



ANNUAL REPORT

2021-22



VISION

TASMANIA'S TRUSTED PROVIDER
OF SAFE AND DEPENDABLE RAIL
LOGISTICS SOLUTIONS



We will never compromise on safety.
We recognise that people need mental and
physical health to thrive.



SAFETY

INTEGRITY

We do what we say we will do. We are fair,
ethical, and honest and we take responsibility.



RESPECT

We are inclusive and value each other's
differences and ideas. We embrace diversity.



We are passionate about our success.
We continually strive for excellence and performance.
We will make a difference and be remarkable!



BEING REMARKABLE

MAXIMISING THE BENEFITS OF
SUSTAINABLE RAIL LOGISTICS
SERVICES FOR TASMANIA

PURPOSE



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CHAIRMAN'S REMARKS

The highlight of the 2021-22 financial year was the execution of the contract with Tasmanian company COVA Haywards to design and construct TasRail's new minerals shiploader at the Port of Burnie. The project, years in the planning, commenced immediately with design starting in August 2021 and fabrication in May 2022.

TasRail's shiploader is critical export infrastructure and, along with the expansion of the Bulk Minerals Export Facility, will be of great benefit to the mining industry. It also benefits the broader community, with an estimated 140 jobs linked to the design and construction phase of the project.

Record levels of network investment continued under Tranches Two and Three of the Tasmanian Freight Rail Revitalisation Program. During construction, investment in infrastructure drives employment and skills, with at least 150 people being employed regionally to deliver these rail projects.

Investment in the rail network has ensured safe and reliable supply chains for Tasmanian industry. Due to the significant improvements in network performance, our six daily intermodal services achieved 98.9 per cent on-time arrival in 2021-22. This remarkable performance is the result of strategic Below Rail network investment, combined with disciplined train planning and real-time operations.

Due to the reduced output of a small number of key customers, rail freight volumes were down a modest 1.9 per cent in 2021-22 compared to the previous reporting period. Nevertheless, this was TasRail's second highest rail task ever, transporting 499 million net tonne kilometres of freight. On behalf of our partners in the mining industry, we also provided 650 thousand tonnes of shiploading services, also the second highest volume ever.

Despite the ongoing pandemic and disrupted international supply chains, TasRail is cautiously optimistic about future freight volumes. One of TasRail's strengths is its market diversification, having four different customer categories in containers, logs, bulk freight and shiploading services. When combined with long-term contracts and a strong business development pipeline, TasRail is relatively de-risked while positioned to take advantage of new opportunities.

Tasmania's West Coast is heavily mineralised in the 'future-facing commodities' required for the global energy transition and is already serviced by renewable energy to undertake the minerals processing phase. With a new shiploader and

expanded storage capacity under development, TasRail is well positioned to provide rail logistics and shiploading services to these projects. The Tasmanian Government's investment in the Locomotive Life Extension Project further adds to TasRail's capacity.

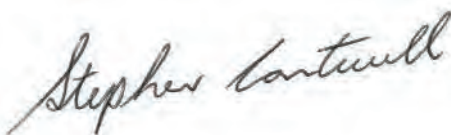
Notwithstanding rail's already low relative carbon footprint per tonne of freight moved, TasRail is investigating multiple technology pathways to reduce the carbon intensity of our operations. An example of these efforts is our focus on understanding the feasibility of renewable energy locomotives using batteries, battery/diesel hybrid, synthetic fuel, or green hydrogen fuel cells.

I would like to acknowledge the ongoing counsel and hard work of my fellow Directors and make special mention of Philip Mussared, who retired after serving four years on the TasRail Board. Philip made a valuable contribution across all governance aspects, but particularly as the Chair of the People, Safety & Environment Committee. I would also like to welcome to the Board two new Tasmanian Directors, Ian Vanderbeek and Anita Robertson.

On behalf of the Board, I would also like to commend our CEO, Steven Dietrich, for his passionate leadership, along with the determination of the entire TasRail team. There were many successes in the year but also many challenges. We know that achieving this great result is the product of a profound effort and goodwill from all the people of TasRail. For this we are most grateful.

In closing, I wish to highlight the work of our Shareholder Ministers and their commitment to ensure that Tasmanian industry has access to safe, reliable and efficient rail logistics. TasRail will continue to deliver on this strategy and the associated benefits for the Tasmanian community.

STEPHEN CANTWELL



BOARD OF DIRECTORS



STEPHEN CANTWELL (CHAIRMAN)

Stephen Cantwell was appointed to the TasRail Board in December 2016, becoming Chair in January 2020. He has more than 40 years' experience in a broad range of operational, strategic and customer-facing roles in the Australian rail and heavy manufacturing sectors. In addition to a number of other board roles, Stephen continues to work with a range of global corporations and governments to advise in the areas of transport, logistics and infrastructure. He is a Fellow of the Chartered Institute of Transport and Logistics, Fellow of the Centre for Integrated Engineering Management, and a Graduate Member of the AICD.



ALISON CHAN

Alison Chan was appointed to the TasRail Board in February 2020. She is an award-winning governance and finance professional with over 20 years' experience. Alison has held executive roles in the legal and banking industries in Sydney and London. She is currently employed in the Australian asset management industry, where her expertise lies in sustainable finance. Alison has been a trustee of Alexandra Rose Charity and the Dunhill Medical Trust and a Senior Advisor to the Climate Bonds Initiative.



JANINE HEALEY

Janine Healey was appointed to the TasRail Board in July 2017. She is a Chartered Accountant with more than 30 years' experience, a Fellow of the AICD, Institute of Chartered Accountants, and a Chartered Tax Adviser. She has previously been either a Director or Senior Manager with both KPMG and Deloitte. She is currently a director and Chair of two privately owned companies operating in the IT industry as well as a director of a number of not-for-profit Boards. She is a former director of Hydro Tasmania, Port of Launceston Pty Ltd, Inveresk Railway Management Authority, and former member of the University Council.



ANITA ROBERTSON

Anita Robertson was appointed to the TasRail Board in December 2021. She is a Chartered Accountant and Chartered Secretary with more than 25 years' experience in finance and governance. Anita is currently a Director of General Practice Training Tasmania, Business Manager at St Virgil's College, an independent Panel Member of the Risk & Audit Committee for the Department of Natural Resources and Environment Tasmania, and a State Councillor for the Governance Institute of Australia. She has held CFO positions with prominent Tasmanian businesses and has held senior finance roles with Deloitte and PwC. Anita is a Graduate Member of the AICD and is a Fellow of the Chartered Accountants Australia New Zealand, and the Governance Institute of Australia.



IAN VANDERBEEK

Ian Vanderbeek was appointed to the TasRail Board in July 2021. He has extensive global experience in the transport industry in both operational and management roles. Ian established Australian corporate aviation operator ExecuJet before spending five years in China in regional aviation. Ian's most recent executive role was as Chief Executive Officer of specialist helicopter operator Aviator Group, from which he retired in June 2020. Ian now consults to SMEs across a range of sectors and is a director of aeromedical charity CareFlight Limited. Ian holds a Bachelor of Business and is a Graduate Member of the AICD.



