

THE INLAND RAILWAY

STATUS REPORT

APRIL, 2008

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PREFACE

For the past decade, a small company, founded by private investors who are committed to the economic and social development of Regional Australia, has been the proponent of a rail project known as,

THE AUSTRALIAN INLAND RAIL EXPRESSWAY

Its long range plan is to build an Inland Railway which will link Melbourne and Darwin via NSW and Queensland.

The company, **Australian Transport and Energy Corridor Ltd (ATEC)**, has fought a long but successful battle to establish this railway, despite experiencing considerable apathy from politicians and bureaucrats at all levels of five governments.

In 2007, the Queensland Government led the way towards the fruition of this grand vision by granting an Unconditional Exclusive Mandate to an ATEC led Consortium to create the Surat Basin Railway in Queensland.

Now, ATEC has announced that it intends to create a railway across the New South Wales/Queensland Border from Moree to Toowoomba where it will link with the Surat Basin Railway, thereby completing a national railway from Melbourne to Gladstone.

In addition, ATEC is proceeding with the development of major freight centres at Toowoomba and Parkes.

This report will inform you of the status of the Inland Railway as at April, 2008, and what ATEC has planned for the immediate future.

EVERALD COMPTON
CHAIRMAN OF ATEC

FIRST SECTOR - THE SURAT BASIN RAILWAY

The **Surat Basin Railway (SBR)** will be built in Central Queensland. It will make a significant contribution to the decentralisation of South Eastern Queensland by creating industrial development and employment in the **Surat Coal Basin** where there is four billion tonnes of thermal coal which has been largely unmined due to a lack of access to a Port.

SBR will create a direct rail link to the **Port of Gladstone** for the export of this coal and ATEC is seeking to have it operational by **2013** to coincide with the opening of the new Wiggins Island Coal Terminal at Gladstone.

ATEC, as the long term proponents of the Australian Inland Rail Expressway, submitted a proposal for the development of the SBR corridor to the Queensland Government in March, 2005. As the result, in November, 2005, ATEC was invited by the Queensland Premier to submit a detailed Business Case by 31 January, 2006. This was presented on schedule and the Premier announced the granting of a Conditional Exclusive Mandate in July, 2006. The Mandate documents were signed in December, 2006, and all the conditions of the Mandate were met and approved in July, 2007, when the Queensland Government declared the Mandate to be unconditional.

The Mandate has now been novated to a Consortium comprising ATEC, IFM, QR, Xstrata Coal and Anglo Coal, these five companies having signed a joint venture agreement in December, 2006, which established a structure to assess bankability and seek to bring the project to financial close. ATEC's Chairman, Everal Compton, is also Chairman of the joint venture company, Surat Basin Rail Pty Ltd.

SBR will link **Wandoan** to **Banana** in Central Queensland, both being located on the Leichhardt Highway which carries a high volume of road transport. The creation of this missing rail link of **220 kilometers** will revolutionise the way in which freight is carried in Southern Queensland by directing it to Gladstone in preference to Brisbane.

ATEC's aim in developing SBR is to create a significant freight corridor between **Gladstone** and **Toowoomba** where the largest freight centre in South East Queensland will be established by ATEC at Charlton.

There are sixteen coal mines in the Surat Basin that will have access to the SBR to export their coal through the Port of Gladstone. Initially, it is estimated that the corridor will export **twenty million tonnes of coal per annum** and this figure is expected to rise to **fifty million tonnes**.

A corridor for SBR has been identified and is being assessed by the joint venture. For the greater part, it follows a road corridor from Wandoan to Cracow and on to Banana, passing by Theodore on the way, while avoiding national parks and flood plains and bypassing the existing unused rail track from Theodore to Moura which is beyond repair.

From the Wandoan end, existing QR tracks will be upgraded to link SBR with Toowoomba so as to give access to Gladstone to eight coal mines along its path.

From the Banana end, QR's existing corridor from Moura will create the link to Gladstone and will be rebuilt to enable trains to carry significantly heavier loads.

ATEC's Business Case also provides for the corridor to be built as dual gauge. A Federal Government Grant was announced by the former Minister for Transport at a Press Conference in Gladstone in August, 2007 and this is currently being finalised with the Rudd Government.

ATEC estimates that the construction cost of the missing link is in the order of \$1 billion.

As the **Australian Inland Rail Expressway** is planned to link Melbourne with Gladstone, it is essential that it be built to accommodate both **standard gauge** and **narrow gauge** trains so that it can be part of a national rail system.

SBR will be an open access railway which will be used by competing freight distributors and financed by the carriage of coal and other minerals, as well as rural products and general freight.

SBR is not dependant upon the completion of the Melbourne to Toowoomba segment of the project even though it will be greatly enhanced by it.

SECOND SECTOR – THE BORDER RAILWAY – MOREE TO TOOWOOMBA

The Melbourne to Toowoomba sector of the Inland Railway has the backing, in principle, of the four governments involved in it and will follow a route via Parkes and Moree.

