

ASX/MEDIA RELEASE

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UPDATE ON PACIFIC NATIONAL COAL

Asciano signs contract with Anglo Coal in Queensland

Asciano has announced today the signing of its fourth Queensland coal haulage customer. Anglo Coal has executed a long term, take or pay contract with Asciano for the haulage of coal exports by rail in Queensland commencing in the 2009/2010 Financial Year.

The performance based contract is for a period of 10 years and provides Anglo Coal with rail haulage capacity of up to 5.75 million tonnes per annum from its Moranbah North mine in the Goonyella system.

Asciano Managing Director and Chief Executive Officer, Mark Rowsthorn said, "Anglo Coal was looking to apply its integrated coal chain model to the commercial principles of a coal haulage contract. The result is a unique mixture of take or pay commitments by Anglo and performance based commitments from Asciano that matches the cargo assembly mode of the coal chain"

"We are extremely pleased to have Anglo Coal on board. They are a key contributor in the transformation of the Queensland coal supply chain and their CEO Seamus French and his fellow Board members of the Dalrymple Bay Coal Chain Board have provided significant industry leadership in driving change" Mr Rowsthorn said.

During May, Asciano commissioned the second of its diesel powered coal trains for the Queensland coal fields. Meanwhile, the first of Asciano's Queensland coal trains is fast approaching a milestone of having hauled 500,000 tonnes. Even though its long term contracts with Anglo, Macarthur, Rio Tinto and Xstrata have not yet commenced, Asciano's first train will achieve this feat within the first three months of its commissioning.

"Asciano remains very confident in the long term coal export opportunities for Australia and understands how important our performance is to all parts of the coal supply chain", Mr Rowsthorn said.

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Hunter Valley contract negotiations and capital expenditure program

Asciano advises that it is in detailed discussions with a number of key existing Hunter Valley Coal haulage customers regarding anticipated contract renewals over the next two financial years. Whilst these discussions remain incomplete, Asciano has a high degree of confidence in the anticipated outcome of these contract renewal processes. Asciano also advises that it is in commercial discussions with one of its major existing customers for a long-term haulage contract for their NSW tonnages (both export and domestic) from 2011 onwards. Whilst these discussions remain incomplete, Asciano believes they are progressing well.

Having regard to the above, Asciano today announces that it will commence the process of placing orders for an additional 12 locomotives and 400 120-tonne coal wagons to supplement its Hunter Valley Coal fleet. The total capital expenditure commitment is approximately \$160m, of which approximately \$30m will be spent immediately, with the balance spent progressively through the 2009/10 financial year.

Commenting on the orders for new rolling stock, Asciano Chief Executive Officer and Managing Director, Mr Mark Rowsthorn, said "The orders for new equipment follow a rigorous assessment of our capacity needs in the Hunter Valley, based on ongoing discussions with our key customers. Over the course of the next two years, we would expect to retain the bulk of our existing customer base, with some loss of existing tonnages through the contract renewal process (for example as returns available will be below our required hurdle rates), and gains of new tonnages as customers expand their operations.

Overall, we expect the net impact of the above to be an increase in volumes for our Hunter Valley business of between 40% to 50% above current volumes by December 2012. The rolling stock we have ordered had previously been budgeted to be spent primarily in the 2010/2011 financial year, and the fact that we have brought it forward to meet customer demand is a very positive sign for the business."

Media enquiries

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