“ Due to the significant improvements in network performance, our six daily container services achieved 98.9 per cent on-time arrival in 2021-22 ”



CEO REMARKS

TasRail exists to service industry. Tasmania's freight forwarders, manufacturers, miners and the forestry sector rely on TasRail for safe, reliable and efficient supply chains. As a transport provider, we operate in a highly competitive market, and industry can choose to use other supply chains if we do not deliver on time, safely and competitively.

In 2021-22, TasRail executed five major customer contracts spanning containers, bulk, forestry and shiploading services. These contracts secure existing tonnages and offer upside opportunities for new commodities. Industry's preference to use rail logistics is in part due to the dramatic improvement in network performance driven by the record investment of the Tasmanian Freight Rail Revitalisation Program.

Just 7.5 per cent of TasRail's network was operating under a temporary speed restriction at the end of 2021-22. This contributed to 98.9 per cent of our six daily intermodal services meeting their contracted delivery window. Over the full financial year, 1,725 of 1,744 intermodal services met their contracted delivery time. This is a remarkable operational performance.

TasRail experienced one minor mainline derailment in the reporting period, due to localised adverse weather conditions in the Rhyndaston area of the South Line. After a record 845 days derailment free it was disappointing, however it was not caused by operator error or poor network condition.

TasRail pursues a zero-harm environment for its staff, customers, contractors and the community. Therefore, our targets for lost-time injuries (LTI) and the recordable injury frequency rate (RIFR) are, by design, very ambitious. Despite our efforts, we did not achieve the LTI and RIFR targets in 2021-22. We are now redoubling our focus through refresher training in our cultural safety program (Safety Circle™) and a better understanding of the links between human factors and workplace incidents.

As an essential service provider, our COVID-safe operating procedures remain front of mind as we balance the need to keep our staff safe while continuing to provide 100-plus freight services per week on a 24/7 basis. Despite absenteeism related to close contacts and positive cases, there was no impact on contracted services in 2021-22. Unfortunately, this was often achieved by calling in additional staff, which significantly increased wage costs.

These higher costs, combined with a modest decline in production by a small number of key customers, caused TasRail's Above Rail business to fall short of its net profit target of \$612k, instead recording a break-even result. The Consolidated EBITDA result was \$3.5 million, pleasingly \$160k ahead of budget. TasRail, like all infrastructure businesses, has high fixed costs, meaning we must constantly endeavour to grow and diversify our customer base. Our strategic objective to grow forestry and shiploading volumes continued in 2021-22, with a record forestry tonnage and remarkable shiploading outcomes.

TasRail continued to celebrate the 150th anniversary of the first railway operation in Tasmania this year. Via an expressions of interest process, TasRail donated six historically significant locomotives, spare engines, and a range of ancillary equipment, to tourist and heritage operators across the State. TasRail also covered the cost of the crane lifts, heavy haulage trucking, and project management to ensure that these valuable community groups were not burdened with any significant outlay or extra logistical challenges.

On behalf of the TasRail leadership team, I would like to thank all TasRail staff for their perseverance and determination this year. Through teamwork and living our values, we ensured TasRail provided safe and dependable rail logistics solutions for industry and continued the delivery of our record capital program.

Looking forward, TasRail will continue to deliver its infrastructure program, including record levels of network renewal and construction of its new bulk minerals shiploader. Successful delivery of the capital program will set up TasRail, and the industries that rely on it, long into the future.

STEVEN DIETRICH



EXECUTIVE TEAM



CHIEF EXECUTIVE OFFICER
STEVEN DIETRICH



CHIEF OPERATING OFFICER
STEPHEN KERRISON

Freight Services

Freight Services provides safe, reliable and sustainable rail freight and logistics services, and operates TasRail's terminals. It is also responsible for operating the rollingstock fleet, safe and authorised access to the network and the storage and shiploading of bulk minerals.

Asset Management

Asset Management maintains the rail network and infrastructure such as level crossings, bridges, culverts and tunnels. It also maintains the rollingstock fleet, bulk storage assets including the Burnie Shiploader, and statewide facilities. Asset management is also responsible for vegetation management activities on TasRail's vast rail land corridors.

Business Improvement

The Chief Operating Officer is also responsible for oversight of the Infrastructure Investment Program and Capital Projects. The role also maintains a strong focus on cost control and business improvement.

Safety, Health and Environment (SHE)

TasRail's dedicated SHE team of specialists supports all operational areas with a particular focus on continuous improvement in TasRail's safety culture, risk management and effective management of the environment in which the Company operates.



MANAGER, CORPORATE
RELATIONS AND STRATEGIC
DEVELOPMENT
NEALE TOMLIN

Corporate Relations and Strategic Development

Corporate Relations and Strategic Development is focused on TasRail's strategic development opportunities. It also manages government, stakeholder and community relations including media, online presence, publications, and marketing and communications.



MANAGER, PEOPLE AND CULTURE
MATTHEW WHEATLEY

People and Culture

People and Culture is focused on building a values-based culture and growing organisational capability through inclusion, diversity, and collaboration. The team manages and implements human resource policy including recruitment, remuneration and recognition, industrial relations, workers compensation, and training and development.



CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY
KAREN VAN DER AA

Corporate Services

Corporate Services is responsible for financial reporting, auditing, accounts receivable, accounts payable, payroll, procurement, IT, business systems and property management. This team is also responsible for Board administration and business performance reporting.



MANAGER, CUSTOMER AND
BUSINESS DEVELOPMENT
VANESSA SULLIVAN

Customer Service and Business Development

Customer Service and Business Development ensure streamlined service for customers and Tasmanian industry from their first point of contact with TasRail through to booking their freight on rail. The team manages the functions of business development, supply chain development, customer account management, customer communications, market analysis, logistics design, freight planning and importantly customer service delivery.

STATEMENT OF CORPORATE INTENT

Performance Target	Target Result: FY 2021-22	Actual Result: FY 2021-22	Comments
Lost Time Injury Frequency Rate ¹	0.0	8.2	Disappointingly, the recorded results exceed the targets set. TasRail remains committed to a zero-harm environment.
Recordable Injury Frequency Rate ²	1.66	13.2	
Freight Availability (General Intermodal)	98 per cent	98.5 per cent	
Mainline Derailments	0	1	A derailment occurred in October 2021 after an extreme weather event caused a small landslip on the South Line in the Rhyndaston area. The derailment was not caused by operator error or poor network conditions.
Below Rail Infrastructure Cost (Per Track Kilometre)	\$21.9 thousand	\$21.4 thousand	
Customer Revenue	\$39.2 million	\$39.6 million	
Capital Spend ³	\$92.1 million	\$76.2 million	Refer note 3 below
EBITDA (Consolidated after BRIC) ⁴	\$3.4 million	\$3.54 million	Consolidated EBITDA performance was slightly ahead of target, however the above rail profit target was not reached due to lower than expected freight volumes, accompanied by additional fuel costs and labour costs.
Above Rail Net Profit (Loss)	\$612 thousand	\$22 thousand	

¹ Lost time injury frequency rate is defined as the sum of lost time injuries per million work hours.