ATEC has a joint venture arrangement with **Australian Rail Track Corporation (ARTC)** for the development of an Inland Railway linking Victoria and Queensland and the former Prime Minister acknowledged this arrangement in a letter to ATEC dated 25 August, 2004.

As the result of this, ATEC and ARTC each have a 50% shareholding in a company called Australian Inland Rail Expressway Pty Ltd [AIRE].

Three significant achievements have occurred since the formation of AIRE:

- (a) The Federal Department of Transport and Regional Services has finalized its North-South Corridor study and assessed all possible combinations for a proposed inland rail corridor. In ATEC's view, the most efficient and financially viable corridor is the one that was considered as part of a business case prepared by ATEC, following a pre feasibility study conducted in 2001 by ATEC and ARTC, in association with QR, the Port of Melbourne, the Port of Brisbane, Macquarie Bank, Maunsell Australia and others.

(b) AIRE has been granted *Major Project Status* by the Commonwealth Government and *Significant Project Status* by the Queensland Government and has been acknowledged by Auslink as an extension to the national rail system.

(c) ARTC has gained leases for a number of relevant major rail tracks in NSW.

ATEC believes that this work allows the way open for the Melbourne/Toowoomba sector of AIRE to proceed in two parts,

(a) **Melbourne to Moree** for which ARTC is progressively implementing an upgrading of the existing tracks that will be used.

(b) **Moree to Toowoomba**, which will require a new standard gauge track across the border into Queensland and on to Toowoomba via Inglewood & Millmeran.

ATEC has now announced its intention to build the Moree/Toowoomba Railway by 2014 and has submitted a Business Case to the Queensland and NSW Governments on 31 March, 2008, seeking an Unconditional Exclusive Mandate similar to SBR. The project will be known as the Border Railway and its completion will mean that standard gauge trains will be able to run from Melbourne to Gladstone.

REMAINING SECTORS IN QUEENSLAND & THE NORTHERN TERRITORY

NORTH WEST MINERALS PROVINCE TO BOWEN

ATEC is also pursuing the development of a new railway to assist iron ore mines of the NW Minerals Province of Queensland, and other existing mines of that region, to have adequate access with the Ports of Townsville and Bowen and the Bowen Coal Basin, creating the potential to establish a steel industry there as well as the potential to open new agricultural industries in North Queensland.

A preliminary assessment is now underway.

LINKING THE BOWEN & SURAT COAL BASINS BY RAIL

ATEC has performed an initial assessment of this project.

This shows that a rail link from Banana to Emerald and Bowen could be viable as it would give the prosperous Central Highlands of Queensland a direct inland rail link to South Eastern Queensland and Southern Capitals and open new coal mines within the two Coal Basins, as well as providing those mines a choice of four available ports.

Further assessment is being performed on the development of this railway.

MOUNT ISA TO TENNANT CREEK

The first phase of a pre-feasibility study was conducted by ATEC in association with the Federal Government to consider the viability of creating a rail link between the North West Mineral Province of Queensland and the Adelaide/Darwin Railway.

The initial report of this phase indicates that several new mines must open along the route to provide the capacity for this sector to be viable and the Adelaide/Darwin Railway must be upgraded to give it the capacity to carry heavy mineral loads.

It will be the last section of the inland railway to be completed as it will require a significant government investment.

FREIGHT CENTRES

ATEC controls 200 hectares of land at Charlton, just west of Toowoomba, for development as a major freight hub which it intends to open during 2008 as a suburban freight centre for all of South Eastern Queensland.

The land is situated at the point where the Melbourne/Toowoomba Railway will join the Surat Basin Railway. It is also close to the proposed Toowoomba Bypass Highway.

Local Government approval has been obtained for a material change of use for the land and a Development Application has also been approved.

ATEC has acquired land for a Freight Centre at Parkes and has opened negotiations with the Parkes Shire Council.

WHO IS BEHIND THE DRIVE TO BUILD THE AUSTRALIAN INLAND RAILWAY EXPRESSWAY?

ATEC is a public unlisted company, formed in 1996. The Directors of ATEC are,

EVERALD COMPTON	(Chairman) Company Director of Brisbane
DON McDONALD	(Deputy Chairman) Grazier of Cloncurry
JOHN BALASSIS	(Chief Executive) Chartered Accountant of Sydney
PETER SMALLER	Steel Merchant and Company Director of Sydney
ALBERT HAKFOORT	Hotelier and Property Developer of Toowoomba and Mount Isa
BILL GIBBINS	Transport Investor of Melbourne

JOHN DORNBUSCH Sharebroker of Toowoomba (Chairman of the ATEC
Freight Terminals Trust)

Also included in the ATEC team are:

WARREN McREIGHT, an experienced engineer, who is Chief Operating Officer of ATEC and is based at the company's Brisbane office together with ROBERT TREDENICK who is the Business Administrator and MARGARET HICKSON who is Personal Assistant to the Chairman.

KARYN MEALEY of Sydney is ATEC's legal counsel and PETER BARDA is Company Secretary.

There are now twenty eight people who are shareholders of ATEC through their own private companies.

For any further information, you can email us at: atecrail@bigpond.net.au