



WICET TERMINAL ACCESS POLICY - Q&A

What is the WICET Terminal Access Policy?

The WICET Terminal Access Policy - also known as the 'WITAP' - sets out the rules for applying for, allocating, managing and expanding capacity at the Wiggins Island Coal Terminal.

The Access Policy is a voluntary access regime, agreed between WICET and the State of Queensland in 2010. Variations must be approved by the State.

The Access Policy is a publicly available document and applications for capacity can be made by any Gladstone Coal Producer.

A 'Gladstone Coal Producer' is any actual or potential coal producer which holds a specified type of mining tenure in an area that has, or potentially has, rail transport connections to the Port of Gladstone.

Who can apply for access under the Access Policy?

Any Gladstone Coal Producer may apply for capacity at the Terminal.

Long term capacity rights are allocated through Take or Pay Agreements between WICET and Gladstone Coal Producers. In some circumstances, capacity may also be made available on a short term basis.

The Access Policy includes the Capacity Management Principles which must be satisfied before WICET makes available capacity at the Terminal.

Who owns WICET?

WICET is the owner of the Terminal. WICET, in turn, is owned by its long-term users - or 'Shippers' - who have Take or Pay Agreements with WICET.

When long term capacity is allocated to a Shipper under a Take or Pay Agreement, the Shipper also takes up an A Class share in WICET with voting rights in proportion to its contracted tonnage allocation.

This means that ownership and use of the Terminal are aligned.

The current owners of WICET are the 8 Gladstone Coal Producers who have entered into Take or Pay Agreements to support the development of Stage 1 of the Terminal. As the Terminal expands, Gladstone Coal Producers who enter into Take or Pay Agreements to support the development of future Stages will become owners of WICET.

The owners of WICET are parties to a Shareholders Agreement which sets out the principles and rules by which WICET is governed. (See '**What is the purpose of the Shareholders Agreement?**').

How are the Directors of WICET appointed?

WICET's Shippers also own the A Class shares in WICET and appoint directors to the WICET Board.

Each Shipper with 10% or more of the Terminal throughput may appoint a director. Those Shippers with less than 10% may collectively appoint a director.

In addition, Gladstone Coal Producers who are not Shippers may apply for 'B Class' shares in WICET which entitle them to receive certain commercial information about WICET and the right collectively to appoint a B Class Director.

The B Class Director is an observer at WICET Board meetings and has certain rights to convene meetings of the B Class Shareholders where a matter being considered by the Board may affect the rights of future users of the Terminal.

An independent Chairman is appointed by the A Class shareholders. The Chairman does not vote at Board meetings.

What is GPC's role at the Terminal?

Gladstone Ports Corporation (GPC) has a number of roles relating to the Terminal.

GPC is currently providing operational readiness support as WICET transitions from construction to operations.

The Terminal is located on land held by WICET through long term leases from GPC.

GPC is the Port Authority for the Port of Gladstone and in this role regulates shipping to the Terminal and other facilities in the Port of Gladstone. GPC also controls the shipping channels and dredging programmes for the Port.

GPC is not a party to the Access Policy.

What information is made available by WICET under the Access Policy?

The Access Policy specifies the information that WICET must make available to:

- Gladstone Coal Producers wishing to apply for capacity, and
- current and potential shareholders.

WICET publishes on its website technical information about the Terminal to help Gladstone Coal Producers determine whether the Terminal and its facilities are suitable to export their coal.

WICET makes available certain commercial information to Gladstone Coal Producers who are interested in becoming shareholders, subject to those producers executing a Confidentiality Agreement. A pro forma of this Confidentiality Agreement is available on the WICET website.

What is the purpose of the Shareholders Agreement?

The Shareholders Agreement referred to in the Access Policy is between WICET and its Shippers (who are A Class shareholders). It sets out the principles and rules by which WICET is governed by its owners.

The Shareholders Agreement, and the associated Constitution of WICET, also include rules protecting the rights of B Class Shareholders.

Clause 5 of the Access Policy includes a summary of the provisions of the Shareholders Agreement relating to A and B Class Shares.

What is the purpose of a B Class share?

Any Gladstone Coal Producer (that is not already a Shipper) may apply for a B Class share in WICET which will entitle it to receive certain commercial information about WICET and the right collectively with other B Class shareholders to appoint a B Class Director.

The B Class Director is an observer at WICET Board meetings and has certain rights to convene meetings of the B Class Shareholders where a matter being considered by the Board or the A Class Shareholders may affect the rights of future users of the Terminal. Matters of this kind must be approved by the B Class shareholders.

The Access Policy (in clause 6) sets out the application procedure for B Class shares.

How are the interests of users of the Terminal and the owners of WICET aligned?

All Gladstone Coal Producers who are allocated long term capacity at the Terminal through Take or Pay Agreements also become parties to the Shareholders Agreement and take up A Class shares in WICET with voting rights in proportion to their contracted tonnage allocations and rights to appoint directors to the WICET Board (see **How are the Directors of WICET appointed?**).

How does WICET decide how much capacity to allocate?

WICET cannot allocate capacity under Take or Pay Agreements for more than the planned throughput capacity of the Terminal.

When deciding how to allocate available capacity, WICET follows the Capacity Management Principles set out in Clause 8 of the Access Policy.

What are FFFA rights and Reserved Capacity rights?