² Recordable injury frequency rate is defined as the sum of lost time injuries and medical treatment injuries per million work hours.

³ Capital spend was below target for the full financial year. Key drivers for this include the timing of inventory purchases for major IIP capital rail projects and the final phasing of the Shiploader project. Both result in a deferral of capital expenditure into future reporting periods. This figure differs to that disclosed in note B2 of the Financial Statements due to the inclusion of inventory on hand acquired to support the delivery of the capital program. Notably, all milestones related to these projects were met with both the Australian and Tasmanian governments.

⁴ BRIC – Tasmanian Government Below Rail Infrastructure Contribution.

“ Industry’s preference to use rail logistics is in part due to the dramatic improvement in network performance driven by the record investment of the Tasmanian Freight Rail Revitalisation Program. ”



PEOPLE AND CULTURE



TasRail's results are built on the combined strengths of its people. Resilience, teamwork and dedication have seen the business continue to deliver its contracted services and adapt to new ways of working in a COVID environment. Measures like remote working, COVID safe operational procedures and supported absence from the workplace when unwell, adopted early in the pandemic, have now become business as usual for TasRail.

LEARNING AND DEVELOPMENT

TasRail continues to invest in the advancement of its people, delivering 340 units of nationally accredited rail and operations training during the year, including those leading to qualifications as Train Drivers, Network Controllers and Rail Operators. In addition, TasRail supported 36 staff as they progressed through Certificate IV or Diploma level training with external providers. These courses align with both business and staff objectives and reflect an increasing focus on the professionalism of the TasRail team.

MENTAL HEALTH AND WELLBEING

The mental health and wellbeing of the TasRail team remains a high priority for the business. This extends to our Trauma and Critical Incident Management processes. The framework to support these systems is currently being reviewed for improvement opportunities. This review process will be collaborative and will involve benchmarking across industry groups and health care providers as well as staff and leaders.

WORKFORCE FACTS AND DEMOGRAPHICS

Demographics (as of 30 June 2022)			
<p>268.9 full-time equivalent employees</p>		<p>Asset Management (includes Infrastructure Investment Program)</p> <p>112.1 full-time equivalents</p>	
<p>YEARS OF SERVICE</p> <p>52yrs longest serving employee</p>	<p>AGE STATISTICS</p> <p>22yrs youngest employee 45yrs average age 70yrs oldest employee</p>		
<p>FREIGHT SERVICES</p> <p>110.3 full-time equivalents</p>	<p>CORPORATE SERVICES</p> <p>46.5 full-time equivalents</p>	<p>GENDER RATIO</p> <p>15% of the workforce are female</p>	

TASMANIAN FREIGHT RAIL REVITALISATION PROGRAM

After decades of underinvestment, the Tasmanian and Australian governments have committed record funding to the renewal of the Tasmanian Rail Network. TasRail is delivering this record investment via the Tasmanian Freight Rail Revitalisation Program (TFRRP), in partnership with its highly valued contractors.

The TFRRP is being delivered via a series of funding packages. Tranche One commenced in 2015-16 and was completed on time in 2018-19. Building on this success, the record ongoing investment in the network continues to focus on the replacement of near-life-expired rail and sleepers, structure upgrades (bridges and culverts), level crossing renewals, coastal erosion work and formation projects.

Tranche Two is also a four-year program co-funded by the Tasmanian and Australian governments (\$119.6 million). TasRail and its partners in the civil construction sector will deliver the program by 30 June 2023. Running in parallel is the \$96 million Tranche Three program, which commenced in 2020-21 and will be completed by 30 June 2024. TasRail estimates that there are approximately 150 jobs supported by the delivery of Tranches Two and Three of the TFRRP.

In trend terms, the frequency and severity of mainline derailments remain at record lows. This is a direct dividend of the capital program. TasRail remains committed to zero mainline derailments.



QUICK FACTS

\$49.4m
in rail upgrades

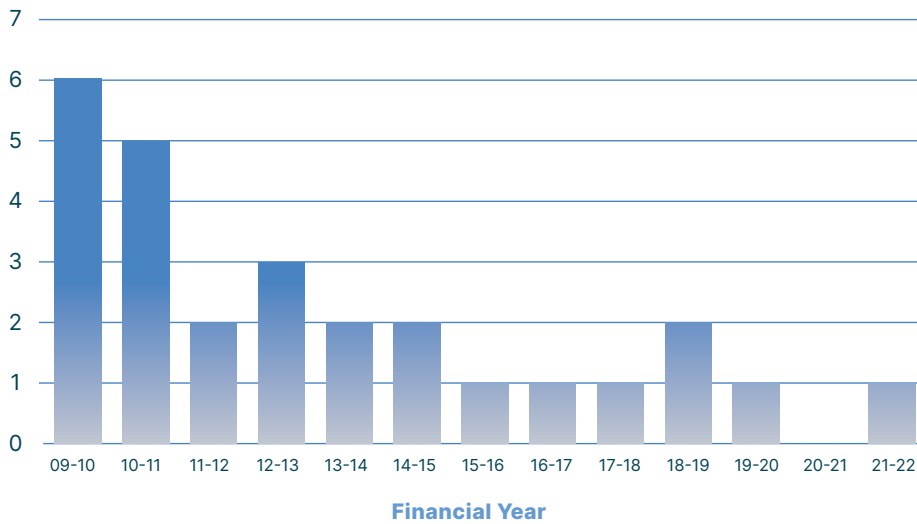
23,253
sleepers installed

29,008
metres of new rail

11
track turnouts
renewed/replaced

4
formation renewal
projects

Mainline Derailments



The TFRRP enables TasRail to deliver operational and safety results once thought impossible. This allows TasRail to deliver an ever-improving value proposition to our customers. As that value proposition has improved, so have volumes transported by rail in Tasmania. TasRail transported its second highest ever freight task in 2021-22, delivering 499 million net tonne kilometres of freight.

