loss of licences necessary to carry on its businesses, significant fines, penalties and other regulatory sanctions.

9.3.2 Reference Tariff resets

QR Network is currently exposed to Reference Tariff resets by the QCA. Although the regulatory review process includes extensive documentary submissions and regulatory consultations, QR Network cannot predict the outcome of any review. Any significant reduction in the Reference Tariffs that QR Network is entitled to levy could have a material adverse effect on QR National's business, operational performance and financial results. There is no guarantee that each regulatory review will allow QR Network to recover through regulated revenues, the amount of capital or operating expenditure that QR National believes its business requires.

While operating and maintenance costs are required to be taken into consideration by the QCA when Reference Tariff determinations are made, costs can change materially within a regulatory period through changes in the costs of labour, equipment or capital inputs. It is only possible to re-open a price determination in limited circumstances, meaning QR National bears some risk in relation to operating and maintenance costs.

The cost of QR National's network operations or capital expenditure programs can be difficult to predict. As a result, QR National is exposed to the risk that the costs of network operations or capital expenditure programs may exceed the amounts allowed in the determination of QR Network's regulated revenue.

Under UT3, the QCA requires QR Network to undertake a condition-based assessment of the below rail assets in the CQCN by 1 January 2011 and a further assessment six months prior to the end of UT3. If there is evidence that the condition of the below rail network has deteriorated over the term of UT3 at a rate greater than a rate that would be expected under accepted good operating practice, the QCA may reduce the value of assets in the Regulated Asset Base by the estimated value of the deterioration of the assets.

9.3.3 Finalisation of Access Undertaking (UT3) and Investment Framework

UT3 applies from 1 October 2010 until 30 June 2013 (with Reference Tariffs applying retrospectively from 1 July 2009). There is a risk that a person aggrieved by the QCA's decision to approve UT3 may apply for judicial review. An application for judicial review of the decision must be made within 28 days of the decision and can only be made on certain grounds, including that the QCA breached laws of natural justice, or did not follow statutory procedures relating to the making of the decision. If the decision of the QCA is set aside or remitted for reconsideration, there is a risk that the QCA may require and ultimately impose more onerous terms of access on QR National.

9 Key risks

As part of UT3, the QCA approved principles that will govern the ownership, construction and financing of new investment in the CQCN. QR Network has until 1 January 2011 to incorporate the Investment Framework principles in an amendment to UT3 and to finalise a Standard User Funding Agreement. If QR Network fails to incorporate the Investment Framework principles in an amendment to UT3 and to finalise a Standard User Funding Agreement before 1 January 2011 to the QCA's satisfaction, the QCA has the power to finalise and approve its own amendments to UT3 or impose its own Standard User Funding Agreement consistent with the Investment Framework principles. If a person (e.g. an Access Seeker) objects to the Standard User Funding Agreement or amended UT3 approved by the QCA, they may seek judicial review of the QCA's decision. Either of these outcomes may result in an amended UT3 that is less favourable to QR National.

9.3.4 Finalisation of operating performance incentive mechanism

The QCA has the authority to approve the terms of a mechanism to incentivise QR Network's operation of, and investment in, the CQCN. An adverse decision in relation to QR Network's proposed incentive mechanism could have a material adverse effect on QR National's business, operational performance and financial results.

9.3.5 Dual regime

The NCC recently released its draft recommendations that the Queensland rail access regime be certified and that the services provided by QR Network not be declared under the National Access Regime. However, if the Queensland rail access regime is ultimately not certified and Pacific National's (or another party's) application for declaration of the services in the CQCN is successful (due to the Ministers' decisions or a successful appeal), the provision of access by QR Network to the CQCN will be subject to both the National Access Regime and the Queensland Access Regime except to the extent there is an inconsistency between them. In the event of inconsistency, the National Access Regime would apply.

To the extent the National Access Regime applies, it is possible that the terms and conditions imposed by the ACCC in respect of the CQCN could be less favourable than the terms and conditions imposed under UT3, which in turn could have a material adverse effect on QR National's business, operational performance and financial results.

9.3.6 Safety accreditation

QR National holds safety accreditations in all Australian states. These safety accreditations are essential for QR National to conduct its business and are subject to removal and expiration. Any loss of, failure to maintain or inability to renew rail accreditations necessary for QR National to carry on its rail operations in any jurisdiction, or any changes in government policy and legal and regulatory

oversight, including transition to a single national rail safety regulatory and investigation regime, may have a material adverse effect on QR National's business, operational performance and financial results.

9.3.7 Environment

QR National's operations are subject to numerous environmental laws and regulations. QR National's business activities include the transportation and storage of hazardous materials, an accident or spillage of which may result in the release of hazardous materials or other contamination of the environment. Failure to comply with these laws and regulations may cause QR National to cease or be restricted in its operations, incur fines, penalties or other liabilities or require the carrying out of remedial work or the installation of additional equipment at substantial cost. In certain circumstances, there may be obligations to remediate and rehabilitate current and former facilities and locations where QR National's operations are, or were, conducted (whether or not the contamination or emissions were permitted under law at the time they occurred or whether or not QR National was responsible). There may also be requirements that third parties, which suffer loss or damage by reason of a breach, be compensated or indemnified. Further, if a breach of these laws or regulations is established, then the person in breach may also be exposed to criminal prosecution and penalty.

Pursuant to indemnities in favour of the State under the rail corridor leases, QR National will be responsible for past and future environmental liabilities relating to the rail corridor, including environmental liabilities that are presently unforeseen or unquantifiable.

The potential introduction of a carbon or other similar tax in Australia may result in increased energy costs for QR National. Failure to pass these costs onto customers could have a material adverse effect on QR National's business, operational performance and financial results.

No assurances can be given that the environmental laws and regulations or the adoption of new laws and regulations may not have a material adverse effect on QR National's business, operational performance and financial results.

9.3.8 Occupational health and safety

QR National has approximately 9,400 employees undertaking a range of operational, professional and administrative tasks. A number of the rail operational tasks involve the use of heavy machinery on infrastructure provided by third parties and on infrastructure that interacts with the public at road crossings and within operational yards. Any failure by QR National or those third parties to safely conduct operations or to otherwise comply with the necessary occupational health and safety requirements across the jurisdictions in which QR National operates could result in death or injury to staff, contractors and/or members of the public, criminal prosecution, fines, penalties and compensation for

9 Key risks

damages as well as reputational damage to QR National, which may have a material adverse effect on QR National's business, operational performance and financial results.

9.4 Investment risks

9.4.1 Price of Shares

There are pricing and other risks associated with any investment in a publicly listed company. The price of Shares may rise and fall due to numerous factors that may affect the market performance of QR National, including:

- general economic conditions, including interest rates, exchange rates, inflation rates, commodity and oil prices;
- variations in the local and global market for listed stocks, in general or for infrastructure, transportation or rail freight stocks in particular;
- changes to government policy, legislation or regulation;
- inclusion in or removal from major market indices;
- the nature of competition in the markets in which QR National operates; and
- general operational and business risks.

In particular, the share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company-specific influences such as the general state of the economy, global hostilities and tensions and acts of terrorism. Such market fluctuations may materially adversely affect the market price of the Shares.

In the future, the sale of large parcels of Shares (whether held by the State or acquired by any party under or following the Offer) may cause a decline in the price at which the Shares trade on ASX.

No assurances can be made that the performance of the Shares will not be adversely affected by any such market fluctuations or factors. None of the State, QR National, its Directors or any other person guarantees the performance of the Shares.

9.4.2 Significant shareholding of the State

The State will retain a significant shareholding following the completion of the Offer. The State intends to have no influence over QR National other than through the exercise of its normal voting rights in matters submitted to a vote of Shareholders.

The State's residual holding will be subject to an escrow period until QR National releases its FY2012 results to ASX. The State does not intend to remain a Shareholder in the longer term. Following expiration of the escrow period, a sale of its Shares could adversely affect the market price of the Shares. A sale or anticipated sale by the State of its Shares could also negatively impact the timing and effectiveness of any capital raising activities of QR National, which

could have an adverse impact on QR National's cost of capital and financial position.

9.4.3 Trading in Shares

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less than the price that Shareholders paid.

9.4.4 Taxation changes

Significant recent reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of many of the new and proposed tax laws is not yet known. Any changes to the current rate of company income tax may impact Shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend franking and Shareholder returns.

On 2 May 2010, the Australian Government, in response to the Henry Tax Review, announced its intention to introduce a Resource Super Profits Tax (RSPT). On 2 July 2010, the Australian Government announced that it proposes to replace the RSPT with a new Minerals Resource Rent Tax (MRRT). The MRRT would apply to entities which carry on an Australian iron ore or coal project from 1 July 2012. In the event that such a tax is implemented, this could result in an increase in operating costs for mining assets based in Australia. This may render certain projects uneconomic and result in mining companies choosing to cancel projects currently planned to meet growing demand, as well as reducing the level of investment in the Australian resources sector. Any of these changes could have an adverse effect on QR National by reducing the volume of commodities mined in Australia for QR National to transport, as well as reducing levels of demand for Australian commodities and the transportation of those commodities by QR National. Consequently, the introduction of the MRRT may have an adverse effect on QR National's business, operational performance and financial results.

9.4.5 Force majeure events

Events may occur within or outside Australia that could impact upon the global and Australian economies, the operations of QR National and the price of the Shares. The events include acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars and other natural disasters. QR National has only a limited ability to insure against some of these risks.