The Access Policy includes priority allocation principles for certain coal producers which derive from the original agreement between the coal industry and Gladstone Ports Corporation for the funding and development of the Terminal before ownership of the project transitioned to WICET.

The first set of rules relates to the so-called 'FFFA', or Feasibility Funding Facility Agreement, established by GPC, through which a group of approximately 25 coal producers provided funding

commitments of approximately \$140m to support the technical feasibility and detailed design work for the Terminal originally undertaken by GPC.

In certain circumstances, these 'FFFA' coal producers are entitled to priority in capacity allocations where there is insufficient Terminal capacity to satisfy all applications for capacity.

The second set of priority rules relate to the 'Reserved Capacity Producers' - Wesfarmers Curragh and the Wandoan Coal Project. These rights are a form of protection against compression of capacity in the event that contracted demand exceeds the capacity actually available at Terminal at a particular time (for example because of a bottleneck in the supply chain).

Wesfarmers Curragh has reserved capacity rights for 1.5Mtpa of capacity in Stage 1 of the Terminal which is currently being exported through the Barney Point terminal at Gladstone. GPC has indicated that it intends to close the Barney Point terminal when the WICET terminal is fully operational.

The reserved capacity rights for the Wandoan Coal Project in the Surat Basin have expired.

Otherwise, if demand for capacity exceeds what is available at the Terminal at a particular time, Shippers are scaled back proportionally to their contracted tonnage allocations for the duration of the capacity shortfall.

What happens if a Shipper has spare capacity or there is spare capacity at the Terminal?

If a Shipper is not using all of its long term capacity it may temporarily allocate the surplus capacity to a substitute shipper in accordance with the rules in its Take or Pay Agreement.

Alternatively, it can ask WICET to make the surplus capacity available on a short term basis.

If unallocated long term capacity becomes available at the Terminal, WICET must give Gladstone Coal Producers the opportunity to apply for the available capacity. Shippers who may have been scaled back in the most recent development stage have first priority rights to any unallocated long term capacity. Otherwise, WICET will make the capacity available to those Gladstone Coal Producers who are in a position to comply with the 'ToP Requirements' (set out in the Access Policy) and sign a Take or Pay Agreement.

Shippers who do not use capacity (either directly themselves or indirectly through the temporary substitute shipper or short term surplus capacity rules) for a protracted period may be required by WICET to show cause why their unused capacity should not be surrendered.

What is the process to expand the Terminal's capacity?

The feasibility studies for an expansion of the Terminal may be initiated by WICET as part of its Strategic Planning Process or by a Gladstone Coal Producer.

In either case, WICET must give Gladstone Coal Producers the opportunity to participate in the expansion through funding the necessary feasibility assessment and execution of capacity commitments to underwrite the financing of the expansion.

Each Gladstone Coal Producer who applies for capacity after the feasibility assessment is complete will, as a prerequisite to allocation of capacity, be subject to due diligence on its ability to satisfy the 'ToP Requirements' set out in the Access Policy. In summary, these require the producer to demonstrate that it is in a position to mine and rail marketable coal to the Terminal in sufficient volumes to support its Take or Pay commitment. The producer must also demonstrate ability to comply with its financial and other obligations under the Take or Pay Agreement.

How are access charges set?

WICET is a cost recovery model. It does not earn a profit on its charges to users.

The Access Policy sets out the pricing principles by which the Terminal Handling Charge - or 'THC' - is calculated. In summary, it is the total of operating costs and financing costs, plus any special handling charges and surcharges that are agreed with each Shipper through their Take or Pay Agreements.

What is the Supplementary EOI Process?

WICET initiated an EOI Process for Stage 1 of the Terminal in 2009. The EOI Process sought expressions of interest in Stage 1 and in a potential expansion pathway of the Terminal to 2015.

The Access Policy allowed, having regard to the level of interest in the expansion pathway to 2015, to initiate a Supplementary EOI Process for a potential expansion of the Terminal beyond Stage 1.

The Supplementary EOI Process was launched by WICET in 2010. Expressions of interest closed in August 2010.

Two expansion projects were initiated under the Supplementary EOI Process – known as the WEXP1 and WEXP2 Projects. Due to the downturn in coal markets in 2012, these projects have been suspended.

Any future expansion of the Terminal will have to be initiated under Clause 9 of the Access Policy (see **What is the process to expand the Terminal's capacity?**)

How are access disputes resolved?

The Access Policy includes a dispute resolution mechanism in Clause 13.

Who can change the terms of the Access Policy?

WICET may propose an amendment to the Access Policy. Generally WICET must consult with industry stakeholders in relation to any proposed amendment.

The Access Policy is reviewed with industry at regular three year intervals (with the first review in 2016) to ensure it complies with Key Principles agreed with the State and set out in Annexure 1 to the Access Policy. However, WICET is able to initiate a review at any other time.

The State may request amendments to the Access Policy and must approve any amendment proposed by WICET or recommended in a triennial review.

WICET must publish any amendments to the Access Policy on its website.

IMPORTANT NOTICE: This Q&A document is issued by Wiggins Island Coal Export Terminal Pty Limited (WICET) in August 2014. It is intended as a guide only, does not provide a complete summary of the WITAP and is not intended to provide a comprehensive account of how the WITAP operates. A Gladstone Coal Producer should review the WITAP in its entirety before applying for capacity at the Terminal and should not rely on this Q&A document as the basis for any decision by it in relation to its Terminal capacity requirements. A copy of the WITAP is available on the WICET website.

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