The Shiploader Project

The \$64 million Shiploader Project at the Port of Burnie is 100 per cent funded by the Australian Government. It will allow TasRail to replace and upgrade this essential last-mile infrastructure. TasRail executed a contract with Tasmanian firm COVA Haywards to design and construct the new shiploader in August 2021. Work commenced immediately, with 30 per cent of the design completed in September 2021, 50 per cent in February 2022, and 90 per cent design being finalised at the end of the reporting period. TasRail is

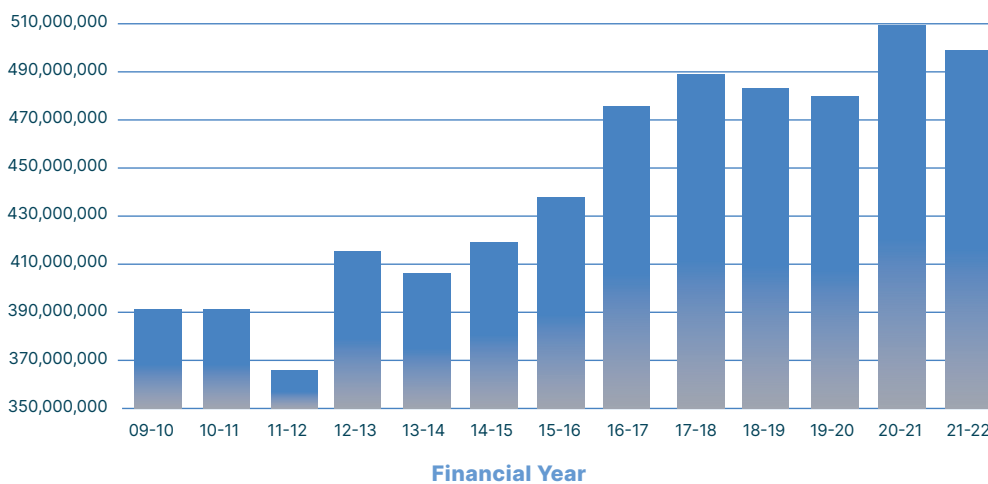
very pleased that a Tasmanian company was awarded the contract that will support 140 design and construction jobs. In a major milestone, fabrication commenced in May 2022.

The current shiploader has been servicing Tasmanian industry for more than half a century. It is critical to replace this unique infrastructure to ensure TasRail can continue to deliver on its commitments to the mining industry. The new shiploader will deliver significant benefits to our existing and future customers:

- approximately double the load rate per hour
- significantly improved reliability
- contemporary environment and safety standards.

To avoid unnecessary disruption to our customers, TasRail will operate and maintain the current shiploader right up until the time the new machine is ready to be installed in 2023.

Net Tonne Kilometres



¹ 'Net tonne kilometres' is the weight of the freight transported multiplied by the distance to provide the true size of the freight task; it is used widely across rail, road, and shipping operations.



Shiploader fabrication underway



TasRail transported its second highest ever freight task in 2021-22, delivering

499 million

net tonne kilometres of freight.

SAFETY



At TasRail, safety is a core value, and working safely is fundamental to the success of our business.

We set ourselves aspirational goals because we genuinely want everyone – our staff, customers, contractors, and the community – to go home safe and well every day.

While TasRail has achieved considerable improvement in safety outcomes for our staff and contractors over the past few years, disappointingly in 2021-22 we fell short of our goals and did not achieve the lost time injury (LTI) and recordable injury frequency rate (RIFR) targets. We will now redouble our focus on these areas, further reinforcing our cultural safety program (Safety Circle™), revisiting our risk mitigation strategies, and embracing the learning opportunities that come with a better understanding of the link between human behaviour and workplace incidents (human factors).

The improvement in the condition of the Tasmanian Rail Network has contributed to the decrease in mainline derailments. TasRail reported a single mainline derailment in 2021-22. This was a low-speed incident caused by an extreme weather event and resultant landslip on the South Line.

Reported level crossing incidents and trespass activities around the State continued to increase in 2021-22, with a 14.5 per cent increase in trespass events, and an incremental increase in failure to stop or give way incidents at level crossings (4.7 per cent).

TasRail continues its program of engagement with the Tasmanian community to highlight the importance of safety and awareness around the rail network. In 2021-22 this has included an extended program of radio advertising in high-profile northwest coast areas, school visits, and the establishment of a long-term 'safety alliance' with the Railton Junior and Cadet Fire Brigade.

	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Level crossing failure to stop or give way	44	42	33	85	72	76
Level crossing collisions	1	1	1	2	1	1
Trespass	79	69	57	58	69	43
Vandalism and theft	38	32	37	31	72	55
Livestock in the rail corridor	153	106	167	104	122	64
Animal collisions with trains	30	25	33	19	20	10
Train horn complaints	19	17	16	22	21	20
Vegetation complaints	30	55	49	64	30	79





“

A simple safety concern, assessed in a collaborative cross-departmental fashion, can create positive health, safety, and environmental outcomes, while also providing learning opportunities for the business.

”

SAFETY CASE STUDY

Safety, Health and Environment (SHE) principles are integrated into every aspect of what we do at TasRail. A simple safety concern, assessed in a collaborative cross-departmental fashion, can create positive health, safety, and environmental outcomes, while also providing learning opportunities for the business.

One example of this is the holistic review of all Rhyndaston Tunnel works undertaken in 2021-22, which incorporated every facet of our Safety, Health and Environmental management systems and internal subject matter experts.

When our southern infrastructure team raised concerns regarding the air quality within the 140+year-old tunnel, our SHE Team arranged air quality monitoring activities for the next scheduled trip inside the tunnel.

These readings not only helped establish a standard around personal protective equipment in the area but were the impetus for the introduction of modern battery-operated maintenance equipment into tunnel works – safe, healthy, and sustainable, for our employees and the environment. The activities also provided a valuable training opportunity for our infrastructure leaders, who are now able to monitor air quality themselves.

ABOVE RAIL BUSINESS

TOTAL FREIGHT TASK/ NET TONNE KILOMETRES

Commodity	2021-22 NTK	2020-21 NTK	Percentage change Year on Year
Coal	37,660,149	36,038,989	4.50%
Cement	23,085,026	24,357,043	-5.22%
Mineral Concentrates	16,837,456	21,519,335	-21.76%
Logs	51,134,439	38,667,048	32.24%
General Intermodal	249,855,828	273,587,415	-8.67%
Paper	120,282,714	114,467,944	5.08%
TOTAL	498,855,612	508,637,774	-1.92%

The Above Rail business is the commercial arm of TasRail and provides rail logistics to Tasmanian industry across four market categories – intermodal (containers), bulk, forestry and minerals shiploading services. TasRail's contracts require high levels of service delivery for industry, and this can only be achieved by maintaining the fleet of locomotives and wagons to exacting standards.

The Above Rail teams have been integral to TasRail providing a high standard of service in 2021-22. Their commitment to providing excellent customer service has reinforced TasRail's value proposition of being a safe and dependable provider of rail logistics services.

In addition to rail logistics, the Above Rail business operates:

- A state-wide network of terminals
- Container handling operations
- Bulk minerals storage and shiploading
- Bulk log handling, weighbridges, storage and loading.

The rail freight task in 2021-22 was the second highest on record – transporting 499 million net tonne kilometres of freight – down 1.9 per cent as key individual customers suffered from production and export issues. The outstanding result in the forestry sector reflects the strength of the partnerships that TasRail has fostered with its fastest-growing market segment.