10 Additional information

10.1 Registration and corporate structure	126
10.2 Share capital	126
10.3 Rights and liabilities attaching to Shares	126
10.4 Loyalty Bonus Shares	126
10.5 Employee Gift Offer	127
10.6 Material contracts	127
10.7 Dividend Reinvestment Plan	128
10.8 Capital	128
10.9 Australian taxation considerations	128
10.10 Ownership restrictions	131
10.11 Employee and senior executive incentive plans	132
10.12 Executive remuneration and compensation	133
10.13 Interests of Directors, advisers and promoters	134
10.14 Costs of the Offer	135
10.15 United States selling restrictions	135
10.16 Litigation and claims	136
10.17 Governing law	136
10.18 ASX admission and quotation	136
10.19 Supplementary offer document	136
10.20 Regulatory waivers and relief	136
10.21 Appendix and Financial Statements	137
10.22 Authorisation	137

10 Additional information

10.1 Registration and corporate structure

QR National was registered in Queensland on 14 September 2010 as a public company limited by shares. In addition to Shares issued on incorporation, QR National issued an additional 98 Shares to the State as part of a restructure transaction under which QR National Limited became the holding company of QR Limited on 21 September 2010.

10.2 Share capital

As at the Offer Date, QR National has only one class of shares on issue, being fully paid ordinary shares.

10.3 Rights and liabilities attaching to Shares

The owners of Shares have the benefit of certain rights in relation to those Shares. These rights include, but are not limited to:

- the right to receive notice of, attend and vote at general meetings of QR National and receive all notices, accounts and other documents required to be sent to Shareholders;
- the right to vote on any amendment of the Constitution;
- the right to vote on any change to the rights attaching to Shares;
- the right to vote on the appointment of Directors to the Board;
- the right to receive dividends if the Directors determine that a dividend is payable to Shareholders;
- the right to participate in any dividend reinvestment plan of QR National should the Directors decide to implement a dividend reinvestment plan;
- the right to participate in future offers of Shares in priority to non-Shareholders, should the Directors decide to make such future offers with such a priority to Shareholders;
- the right to sell Shares; and
- the right to a share in any surplus assets left over after a winding up of QR National.

Each of these rights is subject to the Constitution, the ASX Listing Rules, the Corporations Act, the ASX Settlement Operating Rules, other legislation and the general law. For further information on the Constitution and the rights attaching to Shares, see the Appendix.

10.4 Loyalty Bonus Shares

10.4.1 Conditions of entitlement for Loyalty Bonus Shares

Entitlement to Loyalty Bonus Shares will be subject to certain conditions, which are described in Section 2.2.2. One of these conditions is that Successful Applicants hold the Shares allocated to them continuously in the same registered name until 7 December 2011. The requirement to hold Shares in the same registered name means that Retail Investors' entitlement to receive Loyalty Bonus Shares will expire in respect of any Shares where the ownership of those Shares changes, including where:

- there is a transfer of Shares from the Retail Investor to another person, including to a family member or trust in which they are a beneficiary;
- there is a voluntary change in joint ownership arrangements; or
- a CHESS participant who controls a Retail Investor's holding uses a proper ASTC transfer to effect a transfer of Shares to or from or within CHESS.

The exceptions to this 'same registered name' requirement are:

- a bona fide change of name of the registered holder (e.g. by marriage, divorce or deed poll) provided that the change transaction is accompanied by all the appropriate documentary evidence in support of the change;
- a transmission to a legal personal representative (e.g. an executor or administrator) of a deceased holder pending final administration of the holder's estate;
- a transmission from a deceased holder to a beneficiary (either directly or via the legal personal representative of the deceased);
- a transfer to the surviving joint holder(s) where a joint holder dies;
- a transfer as a result of a court order or relevant legislation e.g. following a marriage dissolution (although the State reserves the right to assess each such transfer to determine if it is legitimately out of the control of the original holder);
- an amendment to the register to correct certain registry or broker errors;
- where two or more separate holdings that are each entitled to Loyalty Bonus Shares are amalgamated into one holding and the State is satisfied that the registered holder is the same as before amalgamation;
- conversion (not transfer) between CHESS and issuer sponsored subregisters;
- a change of controlling CHESS participant provided that the CHESS HIN into which a qualifying allotment was made is released to the new controlling participant; and
- a transfer to or from a nominee, trustee or other fiduciary party requiring a change in the registered holder details but where there is no change in underlying beneficial shareholder provided that the nominee, trustee or other fiduciary party completes and lodges the necessary nominee declaration form by the end of the calendar month in which the transfer was effected on the register.

All changes within the categories listed above will require the timely lodgment of appropriate documentary evidence with the Share Registry, in order for the continued Loyalty Bonus Share entitlement to be recognised. Shareholders or their representatives (including brokers) should make themselves familiar with the process and

10 Additional information

contact the Share Registry to ensure any transaction they are planning to effect will carry the entitlement to receive Loyalty Bonus Shares to the new holding, and to ensure that the supporting documentation is in order, prior to giving effect to the transaction.

Any change of registered holdings that does not fall within one of the above exceptions (or for which the supporting documentation is not provided on time) will result in the right to receive the Loyalty Bonus Shares expiring, unless the State, in its discretion, decides to extend the above categories.

The State may request documentary proof from a person seeking to rely on an exception. The State may request that such documentary proof comprises original documents, certified copies of original documents or statutory declarations.

10.4.2 Legal impediments to delivery of Loyalty Bonus Shares

If on 7 December 2011 your address as recorded on QR National's share register is outside Australia, or other legal impediments to delivery of Loyalty Bonus Shares to you exist, you will not receive Loyalty Bonus Shares. Instead, the shares to which you would have become entitled will be issued to a nominee who will sell those shares on your behalf and you will be sent the net proceeds. The State may conduct a sale of Loyalty Bonus Shares for this purpose in any manner it considers appropriate and the costs of the sale will be deducted from the proceeds.

10.5 Employee Gift Offer

Shares acquired under the Employee Gift Offer are subject to a disposal restriction in accordance with current Australian tax legislation. The impact of this restriction means that Eligible Employees who participate in the Employee Gift Offer will not be able to deal in (i.e. sell or transfer) those Shares for a minimum period of three years (or earlier if their employment ceases).

QR National will implement such arrangements (including a holding lock) as it determines are necessary to give effect to this restriction. By applying for Shares under the Employee Gift Offer, Eligible Employees will be agreeing to the imposition of any restriction, including a holding lock, on a transfer of those Shares.

10.6 Material contracts

10.6.1 Overview

There are certain contracts which are significant or material to QR National or of such a nature that an investor may wish to have particulars of them when making an assessment whether to apply for Shares. The main provisions of each contract are summarised below. These are summaries only and do not fully describe all the provisions of each contract.

10.6.2 Offer Management Deed

The State, QR National and the JLMs have entered into an Offer Management Deed under which the JLMs have agreed to manage the Offer, the Institutional Bookbuild and, subject to the successful completion of the Institutional Bookbuild and the fulfilment of other conditions, provide settlement support for the settlement obligations of applicants who are allocated shares under the Institutional Offer. The Offer is not underwritten.

The Offer Management Deed sets out a number of circumstances where the JLMs may terminate their obligations under the deed prior to Settlement, including if any material adverse change, or an event which is likely to give rise to a material adverse change, in or affecting the assets, liabilities, financial position or performance, profits, losses or prospects or condition, financial or otherwise of QR National occurs, or, subject to materiality considerations, a statement in the Offer Document is or becomes misleading and deceptive.

It also contains customary representations and warranties and undertakings given by the State, QR National and the JLMs. QR National's undertakings include that it will not, at any time before the expiration of 180 days after the Shares are transferred under the Offer, allot or agree to allot any further Shares or securities convertible or exchangeable into equity, subject to certain limited exceptions such as the employee share plans described in this Offer Document.

A detailed summary of certain terms of the Offer Management Deed, including the termination provisions, representations, warranties and undertakings is set out in the Appendix.

10.6.3 Summary of debt financing arrangements

The Company has entered into a \$3bn multi-option syndicated facility (Syndicated Facility) with a syndicate of lenders, for the following purposes:

- to refinance QR National's existing financial indebtedness;
- to pay costs and other expenses incurred in establishing the Syndicated Facility and the Offer; and
- for general corporate purposes (including acquisitions).

The syndicate of lenders has committed to provide a \$3bn facility comprising a:

- \$1,425m revolving loan facility expiring in 2013; and
- \$1,575m revolving loan facility expiring in 2015.

Before the Company can make any draw down under the Syndicated Facility, there are a series of conditions that must be met which are usual for facilities of this nature. These conditions include the successful completion of the Offer, the accuracy

10 Additional information

of certain representations and warranties and the provision of specified certificates, opinions and other information.

The Syndicated Facility contains certain representations, undertakings, events of default and review events which are usual for facilities of this nature. The events of default include failure to pay, breach of financial undertaking, misrepresentation, cross-default, insolvency and insolvency-related events. On occurrence of an event of default or a review event, certain remedies may be exercised by the lenders which include requiring funds borrowed to become due and payable and the Syndicated Facility being cancelled. The events of default are subject to materiality thresholds and grace periods where appropriate.

The Syndicated Facility contains undertakings usual for facilities of this nature, including undertakings to provide information, a negative pledge (incorporating customary carve outs) and restrictions as to disposal of assets and the provision of financial accommodation (which, in each case, will be subject to exceptions usual for facilities of this nature).

Further, the Syndicated Facility contains the following financial covenants which are usual for facilities of this nature:

- leverage—consolidated total net debt relative to consolidated EBITDA;
- interest cover—consolidated EBITDA relative to consolidated net finance charges;
- capitalisation—consolidated total net debt relative to enterprise value; and
- consolidated gearing capitalisation—consolidated total net debt relative to enterprise value.

The first three covenants outlined relate to the 'Recourse Group' which is defined in the Syndicated Facility as the Company and its subsidiaries but excludes any excluded subsidiaries. The fourth covenant outlined relates to the 'Group' which is defined in the Syndicated Facility as the Company and its subsidiaries.

