Clotilde Bélanger
Program Manager
Queensland Competition Authority
Level 27, 145 Ann Street
Brisbane QLD 4000

Aurizon Network Capital Expenditure Report – FY18

31 October 2018

Dear Clotilde

Please find attached Aurizon Network's FY18 Capital Expenditure Report (**FY18 Capex Report**) submitted in accordance with clause 2 of Schedule E of UT4.

Consistent with last year's approach, Aurizon Network engaged RSM Australia (**RSM**) to perform a limited assurance review of the FY18 Capex Report, as follows:

- All projects within the 2017/18 Capital Expenditure Claim have closing balances that reconcile to SAP balances and opening balances reconciled to the previous Capital Expenditure Claims where applicable; and

- Financial year-end (30 June 2018) accrued expenditure transactions over $25,000 included in the 2017/18 Capital Expenditure Claim have been correctly accounted for and based on reasonable estimates (where applicable) in material respects.

Four observations were identified by RSM during the audit of the Capex Claim which resulted in Aurizon Network deducting 0.45% ($952,544) from the claimed amount, prior to submission of the FY18 Capex Report. Each of the observations were primarily due to the cost accounting methodology (accrual-based accounting) implemented at Aurizon Network.
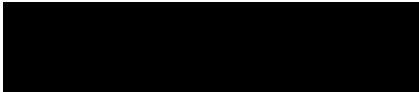
The FY18 Capex Report submitted by Aurizon Network to the Queensland Competition Authority (**QCA**) 31 October 2018 is $214,425,670 including IDC. For clarity, the deductions identified by RSM in its review have already been removed from this amount.

Aurizon Network can confirm the FY18 Capex Claim is suitable for publication.

A copy of RSM's report, suitable for publication, is also included with Aurizon Network's submission of the FY18 Capex Report.

Should you have any questions in relation to this correspondence, please do not hesitate to contact Jenna Cameron on 07 30191123 or via email Jenna.Cameron@aurizon.com.au

Yours sincerely

Donna Bowman
Manager Network Regulation (Access Undertaking)
Aurizon Network