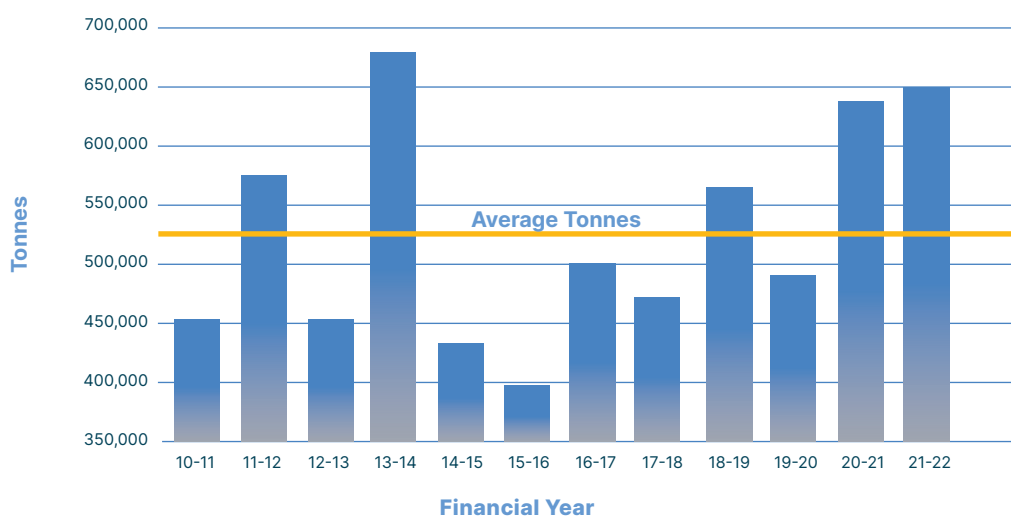
SHIPLOADING OPERATIONS

TasRail's multi-user Shiploader at the Port of Burnie is a highly valued link in the export supply chain for the Tasmanian mining industry. Shiploading volumes in 2021-22 exceeded the previous year and were the second highest on record - just a single export shipment below the record 2013-14 result. Funded by the Australian Government, TasRail's new Shiploader will be commissioned in 2023 and provide even greater productivity for industry.

Total Shiploading Volumes

2021-22	650,365 tonnes
2020-21	637,828 tonnes
2019-20	489,148 tonnes

TasRail's Annual Shiploading Volumes



BUILDING OUR BUSINESS

TasRail holds long-term contracts to provide rail logistics services to Tasmania's heavy industries and freight forwarders. In 2021-22 TasRail provided industry with just under three million tonnes of rail haulage. As a total rail freight task this equates to 499 million net tonne kilometres - the second largest rail task since TasRail was formed in 2009.

TasRail operates in a highly competitive market with industry focused on efficiency, safety and operational capability. In a vote of confidence, TasRail executed five major customer contracts in 2021-22, spanning intermodal, bulk and log haulage, and shiploading services. The contracts secure existing freight and provide the opportunity for new commodities.

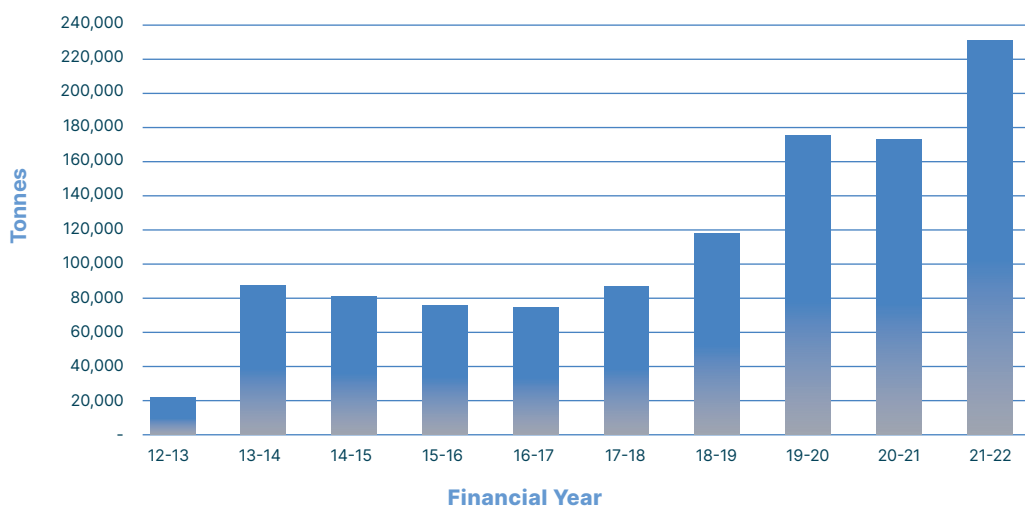
For several years, TasRail has focused its efforts in securing additional log tonnages onto rail. Based on industry's preference for safe and efficient bulk log transport, 2021-22 saw a record log tonnage hauled by rail, with greater than 230,000 tonnes being transported from the south to Bell Bay for processing and export (34 per cent increase on the previous year).

Building on this base, TasRail is working with the timber industry to secure additional tonnages, operating on different

freight corridors and alternative markets. The Tasmanian Government's \$5.05 million Forestry Stimulus Package enabled TasRail to partner with Tasmanian suppliers to design and manufacture additional equipment to service the forestry industry. This will provide an uplift in capacity, productivity and safety during terminal and rail haulage operations.

TasRail's strategy to partner with the mining sector to grow shiploading volumes continues to deliver, with 650 thousand tonnes of minerals loaded in 2021-22. This is the second highest volume loaded by TasRail since its inception, just 28 thousand tonnes (a single shiploading event) less than the 2013-14 record and 24 per cent higher than the long-run average. With a new shiploader under construction and plans to expand the Bulk Minerals Export Facility, TasRail looks forward to working with the Tasmanian mining industry to export those resources required for the global energy transition.

Forestry Tonnes



Our contracts with industry require us to operate disciplined, safe and on time rail logistics. Freight Availability is a key metric for TasRail, and it measures performance in customer freight being available to unload at the agreed time. In 2021-22, TasRail had a combined Freight Availability target for its six daily intermodal services of 96 per cent and achieved an actual result of 98.9 per cent. Being on time is an integral part of TasRail's value proposition to our customers. This result is a credit to the entire TasRail team.

While acknowledging the very real risks of escalating trade tensions and an uncertain economic outlook, TasRail's diverse customer base, long-term contracts and strong business development pipeline positions TasRail well for the future.