The base interest rate charged on the Syndicated Facility is a function of the prevailing market rate.

The Syndicated Facility contains a review event upon a change of control of the Company, other than in connection with the Offer.

10.7 Dividend Reinvestment Plan

If a dividend reinvestment plan (DRP) is offered by the Board, Shareholders who elect to participate in that DRP will be able to reinvest in Shares the dividends they are entitled to receive, in respect of some or all of their Shares, rather than receiving those dividends in cash.

While the Directors have not, at the Offer Date, decided to commence the operation of a DRP, they will consider the adoption of a DRP in the future as part of QR National's funding model.

10.8 Capital

The Directors expect that QR National will have sufficient working capital from its operations and the Syndicated Facility described in Section 10.6.3 to meet its operational requirements and business needs during the Forecast Period.

Other than as described in Section 10.2, QR National has not raised any capital for the three months before the Offer Date and will not need to raise any capital for three months after the Offer Date.

Further information on QR National's liquidity or capital resources is contained in the Appendix.

10.9 Australian taxation considerations

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Offer Document.

This summary does not attempt to address all of the Australian taxation consequences relevant to Shareholders who subscribe for Shares pursuant to the Offer Document. The categories of Shareholders considered in this summary are limited to individuals, companies (other than life insurance companies) and complying superannuation funds who hold their Shares on capital account.

Specifically, this summary does not consider the consequences for non-Australian tax resident Shareholders, banks, insurance companies, Shareholders who hold their Shares on revenue account or as trading stock or Shareholders who are exempt from Australian income tax.

The following tax comments are based on the tax law in Australia in force at the time of issue of this Offer Document. Australian tax laws are complex. This summary is general in nature and is not intended to be an authoritative or complete statement of all potential tax implications for each Shareholder. During the ownership of the Shares by Shareholders, the taxation law of Australia or their interpretation may change. The precise implications of ownership or disposal will depend upon each Shareholder's specific circumstances. Shareholders should seek their own professional advice on the taxation implications of holding or disposing of the Shares, taking into account their specific circumstances.

10.9.1 Dividends paid on a Share

10.9.1.1 Australian resident individuals and complying superannuation entities

Dividends paid by the Company on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is paid, together with any franking credit attached to that dividend. Such

10 Additional information

Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on the Shareholder's taxable income. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, such Shareholders should be entitled to a tax refund.

To the extent that the dividend is unfranked, the Shareholder will generally be taxed at his or her prevailing marginal rate on the dividend received with no tax offset.

10.9.1.2 Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and associated franking credit in their assessable income. They are then allowed a tax offset up to the amount of the franking credit on the dividend.

An Australian resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit on the distribution received. This will allow the corporate Shareholder to pass on the benefit of the franking credits to its own shareholder(s) on the payment of dividends.

Excess franking credits received cannot give rise to a refund for a company but can be converted into carry forward tax losses.

10.9.1.3 Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

10.9.1.4 Shares held at risk

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person' in which case the Shareholders will not need to include an amount for the franking credits in their assessable income and will not be entitled to a tax offset.

Broadly, to be a 'qualified person', two tests must be satisfied, namely the holding period rule and the related payment rule.

Under the holding period rule, a Shareholder is required to hold Shares "at risk" for more than 45 days continuously (which is measured as the period commencing the day after the Shares were acquired and ending on the 45th day after the Shares become ex-dividend) in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Under the related payment rule, a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to the dividend. The related payment rule requires the Shareholder to have held the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

10.9.2 Loyalty Bonus Shares

Under the terms of the Retail Offer, in addition to acquiring Shares, Retail Investors also acquire rights to Loyalty Bonus Shares (Loyalty Rights) if:

- a Retail Investor is allocated Shares under the Retail Offer (other than the Employee Gift Offer) at the Retail Price; and
- the Retail Investor holds those Shares continuously in the same registered name until 7 December 2011 (see Section 10.4).

If the conditions above are satisfied, then the State transfers the Loyalty Bonus Shares to the Retail Investors.

If the conditions are not satisfied, a Retail Investor's Loyalty Rights will expire immediately after the Retail Investor fails to satisfy one of the above conditions.

If the Retail Investor is a Queensland resident, the Retail Investor may be eligible to receive one Loyalty Bonus Share for every 15 Shares allocated under the Retail Offer up to a maximum of 675 Loyalty Bonus Shares and held continuously until 7 December 2011.

If the Retail Investor is not a Queensland resident, the Retail Investor may be eligible to receive one Loyalty Bonus Share for every 20 Shares allocated under the Retail Offer up to a maximum of 500 Loyalty Bonus Shares and held continuously until 7 December 2011.

These Loyalty Rights are separate CGT assets from the Shares.

The first element of the cost base or reduced cost base of each Loyalty Right acquired is that part of the proceeds paid by a Retail Investor for the Shares that is reasonably attributable to the acquisition of the Loyalty Right. There are several alternative methodologies for determining what is reasonably attributable in respect of the acquisition of the Loyalty Right.

One approach that has been accepted by the ATO on previous transactions is to apportion the proceeds paid for the Shares between the Shares and the Loyalty Rights as follows:

- if you are a Queensland resident, 1/16th of the proceeds paid is reasonably attributable to the cost base of the Loyalty Right; or
- if you are not a Queensland resident, 1/21st of the proceeds paid is reasonably attributable to the cost base of the Loyalty Right.

10 Additional information

For example, if a Queensland resident was allocated 1,500 Shares under the Retail Offer and the hypothetical Retail Price was \$2.80 per Share, then the Queensland resident investor would receive 100 Loyalty Rights. The first element of the cost base for a Loyalty Right would be \$2.62 (i.e. 1/16th of \$2.80 multiplied by 15). Accordingly, the total cost base of the 1,500 Shares would be \$3,930 and the 100 Loyalty Rights would be \$270 (rounded up to the nearest \$10).

A Class Ruling is currently being sought from the ATO in respect of what methodology is most appropriate for allocating cost base between Shares and Loyalty Rights. Retail Investors should check the QR National website for more information and/or seek their own professional tax advice.

A capital loss will arise if the Loyalty Rights lapse. A Loyalty Right would lapse if the Shares are not held for the requisite time period as noted above.

Where the Loyalty Rights are exercised by a Retail Investor to acquire the Loyalty Bonus Shares, no capital gain or loss arises at that time of exercising the Loyalty Rights. The cost base of the Loyalty Bonus Shares is equal to the cost base of the Loyalty Rights (together with any incidental costs of acquisition) at the time the Loyalty Rights are exercised.

10.9.3 Disposal of Shares

Australian resident Shareholders will be subject to Australian CGT on the disposal of the Shares.

A Shareholder will derive a capital gain on the disposal of a particular Share (including Loyalty Bonus Shares) where the capital proceeds received on disposal exceeds the CGT cost base of the Shares (broadly, this is the amount paid to acquire the Shares plus any transaction/incidental costs). A CGT discount may be available on the capital gain for individual Shareholders and Shareholders that are complying superannuation entities provided the particular Shares are held for more than 12 months prior to sale. Any current year or carry forward capital losses should offset the capital gain first before the CGT discount can be applied. The CGT discount for individuals is 50% and for complying superannuation entities is 33⅓%.

A Shareholder will incur a capital loss on the disposal of the particular Shares to the extent that the capital proceeds on disposal are less than the CGT reduced cost base of the Shares.

If a Shareholder derives a net capital gain in a year, this amount is, subject to the comments below, included in the Shareholder's assessable income. If a Shareholder incurs a net capital loss in a year, this amount is carried forward and is available to offset against capital gains derived in subsequent years, subject in some cases to the Shareholder satisfying certain rules relating to the recoupment of carried forward losses.

10.9.4 Tax file numbers

A Shareholder is not required to quote their tax file number (TFN) to QR National. However, if TFN or exemption details are not provided, Australian tax may be required to be deducted by QR National from dividends at the maximum marginal tax rate plus the Medicare levy.

A Shareholder that holds Shares as part of an enterprise may quote its Australian Business Number instead of its TFN.

10.9.5 Australian Goods and Services Tax (GST)

The acquisition, redemption or disposal of the Shares by an Australian resident will be an input taxed financial supply, and therefore is not subject to GST.

No GST should be payable in respect of dividends paid to Shareholders.

Where an Australian resident is registered for GST, they will generally not be entitled to claim full input tax credits in respect of the GST incurred on their expenses relating to the acquisition or disposal of the Shares (e.g. lawyers' and accountants' fees).

Shareholders should seek their own advice as to the impact of GST in their own particular circumstances.

10.9.6 Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares.

10.9.7 Employee Gift Offer

The following taxation summary addresses the general tax implications to employees of QR National who are residents of Australia for Australian tax purposes and who hold Shares acquired through the Employee Gift Offer. It does not address the tax consequences of any other benefits/remuneration provided to QR National employees.

The taxation summary is not intended to be an authoritative or complete statement of the applicable tax law. As the precise tax consequences of participation in the Offer will be affected by a participant's personal circumstances and the precise terms of the tax law at the time, it is recommended that participants obtain independent professional advice.

10.9.7.1 Discount at grant

Participating employees are to be offered \$1,000 worth of Shares by the State for no monetary payment (Employee Gift Offer).

An employee participating in the Employee Gift Offer may be eligible for concessional tax treatment on the grant of the Shares.

10 Additional information

Employees may be exempt from income tax on the value (up to \$1,000) of the Shares granted under the Employee Gift Offer. In order for this exemption to apply, the employee's adjusted taxable income (ATI) must be no more than \$180,000 for the year ending 30 June 2011. It is the employee's responsibility to determine whether their ATI is no more than \$180,000. If an employee's ATI exceeds \$180,000 during the year ending 30 June 2011, then the employee will need to include the value of the Shares they receive under the Employee Gift Offer as assessable income for the year ending 30 June 2011.