FREIGHT VOLUME HIGHLIGHTS IN 2021-22 INCLUDE:

Paper freight task

Up 5% on last year

Record log rail task

Up 32% on last year

Second highest shiploading result

650 thousand tonnes

Focusing on that future, TasRail is investigating alternatives to diesel-powered locomotives. The global rail industry is investing research and development funds into low and zero emission locomotive technologies including batteries, diesel / battery hybrid, synthetic fuel, or green hydrogen fuel cells. Freight rail, per tonne kilometre of freight is far less GHG intensive than road transport, but to remain competitive into the future the industry will need to commercialise alternative locomotive technology. Given Tasmania's renewable energy economy, TasRail is well positioned to take advantage of these developing locomotive technologies.



BELOW RAIL SEGMENT

TasRail's Below Rail segment comprises the Engineering and Infrastructure functions within Asset Management. The segment is responsible for the management and maintenance of the Tasmanian Rail Network. It also includes dedicated Signals Management and Land and Vegetation Management teams. TasRail's land tenure comprises both operational and non-operational rail corridors (758.8 route kilometres).

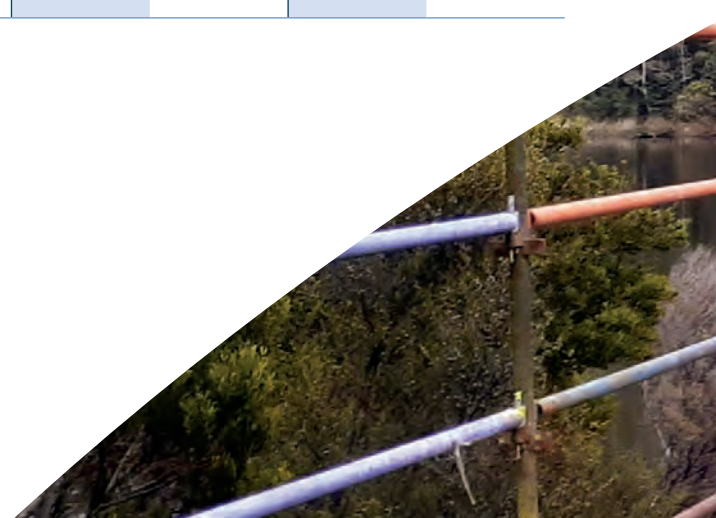
TRACK QUALITY INDEX (TQI)

The TQI is derived from mandatory, scheduled recordings taken by TasRail's Track Geometry Measurement System (TGMS). The outputs of the TGMS allow the Asset Management team to make informed decisions on network maintenance and renewal priorities.

In 2021-22 there was an increase in the proportion of track rated as 'Good' with all lines, other than the Melba, indicating an improvement or hold in quality. This reflects the importance of TasRail's tamping schedule, which has focused on the South, Western and Derwent Valley lines this year.

Percentage rated: Good, Fair, Poor, Very Poor

	Jun 2022 (Good)	Jun 2021 (Good)	Jun 2022 (Fair)	Jun 2021 (Fair)	Jun 2022 (Poor)	Jun 2021 (Poor)	Jun 2022 (V. Poor)	Jun 2021 (V. Poor)
Western	83.8	77.9	14.6	19.5	1.6	2.3	0.0	0.3
South	67.7	62.7	27.1	31.3	4.6	5.5	0.5	0.6
Melba	91.9	93.9	7.6	5.88	0.5	0.2	0.0	0.0
Bell Bay	57.4	56.4	33.1	35.1	8.8	8.1	0.7	0.4
Fingal	80.6	78.0	15.7	18.2	3.2	3.6	0.5	0.2
Derwent Valley	61.9	45.1	31.3	33.8	6.7	13.4	0.0	3.0
Network	77.1	73.5	19.3	22.2	3.3	3.9	0.3	0.4





TAMPING

Despite a slow start to the year due to mechanical issues, TasRail's tamper was able to achieve 156 tamped kilometres in 2021-22. This is a 52 per cent increase on the kilometres tamped in 2020-21. Effective use of TasRail's tamper and ballast regulating machines is vital to the network maintenance strategy and ensures that track geometry and quality are maintained.

	2021-22	2020-21	2019-20
Tamped Kilometres	156	102	126

TEMPORARY SPEED RESTRICTIONS (TSR)

TasRail's extensive capital and maintenance programs have driven temporary speed restrictions (TSR) on the network to historic lows. The downward trend continued in 2021-22 with 7.55 per cent of the operational network under TSR as of 30 June.

TasRail's detailed track inspection process highlights specific locations on the network where it may be necessary to mitigate risk by introducing a TSR pending a permanent engineering solution.

Percentage of the Network under TSR

As of 30 June 2022	7.55
As of 30 June 2021	7.72
As of 30 June 2020	8.30



LOCOMOTIVE LIFE EXTENSION PROJECT

In addition to its modern fleet of 17 TR Class Locomotives, TasRail operates 10 legacy locomotives that were constructed in the 1960s and 1970s. The locomotives provide critical haulage power to service key bulk customers, along with ballast trains that support maintenance activities and capital programs.

Recognising that locomotives have operational lives measured in decades, rail freight operators the world over deploy older locomotives to transport non time sensitive freight, often on branch lines. In recent years, TasRail has been investigating options to improve the reliability and capability of its legacy locomotive fleet.

A plan to overhaul eight legacy locomotives was approved by the TasRail Board in late 2021 and received \$15 million in funding from the Tasmanian Government in its 2022-23 Budget. The project commenced immediately with a dedicated project manager appointed, critical long lead time items ordered (including engines), and upgrades to the East Tamar Junction workshop to enable successful delivery of the project. The three-year project will include replacement engines, control systems, generators, traction motor overhauls. Wiring, cabins and braking systems will also be updated.

The decision to undertake a major overhaul was made after extensive options analysis. It provides the greatest value for money and the opportunity to complete much of the work in Tasmania using a combination of TasRail staff and local subcontractors. It is an opportunity to improve the skills of our workforce and build technical capacity among our suppliers.

The future of TasRail's fleet, specifically its plans to decarbonise its locomotive operations, was also front of mind. TasRail is investigating a range of locomotive technologies that do not require fossil fuels. The technology pathways are advancing rapidly, but are not yet commercially available. The investment in the legacy locomotive fleet will ensure that TasRail can reliably service industry, while investigating and ultimately transitioning to a low / zero emission locomotive fleet.



LOCOMOTIVE DONATIONS

As part of its extended 150th anniversary of rail in Tasmania celebrations, TasRail has worked proactively with key tourist and heritage organisations across the State to complete the delivery of selected rollingstock donations.

Via an expression of interest process, we donated six historically significant locomotives, spare engines, and a range of ancillary equipment, ensuring the preservation of Tasmanian rail history by passionate community groups. TasRail also covered the cost of the crane lifts, heavy haulage trucking, and project management.

We worked closely with a team of specialist Tasmanian contractors to ensure that all lifts, transport and deliveries were completed safely.

It was a remarkable project that we were proud to facilitate, and we have received a great response from Tasmania's tourist and heritage community.