ATI is calculated as the sum of the employee's taxable income (including the value of the Shares they receive under the Employee Gift Offer), reportable fringe benefits and reportable superannuation contributions. Any total net investment loss is added back in calculating ATI.

10.9.7.2 Dividends paid on a Share

The income tax implications for employees of dividends received in respect of Shares acquired under the Employee Gift Offer are the same as described in Section 10.9.1 for individual investors.

10.9.7.3 Acquisition of Shares and CGT cost base

For CGT purposes, Shares acquired under the Employee Gift Offer are acquired on the date the Shares are granted to the employee. The cost base of any Share is the market value of the Share when the employee was granted the Shares, whether or not the value of the Shares was taxable at that time. For an employee receiving \$1,000 worth of Shares, the total cost base will be \$1,000.

10.9.7.4 Disposal of Shares

The income tax implications for employees in respect of the disposal of Shares acquired under the Employee Gift Offer are the same as described for individual investors in Section 10.9.3.

10.9.7.5 Stamp duty

No stamp duty should be payable by employees on the transfer of Shares under the Employee Gift Offer.

10.10 Ownership restrictions

The sale and purchase of Shares is regulated by a number of Australian laws that restrict the level of ownership or control by any one person (either alone or in combination with others). This Section contains a general description of these laws.

10.10.1 *Transport Infrastructure Act 1994 (Qld)*

Under the *Transport Infrastructure Act 1994* (Qld), no person (other than the State), either alone or when aggregated with the interests of any associates, may have voting power of more than 15% in QR National.

A person who breaches the 15% shareholding restriction breaches a legislative obligation, and the relevant Minister or QR National may apply to the Supreme Court of Queensland for a remedial order, which could include divestiture of Shares or a prohibition on exercising rights in respect of Shares, such as a right to vote or receive dividends.

QR National is required to take all reasonable steps to ensure that no person obtains or maintains a prohibited shareholding interest and a Director or Company Secretary (as well as the relevant Minister) is entitled to require a person (who may not be a Shareholder) to provide information for the purpose of determining whether a person has (or is taking action to acquire) a prohibited shareholding interest. Such information can be required to be verified by a statutory declaration.

10.10.2 *Foreign Acquisitions and Takeovers Act 1975 (Cth)*

Generally, the *Foreign Acquisitions and Takeovers Act 1975* (Cth) applies to acquisitions of shares and voting power in a company of 15% or more by a single foreign person and its associates, or 40% or more by two or more unassociated foreign persons and their associates (aggregate substantial interest). Where there is a requirement to notify the Foreign Investment Review Board of a proposed acquisition, the acquisition is prohibited unless notice of it has been given to the Australian Treasurer and the Australian Treasurer has either stated that there is no objection to the proposed acquisition in terms of the Australian Government's Foreign Investment Policy or a statutory period has expired without the Australian Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, in accordance with Australia's Foreign Investment Policy, acquisitions of a direct investment in an Australian company by foreign governments and their related entities should be notified to the Foreign Investment Review Board for approval irrespective of the value of the acquisition. According to Australia's Foreign Investment Policy, a 'direct investment' will typically include any investment of 10% or more of the shares and voting power in an Australian company but may also include investments of less than 10% where the investor obtains influence or control over the target investment.

10.10.3 *Corporations Act*

The takeover provisions in Chapter 6D of the *Corporations Act* restrict acquisitions of shares in listed companies, and unlisted companies with more than 50 members, if the acquirer's (or another party's) voting power would increase to above 20%

10 Additional information

or would increase from a starting point that is above 20 % and below 90 %, unless certain exceptions apply. In light of the 15 % shareholder prohibition set out in the *Transport Infrastructure Act 1994* (Qld), it is not expected that a takeover will be able to proceed unless that legislation is amended.

The Corporations Act also imposes notification requirements on persons having a voting power of 5 % or more in QR National.

10.11 Employee and senior executive incentive plans

QR National has established the following plans to assist in the attraction, motivation and retention of employees and management of QR National and to align employee and management reward with the long term interests of the Company:

- Employee Share Acquisition (Tax Exempt) Plan (which the Board intends to use in the future to allow eligible employees to acquire at no cost up to \$1,000 worth of Shares per annum);
- Salary Sacrifice Plan (which the Board intends to use in the future to allow eligible employees to sacrifice part of their salary for Shares);
- Omnibus Equity Plan – Rights and Options (pursuant to which the Board intends in the future to make offers of Rights and/or Options to eligible executives) (R&O Plan), and
- Deferred Plan (which the Board intends to use in the future to facilitate all or a portion of employees' and eligible executives' short term incentive being able to be satisfied in Shares).

See the Appendix for further details regarding these plans.

10.11.1 Short term incentive awards

The primary objective of the short term incentive awards (STIA) is to create alignment between the reward of QR National's senior executives and the Company's financial and operational performance and Shareholder value. As part of its short term incentive arrangements, QR National proposes to invite certain senior executives to participate in the STIA on an annual basis. The STIA will provide these executives with an incentive for future performance, as they will only be awarded at the discretion of the Board following satisfaction of specified performance hurdles with respect to EBIT, safety and the Company's transformation process. For the first year after Listing, it is proposed that the STIA will be awarded in cash.

In addition, certain executives will be entitled to a deferred component of STIA, to be awarded as Rights in 2011 and 2012.

Under this deferred component it is proposed that two tranches of Rights will be granted to executives. The number of Rights an executive receives will be dependent on the outcome of the relevant executives STIA performance hurdles in the relevant year

of award. It is intended that the executives will be granted an award of Rights equivalent to 50 % of the STIA they receive in the relevant year of award.

Both tranches will only vest and become exercisable on or after a date predetermined by the Board provided that the executive remains employed by QR National as at that date. If an executive ceases employment with QR National prior to the vesting of the Rights, the Rights will lapse unless otherwise determined by the Board.

Under tranche 1, it is intended that Rights will be granted to eligible executives in September 2011. One half of these Rights will vest in September 2012 and one half of these Rights will vest in September 2013.

Under tranche 2, it is intended that Rights will be granted to eligible executives in September 2012. One half of these Rights will vest in September 2013 and one half of these Rights will vest in September 2014.

Except as described in this Section, these Rights are subject to the rules of the R&O Plan including the provisions in relation to the lapse of Rights, and restrictions on the disposal of Shares issued or transferred.

See Section 10.12.1 for details of awards under the STIA for the Managing Director and Chief Executive Officer.

10.11.2 Long term incentive awards

The primary objective of the LTIA is to create alignment between the reward of QR National's senior executives and the Company's financial and operational performance and Shareholder value. As part of the long term incentive arrangements, QR National intends to offer Rights to certain senior executives at the time of Listing. These will provide the executives with an incentive for future performance.

Vesting of the LTIA will be subject to two set performance hurdles amounting to 50 % of the Rights each. A Right will only vest on the satisfaction of the relevant performance hurdle that is measured by reference to the three years following the award (performance period) or a re-testing which will occur one year thereafter:

- one half of the Rights will be assessed with reference to total shareholder return over the performance period relative to a peer group of companies (i.e. specified companies currently in the ASX 100); and
- one half of the Rights will require the achievement of the aggregate pro forma EBIT forecast in this Offer Document for FY2011 and FY2012 as well as earnings per share growth of at least 7.5 % for FY2013.

10 Additional information

In relation to the 50% component measured against total shareholder return, if QR National's total shareholder return is in the lower half of the peer group, no vesting will occur. In relation to the 50% EBIT component, no vesting will occur if the aggregate pro forma EBIT forecast for FY2011 and FY2012 is not achieved or if the earnings per Share growth in FY2013 is less than 7.5%.

The executive must be employed with QR National as at the date of vesting to achieve the proposed awards.

The number of Rights the participants will receive will be determined by dividing the set dollar amounts awarded by the Institutional Price.

Except as described in this Section, Rights granted under the LTIA are subject to the rules of the R&O Plan including the provisions in relation to the lapse and exercise of Rights, and restrictions on the disposal of Shares issued or transferred under the LTIA.

Details of the awards under the LTIA for the Managing Director and Chief Executive Officer and senior management are set out in Sections 10.12.1 and 10.12.2, respectively.

10.12 Executive remuneration and compensation

10.12.1 Managing Director and Chief Executive Officer contract

The Managing Director and Chief Executive Officer is employed pursuant to an employment contract for an initial term of three years, which may be extended on agreement between the Board and the Managing Director and Chief Executive Officer. The Managing Director and Chief Executive Officer's total fixed annual remuneration (including base salary, superannuation and benefits) for FY2011 is \$1.7m and is subject to review in July of each year from 2012. The Managing Director and Chief Executive Officer is also eligible to participate in the STIA and LTIA.

The STIA provides the Managing Director and Chief Executive Officer with an annual incentive of up to 100% of his total fixed annual remuneration to be awarded at the discretion of the Board following satisfaction of specified performance hurdles having regard to EBIT, safety and the Company's transformation process.

In addition, the Managing Director and Chief Executive Officer will be entitled prior to Listing to a deferred component of STIA in the form of Rights, which differs from that of other executives.

These rights will vest at the end of FY2011 and FY2012 subject to the Company meeting EBIT forecasts disclosed in this Offer Document. If these performance hurdles are not met, his Rights are forfeited. The Managing Director and Chief Executive Officer will be entitled to a deferred component of STIA to the value of

100% of the total fixed annual remuneration in aggregate over the two years.

The LTIA also provides the Managing Director and Chief Executive Officer with an incentive for future performance as the Rights will only vest on the satisfaction of set performance hurdles with respect to relative total shareholder return and earnings per share growth, which is the same as the performance hurdles for certain senior executives as described in Section 10.11.2. The Managing Director and Chief Executive Officer will be offered up to 100% of the total fixed annual remuneration in Rights as his LTIA.

Pursuant to the Managing Director and Chief Executive Officer's employment contract:

- the Managing Director and Chief Executive Officer may terminate his employment by giving six months notice; and
- QR National may terminate the Managing Director and Chief Executive Officer's employment by giving 12 months notice.

If the Managing Director and Chief Executive Officer's employment is terminated (other than for cause), he will be entitled to payment of his total fixed annual remuneration calculated to the termination date plus any leave entitlements, as well as any entitlements owing under the STIA and LTIA. All payments and awards made to the Managing Director and Chief Executive Officer are subject to applicable laws.

In addition, if the Managing Director and Chief Executive Officer's employment is terminated by QR National during the initial term, these incentive entitlements, if any, may at the Board's discretion either be retained by the Managing Director and Chief Executive Officer as unvested equity under the plans until they either vest or lapse or may be received by him as a pro rata grant on the basis of the Company's performance during his period of employment since Listing and the ratio of the period of service to three years. During any subsequent term of his employment, these incentive entitlements may, at the Board's discretion, either be retained by the Managing Director and Chief Executive Officer as unvested equity under the plans until they either vest or lapse or may be received by him as a pro rata grant on the basis of the Company's performance during the period from the grant to the termination date.

The contract provides that the Managing Director and Chief Executive Officer is also under restrictions both during and after his employment for up to one year. For the duration of the applicable restriction period, the contract provides that the Managing Director and Chief Executive Officer will continue to receive his total fixed annual remuneration calculated until the end of that period.

10 Additional information

10.12.2 Senior management

The Company has recently entered into rolling contracts with eight Direct Reports, being the eight most senior executives of QR National's executive team reporting to the Managing Director and Chief Executive Officer. The total aggregate fixed remuneration (salary and superannuation) which can be received by these Direct Reports, on an annualised basis, is \$4.75m.

Additionally, the Direct Reports are eligible to participate in the incentive arrangements. The Direct Reports are eligible to participate under the STIA in accordance with Section 10.11.1. The Direct Reports may also participate in the LTIA and will be eligible for aggregate Rights of \$2.38m if the set performance hurdles outlined in Section 10.11.2 are met.

The standard terms of the Direct Reports' employment contracts include:

- a Direct Report can terminate their contract with QR National at any time by giving QR National three months notice;
- QR National can terminate the employment of a Direct Report:
 - > between the Offer Date and 31 December 2011 (inclusive) by giving 12 months notice;
 - > between 1 January 2012 and 31 December 2012 (inclusive) by giving nine months notice; and
 - > at any time on or after 1 January 2013 by giving six months notice; and
- a non-compete clause with QR National after the end of their employment, with the duration in line with the above termination arrangements.

10.13 Interests of Directors, advisers and promoters

10.13.1 Interests of Directors

Other than as stated in this Section or elsewhere in this Offer Document:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director, to induce them to become, or to qualify as, a Director;
- none of the following persons:
 - > a Director or proposed Director;
 - > each person named in this Offer Document as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Offer Document;
 - > a promoter of QR National; or
 - > a broker to the Offer,

holds or has held at any time in the two years before the Offer Date, an interest in:

- > the formation or promotion of QR National;
- > the Offer; or

- > property acquired or proposed to be acquired by QR National in connection with its formation or promotion or the Offer, was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such person in connection with the formation or promotion of QR National or the Offer.

10.13.2 Interests of Directors in Shares

As at the Offer Date, all Shares are held by the State.

The Directors are not required to hold any Shares under the provisions of the Constitution. The Directors are entitled to apply for Shares under the Offer.

10.13.3 Directors' remuneration

The Constitution provides that the non-executive Directors are to be paid by way of fees for their services, with an initial maximum aggregate cap in respect of such fees set at \$2.5m a year (which cap may be varied from time to time by Shareholders in general meeting). This includes base fees, regular Board committee fees and any contributions by QR National to a fund for the purposes of superannuation benefits for a Director. Apart from superannuation, there are no other retirement benefit schemes in place for non-executive Directors.

The cap does not include remuneration for performing additional or special duties for the Company at the request of the Board. The Constitution also states that QR National will pay all reasonable travelling, accommodation and other expenses of Directors in attending meetings and carrying out their duties.

10.13.4 Interests of advisers and promoters

The following professional advisers have provided services in relation to the Offer:

- Credit Suisse, Goldman Sachs, Merrill Lynch, RBS and UBS are acting as Joint Lead Managers to the Offer. The State has paid, or agreed to pay, each JLM a project management fee of \$3m (plus GST). In addition, the JLMs will share a commission on an equal basis of 0.8% of the proceeds of the Institutional Offer (plus GST). The State has also agreed to reimburse the JLMs for certain costs and expenses incurred by the JLMs in relation to the Offer;
- Commonwealth Securities and Wilson HTM are acting as Co-lead Managers to the Offer, and for their services in respect of the Institutional Offer they will be paid a fixed fee of \$500,000 (exclusive of GST), which is payable by the Joint Lead Managers out of the fees payable to them by the State. Commonwealth Securities and Wilson HTM will also be paid the retail commissions described below, which are payable by the State;

10 Additional information

- Bell Potter Securities, E.L. & C. Baillieu Stockbroking, Evans & Partners, JBWere, Merrill Lynch Global Wealth Management, Ord Minnett, Patersons Securities Limited, RBS Morgans and UBS Wealth Management are acting as Co-managers to the Offer. The State has agreed to pay the Co-managers, Co-lead Managers (Commonwealth Securities and Wilson HTM) and Brokers a commission of 1.5% on the value of final firm allocations received by them in the Broker Firm Offer, plus a commission of 1.0% of the value of successful Applications lodged by them in the General Public Offer (up to a maximum of \$2,500 per application or multiple applications believed to be from the same person). These commissions are exclusive of GST;
 - Allens Arthur Robinson is acting as Australian legal adviser to the State in relation to the Offer, has advised the State generally in relation to the Offer and has also performed work in relation to due diligence enquiries. As at the Offer Date, the State has paid, or agreed to pay, approximately \$4.8m (plus GST) for these services relating to the Offer. Allens Arthur Robinson separately advised the State in respect of the restructuring and reorganisation arrangements of QR National and Queensland Rail referred to in this Offer Document. Further amounts may be paid to Allens Arthur Robinson in accordance with its normal time-based charge-out rates;
 - Minter Ellison is acting as Australian legal adviser to QR National in relation to the Offer, has advised QR National generally in relation to the Offer and has also performed work in relation to due diligence enquiries. As at the Offer Date, QR National has paid, or agreed to pay, approximately \$1.0m (plus GST) for these services relating to the Offer. Minter Ellison separately advised QR National in respect of the restructuring and reorganisation arrangements of QR National and Queensland Rail referred to in this Offer Document. Further amounts may be paid to Minter Ellison in accordance with its normal time-based charge-out rates;
 - Mallesons Stephen Jaques is acting as Australian legal adviser to the Board in relation to the Offer. As at the Offer Date, QR National has paid, or agreed to pay, approximately \$750,000 (plus GST) for these services relating to the Offer. Further amounts may be paid to Mallesons Stephen Jaques in accordance with its normal time-based charge-out rates;
 - KPMG Transaction Services (Australia) Pty Limited has reviewed the Pro Forma Historical Financial Information and Forecast Financial Information contained in Section 8. It has also prepared the Investigating Accountant's Reports found in the Appendix. The State has paid, or agreed to pay, approximately \$5.3m (plus GST) for these services to the Offer Date. Further amounts may be paid to KPMG Transaction Services (Australia) Pty Limited in accordance with its normal time-based charge-out rates;
 - KPMG has audited the financial statements of QR Limited for the past three years. The State has paid, or agreed to pay, approximately \$7.5m (plus GST) for these services to the Offer Date. KPMG has also provided other accounting, due diligence and taxation services in relation to the Offer. The State has paid, or agreed to pay, approximately \$1.4m (plus GST) for these services to the Offer Date. Further amounts may be paid to KPMG in accordance with its normal time-based charge-out rates; and
 - Synergies Economic Consulting, an independent expert, was commissioned by the State to provide a report on the possible implications for QR National if the rail infrastructure services provided by QR National's network in respect of the CQCN were declared under Part IIIA of the TPA. The State has paid approximately \$110,000 (plus GST) for these services to the Offer Date.
- The State is also generally obligated to pay the out-of-pocket expenses of the advisers listed.

10.14 Costs of the Offer

The majority of the costs of the Offer are being paid by the State. Payment of these costs will not impact the financial position or performance of QR National.

In relation to the professional advisers' fees set out in Section 10.13.4, QR National will pay the fees of Minter Ellison and Mallesons Stephen Jaques. Following the Offer, QR National will assume responsibility for payment of ongoing fees associated with quotation of the Shares and administration fees charged by its share registry.

10.15 United States selling restrictions

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to QIBs in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act, and any other applicable securities laws.

This Offer Document may not be distributed in the United States, or elsewhere outside Australia, unless it is attached to, or constitutes part of, the Institutional Offering Memorandum, and may only be distributed to persons to whom the Institutional Offer may be lawfully made in accordance with the laws of any applicable jurisdiction. The Offer is not an offer or invitation in any jurisdictions where, or to any person to whom, such an offer or invitation would be unlawful.

Each Applicant in the Retail Offer and each person in Australia to whom the Institutional Offer is made under this Offer Document will be taken to have represented, warranted and agreed as follows:

10 Additional information

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act and may not be offered, sold or resold in the United States, except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and any other applicable securities laws;
- it is not in the United States;
- it has not and will not send the Offer Document or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

10.16 Litigation and claims

QR National may be subject to litigation and other claims or disputes in the course of its business, including employment disputes, contractual disputes, freight loss or property damage and occupational and personal claims by third parties and employees with respect to its operations.