CORPORATE GOVERNANCE

At TasRail, Corporate Governance relates to the system by which the business is directed and managed. Much of its success is underpinned by strong and effective relationships between the Board and the Management Team, the Shareholder Members and other stakeholders. TasRail is governed by a Shareholder-appointed Board of Directors. The Board operates under a framework that is consistent with the ASX Corporate Governance Principles and Recommendations:

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR GOVERNANCE AND OVERSIGHT:

The TasRail Board is made up of five independent Non-Executive Directors. The responsibilities of individual Directors and the Company's expectations of them are set out in their letter of appointment and the Board Charter.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

The Board Charter requires annual reviews of the Board, its Committees and Directors. The process for evaluations is in line with the Guidelines Assessing Board Performance issued by the Shareholders.

The Chairman and the CEO, along with the Portfolio Minister appear before and respond to Parliamentary Government Business Scrutiny Committee(s) as and when required.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE:

All TasRail Directors are independent of management. Directors have an ongoing requirement to notify the Board of any material personal interest in any matter relating to the affairs of TasRail. The Chairman is an Independent Director and is not an Executive of the Company.

Directors are selected and appointed based on their skills and experiences and in consideration of diversity and independence, probity and background checks. The appointment involves the creation of a Director Selection Advisory Panel. An executive search firm is appointed to assist the panel to identify potential candidates. TasRail maintains a Board Skills Matrix, setting out the mix of skills and diversity that the Board has.

The Board Charter recognises the importance of effectively inducting new Directors and the value of continuing professional development for its members. An induction program is administered by the Chairman with the support of the Company Secretary and CEO.

PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY:

The Board Charter commits the Board to maintaining the highest ethical standards. It expects that Directors will demonstrate the spirit and intent of its Code of Conduct as well as comply with all applicable legislation, lawful directions from Shareholders and Company policies.

Each Director is bound to uphold the Code of Conduct by exhibiting model performance, behaviour and conduct that is in line with the Code during the course of their employment. They must promote the Code and ensure that any potential breaches are taken seriously, identified and reported and acted upon appropriately. The Code of Conduct is underpinned by other policies and procedures that articulate the expectation to act ethically and responsibly, as well as comply with legislative and regulatory obligations. These include the Right to Information Policy, Privacy Policy, Procurement Procedure, Public Interest Disclosures ('Whistleblowers') Policy and People Management Business Critical Process.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING:

The Board operates an Audit, Risk and Compliance Committee that assists the Board to discharge its duties in relation to its corporate and financial reporting processes, internal and external audit, and compliance.

The Committee reviews the Company's financial statements and associated reports and recommends them to the Board for consideration. As part of the end-of-year processes, the Committee ensures the CEO and CFO provide the required declarations under S295A of the *Corporations Act 2001* and formally sign the accounts before it makes any recommendations to the Board.

The TasRail Constitution provides that the Company is required to use the Tasmanian Auditor-General for its external audit.

Members confirm the appointment of the external auditor at each Annual General Meeting. The auditor attends the Annual General Meeting to discuss any issues with members. The Audit, Risk and Compliance Committee also meets with the external auditor without management present from time to time.

TasRail's Annual Reports are provided to Shareholders by the end of October each year. The Reports are tabled in each House of the Tasmanian Parliament and are therefore subject to the scrutiny of all Members of Parliament and the community.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE:

TasRail is required by its Constitution to communicate with its Shareholders and others, via regular and irregular reporting and other means of communication. In practice, there is a flow of information throughout the year on important matters to ensure Shareholders are kept informed. If the Directors at any time form the view that matters have arisen that may prevent, or significantly affect achievement of the objective, strategies, policies or financial targets of the Company, the Directors must promptly notify the Shareholder Members.

Details about disclosures are made under the *Right to Information Act 2009*; the *Public Interest Disclosures Act 2002*; and the *Personal Information Protection Act 2004* are set out in the Annual Report.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS:

TasRail's Constitution specifies the rights and powers of the Shareholder Members. The Board has procedures for communication with Shareholder Members to ensure they have timely access to information about the Company, including its financial situation, performance, governance and any sensitive matters about which they need to be aware.

Consistent with the *Rail Company Act 2009*, Directors must comply with the lawful directions given in writing by the Shareholder Members.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK:

Under its Charter, the Board commits to ensuring TasRail effectively manages its strategic, financial, operational, reputational and emerging risks. The Board also ensures that an effective system of risk management and internal control operates within the Company and that it regularly monitors the performance of that system.

TasRail's Risk Management Framework is approved and overseen by the Board. The Executive Team discuss and review emerging and actual risks in the Company's external and internal environment and use this analysis to make decisions and agree on risk mitigation plans. They report on risk and risk management to the Audit, Risk and Compliance Committee. This Committee assists the Board to discharge its duties by reviewing and supplementing the reports provided by the Executive Team, monitoring the strength and reliability of the framework and reporting to the Board on the status of risk in the Company.

TasRail provides Shareholder Members with information about risk by including key financial and operational risks in the annual corporate plan and regularly discussing risks at Shareholder Member briefings.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY:

The Board has specifically retained responsibility for approving the Remuneration Framework and Policies, Organisational Structure amendments and conditions of employment.

The Board's responsibilities are:

- Ensuring TasRail's remuneration policies, practices and performance indicators are aligned to the Company's vision, values and overall business objectives;
- Ensuring TasRail's remuneration policies meet the requirements outlined in the Guidelines for Tasmanian Government Businesses, Director and Executive Remuneration;
- Reviewing remuneration policies and practices to be introduced at TasRail;
- Reviewing principal terms of employment contracts including the remuneration packages for the CEO;
- Reviewing remuneration of the CEO annually;
- Monitoring the performance of the CEO and key performance indicators to determine performance criteria;
- Reviewing the CEO's recommendations regarding Enterprise Agreement strategy and remuneration under other arrangements for company staff, and ensuring remuneration is aligned with market trends.

The Board also ensures remuneration reports are provided to Shareholder Members as required.



RIGHT TO INFORMATION

TasRail is committed to compliance with the *Right to Information Act 2009* and to act in a fair, objective, and timely manner to ensure the spirit of the Act is upheld. Information about the *Right to Information Act 2009* and TasRail's obligations under it are available at www.tasrail.com.au or email righttoinformation@tasrail.com.au.

During 2021-22 TasRail received no Right to Information requests.

TasRail embraces the objectives of the *Right to Information Act 2009* by routinely publishing information that it considers to be of interest to the public. TasRail's preferred method of disclosure of information is proactive disclosure via its publications, website and social media.

PUBLIC INTEREST DISCLOSURES

TasRail is committed to the aims and objectives of the *Public Interest Disclosures Act 2002* and does not tolerate improper conduct by its employees, officers or members, or the taking of detrimental action against those who come forward to disclose such conduct.

The *Public Interest Disclosures Act 2002* provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and for rectifying actions to be taken.