Other than as noted below, the Directors are not aware of any current or threatened civil litigation proceedings, arbitration proceedings, administration appeals, or criminal or governmental prosecutions of a material nature in which QR National is directly or indirectly concerned which are likely to have a material adverse effect on the business or financial position of the Company.

QR National has received a subpoena to produce documents in litigation brought by a competitor against an existing customer of QR National, claiming breach of contract. QR National and the plaintiff are in the process of dealing with the subpoena and the scope of documents which might be made available. QR National is not party to the proceedings, but the plaintiff has indicated it will apply for a court order for QR National to provide preliminary discovery of documents and that, depending on the result of its enquiries, it may seek to join QR National.

Given the preliminary stage of the matter, the likelihood of an action being brought, the prospects of such action or the likely quantum involved cannot be reliably assessed.

10.17 Governing law

This Offer Document and the contracts that arise from the acceptance of the Applications and bids under this Offer Document are governed by the law applicable in the State of Queensland and each Applicant and bidder submits to the exclusive jurisdiction of the courts of the State of Queensland.

10.18 ASX admission and quotation

QR National will apply, within seven days of the Offer Date, to ASX for admission to the Official List of ASX and for official quotation of the Shares on the market operated by ASX. The fact that ASX may admit QR National to the Official List is not to be taken in any way as an indication of the merits of QR National.

Quotation of the Shares on ASX is expected to occur initially on a conditional and deferred settlement basis on or about 22 November 2010.

10.19 Supplementary offer document

A supplementary offer document will be issued if the State or QR National becomes aware of any of the following between the issue of this Offer Document and the date the Shares are quoted on ASX:

- a material statement in this Offer Document is misleading or deceptive;
- there is a material omission from this Offer Document;
- there has been a significant change affecting a matter included in this Offer Document; or
- a significant new circumstance has arisen and it would have been required to be included in this Offer Document.

10.20 Regulatory waivers and relief

10.20.1 ASX

ASX has granted the following waivers:

- an in-principle waiver from ASX Listing Rule 1.1 condition 3 in respect of item 108 of Appendix 1A of the ASX Listing Rules to the extent that QR National not be required to include the statement that the Offer Document contains all the information that would be required in a prospectus under section 710 of the Corporations Act, on condition that the Offer Document contains a statement to the effect that the State has included all information known to the State and which it believes is material for investors to make a decision whether or not to invest in Shares; and
- a waiver to relieve the Directors from the requirement under item 109 of Appendix 1A of the ASX Listing Rules to sign the Offer Document in connection with the application for Listing.

10 Additional information

10.20.2 ASIC

ASIC has granted the following exemptions from, and modifications to, the Corporations Act:

- relief from the share hawking prohibitions in section 736 of the Corporations Act to permit the State, QR National and their advisers to contribute to public discussion and understanding of the Offer; and
- relief from the share sale rules in section 707 of the Corporations Act to permit Shareholders to resell their Shares without the requirement to lodge a further disclosure document.

In addition, the State and the Joint Lead Managers have obtained a 'no action letter' from ASIC in relation to proposed after-market stabilisation activities, as described in Section 2.4.3.

10.21 Appendix and Financial Statements

Investors should note that a separate Appendix dated the Offer Date has been prepared and lodged with ASIC. The Appendix is taken to be included in this Offer Document.

The Appendix is primarily of interest to professional analysts, or investors with similar specialist information needs. In particular, it may be of interest to investors who require further information regarding finance and accounting matters and QR National's regulatory position.

The Appendix contains the following.

Section 1 Further financial and accounting information

- 1.1 Basis of preparation of financial information
- 1.2 Allocation methodology for financial separation of continuing and discontinued operations of QR Limited
- 1.3 Critical accounting policies
- 1.4 Reconciliation of pro forma historical consolidated statements of revenue, EBITDA and EBIT to the Financial Statements
- 1.5 Pro forma historical and forecast statements of revenue, EBITDA and EBIT: inter-segment revenue eliminations
- 1.6 Management Discussion and Analysis on pro forma historical statements of revenue, EBITDA and EBIT by operating division
- 1.7 Pro forma consolidated historical balance sheet: property, plant and equipment by operating division
- 1.8 Liquidity and capital resources
- 1.9 Reconciliation of pro forma historical consolidated cash flow statements before interest, tax and financing activities to statutory historical consolidated cash flow statements
- 1.10 Capital expenditure profile by operating division

- 1.11 Reconciliation of pro forma forecast consolidated income statements to statutory forecast consolidated income statements

- Section 2 Investigating Accountant's Report on the Pro Forma Historical Financial Information
- Section 3 Investigating Accountant's Report on the Forecast Financial Information
- Section 4 Benchmarking by QR National
- Section 5 QR National rollingstock – average age
- Section 6 QR National regulatory environment
- Section 7 Comparison of the Queensland Access Regime and the National Access Regime
- Section 8 Report by Synergies Economic Consulting on the potential risks in the event of a transition to the ACCC access regime
- Section 9 QCA Investment Framework
- Section 10 Summary of QR National Constitution – rights attaching to Shares
- Section 11 Summary of QR National incentive plans
- Section 12 Summary of the Offer Management Deed
- Section 13 Consents to be named in the Offer Document

If you consider that the information in the Appendix may assist you in making your investment decision, you may obtain a copy of the Appendix free of charge by calling 1800 776 476 (within Australia) or +61 3 9938 4376 (outside Australia).

In addition to the Appendix, the Financial Statements (which have been lodged with ASIC and are also incorporated by reference in this Offer Document) may be obtained free of charge by calling 1800 776 476 (within Australia) or +61 3 9938 4376 (outside Australia) or are available at qrnshareoffer.com.au. The Financial Statements contain a summary of all significant accounting policies relevant to the Pro Forma Historical Financial Information and Forecast Financial Information. The State considers that this information is primarily of interest to professional analysts, or investors with similar specialist information needs.

10.22 Authorisation

The State has authorised the issue of this Offer Document and it is signed for and on behalf of the State by:

[Signed by Andrew Fraser]

ANDREW FRASER
Treasurer of Queensland
Minister for Employment and Economic Development

11

Glossary



11 Glossary

Some terms and abbreviations in this Offer Document, together with industry specific terms, have defined meanings. These terms and abbreviations are generally capitalised (some industry specific terms are not capitalised) and their defined meanings are set out in this Glossary and are used throughout this Offer Document (including in the Application Forms and the Appendix).

A reference to time in this Offer Document is to the time in Brisbane, Queensland, Australia. A reference to dollars, \$, A\$ or cents in this Offer Document is a reference to Australian currency unless otherwise stated. Any reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.

Term	Definition or meaning
ABARE	Australian Bureau of Agricultural and Resource Economics
ABN	Australian Business Number
above rail	rollingstock—including locomotives and wagons and associated infrastructure (e.g. maintenance and operational depots)
ACCC	Australian Competition and Consumer Commission
Access Agreement	an agreement between an Access Provider and an Access Seeker to provide the Access Seeker with access to the Access Provider's infrastructure on terms and conditions set out in the agreement
Access Charge	the price paid for access under an Access Agreement
Access Conditions	the non-standard terms and conditions on which an owner or operator of infrastructure used to provide a service undertakes to provide access to Access Seekers
Access Provider	an entity that provides access to infrastructure owned or operated by it (e.g. rail infrastructure services)
Access Seeker	a person who seeks access to rail infrastructure
Access Undertaking	a written undertaking that sets out the terms and conditions on which an owner or operator of infrastructure undertakes to provide access to that infrastructure
ACN	Australian Company Number
Appendix	the appendix to this Offer Document which contains additional information relevant to the Offer and which is incorporated by reference into this Offer Document. See Section 10.21 for an overview of information included in the Appendix
Applicant	a person or persons making an Application
Application	a valid application to apply for Shares under this Offer Document
Application Form(s)	an application form(s) either attached to or accompanying this Offer Document (including any online application forms)
Application Instructions	the orange Application Instructions in the centre of this Offer Document
Application Payment	the total dollar value amount submitted by an Applicant with their Application
Application Reference Number	an eight or nine digit number found at the top right corner of any Application Form or on your pre-registration confirmation letter or e-mail (if applicable)
ARG Bulk	Australian Western Railroad Pty Ltd (ABN 39 094 792 275) and Australian Eastern Railroad Pty Ltd (ABN 84 118 274 776) trading as Australian Railroad Group
ARTC	Australian Rail Track Corporation Limited (ABN 75 081 455 754)
ASIC	Australian Securities and Investments Commission

11 Glossary

Term	Definition or meaning
ASTC	ASX Settlement Pty Limited (ABN 49 008 504 532)
ASX	Australian Securities Exchange operated by ASX Limited (ABN 98 008 624 691)
ASX Listing Rules	the official listing rules of ASX
ASX Operating Rules	the market rules of ASX regulating trading in shares on ASX
ASX Settlement Operating Rules	the rules of ASX Settlement Pty Limited (ABN 49 008 504 532)
ATO	Australian Taxation Office
Australian Government	Government of the Commonwealth of Australia
Base Offer Size	base size of the Offer, being between 1,464.0m and 1,683.6m Shares, before any exercise of the Over-allocation Option
Bell Potter Securities	Bell Potter Securities Limited (ABN 25 006 390 772)
below rail	track, electric infrastructure, signalling and associated rail infrastructure
BITRE	Australian Bureau of Infrastructure, Transport and Regional Economics
bn	billion
Board	the board of directors of QR National or, as applicable before the incorporation of QR National, of QR Limited
Brisbane time	the local time in Brisbane, Queensland, Australia (Australian Eastern Standard Time)
broad gauge	a distance between rails of 1,600 millimetres (five feet three inches)
Broker	any ASX participating organisation selected by the Joint Lead Managers to participate in the Broker Firm Offer and depending on the context may include the Co-lead Managers or Co-managers
Broker Firm Applicant	an Australian resident client of a Co-lead Manager, Co-manager or Broker who is offered a firm allocation of Shares under the Broker Firm Offer
Broker Firm Offer	the invitation under this Offer Document to apply for Shares made to Broker Firm Applicants
bt	billion tonnes
btk	billion tonne kilometres
CAGR	compound annual growth rate, expressed as a percentage per year
Certification	a determination made under the <i>Trade Practices Act 1974</i> (Cth), that a state or territory Third Party Access regime is effective for the purposes of the National Access Regime. Certification ensures that the state-based regime exclusively governs access to the services for the duration of certification so long as the regime is not substantially modified
CGT	capital gains tax
Chairman	Chairman of QR National, John B Prescott AC
CHESS	Clearing House Electronic Subregister System, operated by ASX Settlement Pty Limited (ABN 49 008 504 532)
CHESS HIN	CHESS Holder Identification Number
Closing Date	the date on which the Offer closes, being 12 November 2010 in respect of the Retail Offer or 19 November 2010 in respect of the Institutional Offer

11 Glossary

Term	Definition or meaning
Co-lead Managers	each of Commonwealth Securities and Wilson HTM
Co-managers	each of Bell Potter Securities, E.L. & C. Baillieu Stockbroking, Evans & Partners, JBWere, Merrill Lynch Global Wealth Management, Ord Minnett, Patersons Securities Limited, RBS Morgans and UBS Wealth Management
Commonwealth Securities	Commonwealth Securities Limited (ABN 60 067 254 399)
Company or QR National	QR National Limited (ACN 146 335 622), and where the context requires, includes any of its subsidiaries and controlled entities
Company Secretary	the company secretary of QR National
consist	a group of locomotives and wagons which make up a train
Constitution	the constitution of QR National
Corporations Act	<i>Corporations Act 2001</i> (Cth)
CPI	Consumer Price Index
CQCN	Central Queensland Coal Network, including the Parana-Rocklands and the Durroburra-Kaili sections of the North Coast Line
Credit Suisse	Credit Suisse (Australia) Limited (ABN 94 007 016 300)
Customer Specific Branch Line	an Extension that when constructed will connect a customer's loading facility to rail infrastructure
CY	calendar year ended or ending 31 December, as the context requires
DBCT	Dalrymple Bay Coal Terminal
Declared Service	the CQCN and certain Extensions of the CQCN owned or leased by the owner or lessee of the CQCN that have been declared for Third Party Access under Part 5 of the QCA Act
Deferred Plan	Employee Deferred Share Plan, as described in the Appendix
Direct Reports	the eight most senior executives of QR National's executive team reporting to the Managing Director and Chief Executive Officer, being Michael Carter, Lindsay Cooper, Curtis Davies, Ken Lewsey, Marcus McAuliffe, Deborah O'Toole, Greg Pringle and John Stephens
Directors	the directors of QR National
DRP	a dividend reinvestment plan of QR National, as described in Section 10.7
EBIT	earnings before interest and tax
EBITDA	earnings before interest, tax, depreciation and amortisation
E.L. & C. Baillieu Stockbroking	E.L. & C. Baillieu Stockbroking Limited (ABN 74 006 519 393)
Eligible Employee	an employee of QR National and its subsidiaries in Australia (other than executives who will be eligible to participate in other equity-based incentive plans) as at 5.00 pm (Brisbane time), Wednesday, 1 September 2010, provided the employee remains employed at the Closing Date
Eligible U.S. Fund Manager	a dealer or other professional fiduciary organised, incorporated or (if an individual) resident in the United States that is acting for an account (other than an estate or trust) held for the benefit or account of persons that are not U.S. Persons for which it has, and is exercising, investment discretion, within the meaning of Rule 902(k)(2)(i) of Regulation S under the U.S. Securities Act

11 Glossary

Term	Definition or meaning
Employee Application Form(s)	a green personalised employee application form distributed to Eligible Employees to accept their Employee Gift Offer and/or to apply for any additional shares in their own name under the General Public Offer and/or a blue employee application form distributed to Eligible Employees to apply for any additional shares in the name of a family trust account or superannuation fund account or jointly with any other persons
Employee Gift Offer	the invitation under this Offer Document by the State to Eligible Employees to apply for \$1,000 worth of Shares (rounded down to the nearest Share) for no monetary payment
ESAP	Employee Share Acquisition (Tax Exempt) Plan, as described in the Appendix
ESP Trust	the trust established by QR National to administer and hold Shares for the purposes of the employee and senior executive incentive plans
ESP Trustee	the trustee appointed by QR National as trustee of the ESP Trust
Evans & Partners	Evans and Partners Pty Ltd (ABN 85 125 338 785)
Expansion	an Extension that is not a Customer Specific Branch Line
Extension	an enhancement, expansion, augmentation, duplication or replacement of all or part of the rail infrastructure
Financial Statements	the audited historical consolidated financial statements of QR Limited for the financial years ended 30 June 2008, 2009 and 2010, lodged with ASIC on 8 October 2010 and incorporated by reference in this Offer Document
Forecast Financial Information	the statutory and pro forma forecast information for the Forecast Period, as set out in Section 8
Forecast Period	the two year period from 1 July 2010 to 30 June 2012
FY	financial year ended or ending 30 June, as the context requires
GAPE X50	Goonyella and Abbot Point Expansion X50 project, as described in Section 4.5.2.2
GDP	gross domestic product
GAAP	Generally Accepted Accounting Principles
General Application Form(s)	two brown general application forms in the centre of this Offer Document
General Public Offer	the invitation under this Offer Document to apply for Shares made to Retail Investors who are not Broker Firm Applicants
Goldman Sachs	Goldman Sachs & Partners Australia Pty Ltd (ABN 21 006 797 897)
GSE X140	Goonyella System Expansion X140 project, as described in Section 4.5.2.2
GST	Australian goods and services tax
gtk or gross tonne kilometre	unit of measure representing the movement over a distance of one kilometre of one tonne of vehicle and contents excluding the weight of the locomotive
Henry Tax Review	the review of Australia's Future Tax System undertaken by the Australian Government between 2008 and 2010
HPCT	Hay Point Coal Terminal
HVAU	Hunter Valley Access Undertaking
IFRS	International Financial Reporting Standards

11 Glossary

Term	Definition or meaning
Indicative Price Range	the indicative price range for the Institutional Offer of \$2.50–\$3.00 per Share
Infrastructure Enhancements	new rail infrastructure or a modification to existing rail infrastructure
Institutional Bookbuild	the process to be conducted by the State and the Joint Lead Managers at the close of the Retail Offer to determine the Institutional Price and the allocation of Shares to Institutional Investors
Institutional Investor	an investor to whom offers or invitations in respect of Shares can be made without the need for a lodged offer document or prospectus or other formality, including in Australia persons to whom offers or invitations in respect of Shares can be made without the need for a lodged disclosure document under section 708 of the Corporations Act, provided that such a person is not located in the United States, unless it is, and any such underlying investor for whose account or benefit it is acting, is a QIB or is an Eligible U.S. Fund Manager
Institutional Offer	the invitation to Institutional Investors in Australia to apply for Shares under this Offer Document, and an invitation to Institutional Investors in a number of other jurisdictions to apply for Shares under the Institutional Offering Memorandum
Institutional Offering Memorandum	the offering memorandum under which the Institutional Offer will be made in certain overseas jurisdictions, which consists of this Offer Document, the Appendix and an offer document wrap
Institutional Price	the Australian dollar denominated price per Share that Successful Applicants will pay for Shares under the Institutional Offer, being the price determined by the State, after consultation with the JLMs through the Institutional Bookbuild
Investigating Accountant	KPMG Transaction Services (Australia) Pty Limited (ABN 65 003 891 718)
Investigating Accountant's Reports	the report in respect of the Pro Forma Historical Financial Information and the report in respect of the Forecast Financial Information prepared by the Investigating Accountant, as set out in the Appendix
Investment Framework	principles that will govern the ownership, construction and financing of network infrastructure investments in the CQCN used to provide Declared Services
JBWere	JBWere Pty Ltd (ABN 68 137 978 360)
Joint Lead Managers or JLMs	each of Credit Suisse, Goldman Sachs, Merrill Lynch, RBS and UBS
km	kilometres
Last Exercise Date	the latest date prior to which the Options may be exercised under the R&O Plan
Last Vesting Date	the last date on which the Rights and/or Options are able to vest under the R&O Plan
Listing	the admission of QR National to the Official List of ASX and quotation of the Shares on ASX, expected to be on or around 22 November 2010
Loyalty Bonus Shares	fully paid ordinary shares in QR National transferred for no additional monetary consideration to Shareholders (who meet certain conditions) by the State, as described in Sections 2.2.2.3 and 10.4
Loyalty Right	the right to receive Loyalty Bonus Shares
LTIA	Long term incentive award
LTIFR	Lost Time Injury Frequency Rate, being a measure of the number of lost time injuries per million hours worked over a 12 month period