TasRail has adopted model procedures to be followed by public bodies in relation to public interest disclosure (PID). These procedures establish a system for reporting disclosures of improper conduct or detrimental action by TasRail or members, officers or employees of the public body.

They are also intended to assist TasRail's members, officers and employees to understand the way in which the *Public Interest Disclosures Act 2002* operates and is to be administered. The procedures are designed to complement normal communication channels between supervisors and employees and have been prepared in accordance with Guidelines and Standards published by the Ombudsman under Section 38(1) (c) of the Act.

Under the *Public Interest Disclosures Act 2002* TasRail is required to report on any disclosures about improper conduct by its public officers or TasRail.

In accordance with the requirements of Section 86 of the Act, TasRail advises that:

- a. TasRail's procedures under the Act are available at www.tasrail.com.au or email PD.Officer@tasrail.com.au. Alternatively, you can write to: Public Interest Disclosure Officer, TasRail, PO Box 335, Kings Meadows, Tasmania 7249.
- b. One disclosure was made to TasRail during the 2021-22 financial year.
- c. No public interest disclosures were investigated by TasRail during the year.
- d. No disclosed matters were referred to TasRail during the year by the Ombudsman.
- e. No disclosed matters were referred by TasRail during the year to the Ombudsman to investigate.
- f. No investigations of disclosed matters were taken over by the Ombudsman from TasRail during the year.
- g. There was one disclosed matter that TasRail decided not to investigate during the year.
- h. There were no disclosed matters that were substantiated on investigation.
- i. The Ombudsman made no recommendations under the Act that relate to TasRail.

PERSONAL INFORMATION PROTECTION

TasRail values and respects the privacy of all personal and sensitive information. The Company is committed to protecting the information it collects, stores, handles, uses and discloses in accordance with the requirements of the *Personal Information Protection Act 2004* (Tas), which prescribes Personal Information Protection Principles for Tasmania, as well as the National Privacy Principles prescribed under the *Privacy Act 1988* (Cth).

Procedures that define the way TasRail collects, stores, handles, uses and discloses information are published on TasRail's website at www.tasrail.com.au. No reports were made under this regime for the 2021-22 reporting period.

BUY LOCAL

TasRail complies with the Tasmanian Government's Buy Local Policy for its procurement processes, including the requirement to provide transparency about procurement outcomes. A Tasmanian business is defined as a business operating in Tasmania, which has a permanent office or presence in Tasmania and employs Tasmanian workers.

TasRail endeavours to support many local businesses, but is effectively only able to identify a business as being Tasmanian if the invoice payment and/or the Australian Business Number (ABN) are registered to an address within the State. Purchases are defined to include operating expenses together with capital expenditure. The table below excludes employment and finance expenses and depreciation.

Buy Local performance

Value of purchases from Tasmanian businesses	\$61,140,287
Percentage of purchases from Tasmanian businesses	59.60%

Rail uses specialised materials that are not available for local purchase, production or manufacture. For example, rail and sleepers.

PAYMENT OF ACCOUNTS

TasRail complies with the Tasmanian Government Policy that requires State-owned Companies to:

- implement appropriate policies and procedures to ensure that all accounts are paid on time, and if not, interest is to be paid for late payments
- pay invoices of less than \$50,000 within 30 days, or if a shorter term has been agreed, within the shorter term
- pay invoices with a value above \$50,000 in accordance with the agreed terms and by the due date.

The expectation is that TasRail will pay all invoices correctly rendered by suppliers within the period specified by the supplier; or where the contract is silent on payment requirements, within 30 calendar days of the date of the correctly rendered invoice.

Accounts due or paid within 2021-22

Creditor Days	10
Number of accounts due for payment	11,530
Number of accounts paid on time	11,530
Amount due for payment	\$105,234,053
Amount paid on time	\$105,234,053
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	\$0

CONTRACTORS

There were a number of contracts awarded in 2020-21 where commitments carried forward into this financial year. Additionally, TasRail has awarded contracts in the 2021-22 year that have commitment values into the next financial year.

Contracts valued over \$5 million

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
Design and Construct Minerals Shiploader	Open Tender	Yes	Cova Haywards Pty Ltd	TAS

Contracts valued over \$2 million but Less than \$5 million

Contract/Works Package	Procurement Method	Buy Local Policy Applied	Contractor	Contractor State of Operations
IIP Rectification of Rail Defects (Melba Line)	Open Tender	Yes	VEC Civil Engineering Pty Ltd	TAS
South Line Rail and Mudhole removal	Open Tender	Yes	Global Rail	TAS

CONSULTANTS

The guideline defines a Consultant as a particular type of contractor who is engaged to provide recommendations or specialist or professional advice to an entity. A Contractor is defined as an individual or organisation engaged under a contract (other than as an employee) to provide goods and or services to an entity.

The following consultancies were valued at more than \$50,000 (excluding GST):

Name of consultant	Location	Description	Amount \$
Pitt & Sherry	TAS	Engineering advice	416,127
GHD Pty Ltd	TAS	Engineering advice	380,337
PDA Surveyors	TAS	Survey services	231,602
ISW Development Pty Ltd	VIC	Professional services	157,435
North Barker Ecosystems Services	TAS	Environmental consultants	86,767
Ricardo Rail Australia Pty Ltd	NSW	Safety services	80,355
GI Project Partners Pty Ltd	TAS	Professional services	77,455
Advisian Pty Ltd	NSW	Professional services	76,586
Rail Networks Consulting	NSW	Engineering advice	75,172
S2 Engineering Pty Ltd	TAS	Engineering advice	57,102
Sub Total			1,638,938
There were 16 consultants engaged for \$50,000 or less totalling			212,134
Total payments for consultants to June 2022			1,851,072

CUSTOMER VALUE PROPOSITION

TasRail is the trusted provider of safe and dependable rail logistics solutions for Tasmanian industry. TasRail's infrastructure advantages, along with a culture that is focused on its customers, make it an ideal partner for existing and potential clients from key heavy industries throughout the State.

TASRAIL PROVIDES INDUSTRY:



Long-term business partnerships providing surety of rail haulage capacity and bulk shiploading services;



The ability to haul heavyweight and dangerous goods containers as well as bulk cargos to reduce total supply chain costs;



Innovative and progressive Tasmanian rail transport solutions across all major freight sectors for containers, bulk and forestry freight;



Opportunities to campaign in large volumes of freight to meet customer requirements;



Connectivity with a statewide network of rail terminals that interface with major ports, freight precincts and industries;



Reduced exposure to heavy vehicle accident risk and NHVR Chain of Responsibility requirements for fatigue and mass management;



Seamless connectivity with Tasmania's only open access bulk minerals shiploader;



Valuable safety and environmental benefits; and



Operational reliability, safety and simplicity across all heavy freight modes, including road, port and shipping operations;



Dedicated industry specialised customer account and service management teams engaged to provide leading-edge customer outcomes.



www.tasrail.com.au