11 Glossary

Term	Definition or meaning
m	million
Maximum Allowable Revenue	maximum revenue that QR Network is entitled to earn from the provision of coal carrying train services in the CQCN across the term of an Access Undertaking
Maximum Price per Share	\$2.80
Merrill Lynch	Merrill Lynch International (Australia) Ltd (ABN 31 002 892 846)
Merrill Lynch Global Wealth Management	Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795) (GWIM division)
MRRT	Minerals Resource Rent Tax
mt	millions of tonnes
mtpa	millions of tonnes per annum
narrow gauge	a distance between rails of 1,067 millimetres (three feet six inches)
National Access Regime	Australia's national framework for regulating Third Party Access as set out in Part IIIA of the TPA
NCC	National Competition Council
ntk or net tonne kilometre	unit of measure representing the movement over a distance of one kilometre of one tonne of contents excluding the weight of the locomotive and wagons
Offer	the invitation under this Offer Document to apply for Shares under the Retail Offer and the Institutional Offer
Offer Date	the date of this Offer Document, 8 October 2010
Offer Document	this offer document dated 8 October 2010
Offer Management Deed	the offer management deed between the State, QR National and the Joint Lead Managers, as described in Sections 2.8 and 10.6.2 and the Appendix
Offer Period	the period commencing on the Offer Date and ending on the Closing Date
operating ratio	1 — EBIT margin, expressed as a percentage
Option	a right to acquire a share in accordance with the R&O Plan
Ord Minnett	Ord Minnett Limited (ABN 86 002 733 048)
Over-allocation Option	the option to over-allocate up to 6 % of the Shares on issue to Institutional Investors under the Institutional Offer, as described in Section 2.4.3
Pacific National	Pacific National Pty Ltd (ABN 39 098 060 550), a wholly-owned subsidiary of Asciano Limited (ABN 26 123 652 862)
Patersons Securities Limited	Patersons Securities Limited (ABN 69 008 896 311)
PMI	Australian Industry Group—PricewaterhouseCoopers Australian Performance of Manufacturing Index is a seasonally adjusted national composite index based on the diffusion indices for production, new orders, deliveries, inventories and employment with varying weights
Pro Forma Historical Financial Information	pro forma historical financial information for the financial years ended 30 June 2008, 2009 and 2010 as set out in Section 8
QCA	Queensland Competition Authority

11 Glossary

Term	Definition or meaning
QCA Act	<i>Queensland Competition Authority Act 1997</i> (Qld)
QIB	qualified institutional buyer, as such term is defined in Rule 144A under the U.S. Securities Act
QR Limited	QR Limited (ACN 124 649 967), the corporation that until 30 June 2010 owned Queensland Rail and the QR National group of companies, and is now wholly-owned by QR National
QR National or Company	QR National Limited (ACN 146 335 622), and where the context requires, includes any of its subsidiaries and controlled entities
QRN Coal	the above rail coal haulage operating division of QR National
QRN Freight	the above rail freight haulage operating division of QR National
QR Network	QR Network Pty Limited (ABN 78 132 181 116), a wholly-owned subsidiary of QR National and long-term lessee of the CQCN
QRN Network Services	the network services operating division of QR National
QTC	Queensland Treasury Corporation (ABN 15 736 217 171)
QTH	Queensland Treasury Holdings Pty Ltd (ABN 52 011 027 295)
Queensland Access Regime	the Queensland-based Third Party Access regime, the framework of which is set out in Part 5 of the QCA Act
Queensland Rail	Queensland Rail Limited (ACN 132 181 090)—this entity is owned by the State and operates the core public rail passenger business
Queensland rail access regime	Queensland Access Regime as it relates to declared rail transport services, including the services provided by the CQCN and certain Extensions of the CQCN owned or leased by the owner or lessee of the CQCN
RBS	RBS Equity Capital Markets (Australia) Limited (ABN 17 000 757 111)
RBS Morgans	RBS Morgans Limited (ABN 49 010 669 726)
Reference Tariffs	establish prices for access to defined services across the term of an Access Undertaking
Regulated Asset Base	the value of the asset base on which pricing is determined by the price regulator
Regulation S	Regulation S promulgated under the U.S. Securities Act
Retail Investor	an Australian resident investor who is not an Institutional Investor and includes Broker Firm Applicants and Eligible Employees
Retail Investor Incentives	the incentives available only to Retail Investors who apply for Shares under the Retail Offer, being the Retail Price Discount, Maximum Price per Share and Loyalty Bonus Shares
Retail Offer	the Broker Firm Offer, General Public Offer and Employee Gift Offer
Retail Price	the Australian dollar denominated price per Share that Successful Applicants will pay for Shares under the Retail Offer. This price per Share will be determined based on the Institutional Price and will be the lower of the Institutional Price less the Retail Price Discount or the Maximum Price per Share
Retail Price Discount	a discount of 10 cents per Share to the Institutional Price
Right	a right to acquire a share in accordance with the R&O Plan

11 Glossary

Term	Definition or meaning
ringfencing	the procedures and measures for the purposes of separating a regulated below rail business from an above rail business
R&O Plan	Omnibus Equity Plan – Rights and Options, as described in the Appendix
Rothschild	Rothschild Australia Limited (ABN 61 008 591 768)
Section	a section of this Offer Document
Settlement	the settlement in respect of all, or substantially all, of the Shares the subject of the Offer occurring under the Offer Management Deed and associated settlement support arrangements
Share	a fully paid ordinary share in QR National
Share Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Shareholder	a registered holder of a Share
Significant Investment	a major Expansion project to support a new loading or unloading facility where the rail infrastructure has an estimated cost in excess of \$300m
SRN	Securityholder Reference Number
SSP	Salary Sacrifice Plan, as described in the Appendix
Stabilisation Manager	Goldman Sachs
standard gauge	a distance between rails of 1,435 millimetres (four feet 8.5 inches)
Standard User Funding Agreement	a pro forma User Funding Agreement
State	the State of Queensland
State Actuary	an officer of the State who provides actuarial services and advice to the State's departments and agencies
STIA	Short term incentive award
Successful Applicant	an Applicant or Institutional Investor to whom Shares are sold under the Offer
Syndicated Facility	the \$3bn multi-option syndicated facility, as described in Section 10.6.3
Third Party Access	the provision of access to infrastructure services to a person that is not the owner or operator of the relevant infrastructure
TIA	<i>Transport Infrastructure Act 1994</i> (Qld)
tonne	one metric tonne, being 1,000 kilograms
tonne kilometres	the product of tonnes and distance
TPA	<i>Trade Practices Act 1974</i> (Cth)
Treasurer	the Treasurer of Queensland
TSC	Transport Services Contract entered into between the State and QR National for the provision of regional freight and livestock services in Queensland, as described in Sections 7.4.6 and 7.4.7
UBS	UBS AG, Australia Branch (ABN 47 088 129 613)
UBS Wealth Management	UBS Wealth Management Australia Ltd (ABN 50 005 311 937)

11 Glossary

Term	Definition or meaning
US or United States	United States of America, its territories and provinces, any state of the United States of America and the District of Columbia
US\$	United States dollars
U.S. Person	has the meaning given to it in Rule 902(k) under Regulation S
U.S. Securities Act	United States Securities Act of 1933, as amended
User	an Access Seeker or their customer
User Funding Agreement	an agreement by which a User agrees to provide funding to QR Network for the development of Infrastructure Enhancements
UT3	QR Network's Access Undertaking which applies to 30 June 2013 and sets the terms and conditions of access to the CQCN, including pricing for the period from 1 July 2009 to 30 June 2013
WACC	weighted average cost of capital, expressed as a percentage
WICT	Wiggins Island Coal Terminal
Wilson HTM	Wilson HTM Corporate Finance Ltd (ABN 65 057 547 323)

12 Corporate directory

QR National's registered and head office

QR National

Level 14
Rail Centre 1
305 Edward Street
Brisbane QLD 4000

Joint Lead Managers

Credit Suisse

Level 31
Gateway
1 Macquarie Place
Sydney NSW 2000

Goldman Sachs

Level 42
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Merrill Lynch

Level 38
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

RBS

Level 22
RBS Tower
88 Phillip Street
Sydney NSW 2000

UBS

Level 16
Chifley Tower
2 Chifley Square
Sydney NSW 2000

Co-lead Managers

Commonwealth Securities
Wilson HTM

Co-managers

Bell Potter Securities
E.L. & C. Baillieu Stockbroking
Evans & Partners
JBWere
Merrill Lynch Global Wealth Management
Ord Minnett
Patersons Securities Limited
RBS Morgans
UBS Wealth Management

Lead and commercial advisers

Merrill Lynch

Level 38
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Rothschild

Level 41
50 Bridge Street
Sydney NSW 2000

RBS

Level 22
RBS Tower
88 Phillip Street
Sydney NSW 2000



Printed on Chain of Custody certified paper to encourage responsible forestry practices through the Program for the Endorsement of Forest Certification (PEFC) schemes.

Australian legal advisers

To the State

Allens Arthur Robinson

Level 31
Riverside Centre
123 Eagle Street
Brisbane QLD 4000

To QR National

Mallesons Stephen Jaques

Level 30
Waterfront Place
1 Eagle Street
Brisbane QLD 4000

Minter Ellison

Level 22
Waterfront Place
1 Eagle Street
Brisbane QLD 4000

To the Joint Lead Managers

Clayton Utz

Level 28
Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

Investigating Accountant

KPMG Transaction Services (Australia) Pty Limited

Level 16
Riparian Plaza
71 Eagle Street
Brisbane QLD 4000

Share Registry

Computershare Investor Services Pty Limited

Level 19
307 Queen Street
Brisbane QLD 4000

Share Offer InfoLine

1800 776 476
7.00 am – 11.00 pm (Brisbane time)
Monday to Friday

Share Offer website

qrnshareoffer.com.au

Non-English speaking translation services

If you require translation assistance regarding the contents of this Offer Document, please go to www.qld.gov.au/languages where you will be directed to the Australian Government Translating and Interpreting Services.



QR NATIONAL
Share Offer

Visit qrnshareoffer.com.au
Call 1800 776 476