



Statement of Corporate Intent 2010- 2011

(With deletions of commercially sensitive information)

Commercial-in-Confidence

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1. SCOPE / POLICY POSITION

This document has been updated to reflect direction provided by the Shareholding Ministers to the Tarong Energy Corporation Limited (Tarong Energy) Chair, Mr Graham Carpenter, in correspondence received 25 November 2010.

Tarong Energy Corporation Limited's (Tarong Energy) underlying strategic approach to the 2010/11 Statement of Corporate Intent (SCI) is 'business as usual' however, it is recognised that this approach is not sustainable beyond the 2010/11 SCI year.

Tarong Energy's core business is under pressure from the increasing dominance of vertically integrated participants, excess current and near term generation capacity in the Queensland electricity market and increasing fuel and fixed water costs, and rising maintenance costs associated with managing its ageing plant. These are placing pressure on the organisation's profitability and, as a consequence, the sustainability of financial returns to shareholders. Additional costs resulting from an Emissions Trading Scheme (ETS) that is externally imposed on its business would further erode the financial viability of the business.

The impact of this has meant that Tarong Energy's business model has shifted in a relatively short period of time from being a base load generator to a market-led generator.

Operationally, Tarong Energy must implement a flexible approach to its generation profile in order to more efficiently respond to market demand and trading forecasts, embed sustainable cost efficient work practices and optimise gross margin through innovative trading strategies.

Accordingly, Tarong Energy's strategic approach to the 2010/11 year is to defend its relative competitive position. While incremental improvements to Tarong Energy's competitive performance in the shorter term will be insufficient to counter the challenges facing the organisation over the longer term, it will provide the organisation with time to determine the fundamental shift required to its business model if it is to have a life beyond its current black coal generation assets.

In-line with the strategic settings agreed for the 2010/11 year, Tarong Energy's Carbon Strategy and Business Development team will focus on a high level review of a range of initiatives that will most efficiently manage the value of Tarong Energy's existing portfolio of assets.

1.1 Core Business

Tarong Energy's core business is the ownership and operation of generation assets and the ownership and development of coal mining assets to support energy production for the benefit of Queensland.

Tarong Energy's core purpose is to be a competitive and safe provider of reliable and efficient energy solutions for the people of Queensland.

The main operating companies within the Tarong Energy Group and their activities are:

Company	Activity
Tarong Energy Corporation Pty Ltd	The generation and sale of electricity.
TN Power Pty Ltd	The ownership of the Tarong North Power Station.
Tarong Fuel Pty Ltd	The ownership and management of the Corporation's fuel supply business.
TEC Coal Pty Ltd	The ownership and management of the Meandu Mine resource and the Kuniion MDL.
Glen Wilga Coal Pty Ltd	The ownership and management of the Glen Wilga coal resource.
Tarong North Pty Ltd	The operation and management of the Tarong North Power Station.

1.2 Corporate Objectives

Consistent with the medium to long-term corporate objectives as detailed in the *2010-15 Corporate Plan*, Tarong Energy's corporate objectives for 2010/11 are:

- To defend and improve Tarong Energy's relative competitive position
- Efficiently manage the value of Tarong Energy's existing portfolio of assets
- Optimise value of strategic coal assets (Kuniion and Surat Basin).

1.3 Corporate Strategies

Tarong Energy's key corporate strategies for achieving its corporate objectives for 2010/11 are:

Corporate Objective 1.1 - To defend and improve Tarong Energy's relative competitive position

Strategy	
5 Year	1.1 Embed cost-efficient sustainable work practices, optimise value chain proposition and diversify the contracting portfolio to take advantage of market opportunities as they arise
1 Year	1.1 Identify and implement a range of measures that improve Tarong Energy's relative competitive position

Key strategies to be implemented in the 2010/11 year:

- Implement value chain optimisation strategy
 - identify cost effective strategies to optimise operational profitability
 - overhaul optimisation at Tarong Power Station (TPS), Tarong North Power Station (TNPS) and Wivenhoe Power Station (WPS) (to include strategic review of timing, scope, contracting and duration).
- Incorporate TNPS as the fifth TPS unit to optimise operational efficiencies.
- Improve operational plant flexibility to meet market requirements.
- Diversify the contracting portfolio to take advantage of market opportunities in new trading commodities as they arise.
- Identify and implement cost saving opportunities across all Business Units.
- Optimise our workforce
 - develop workforce optimisation strategies
 - active review of positions that become vacant to ensure future need.

Corporate Objective 2.1 - Efficiently manage the value of Tarong Energy's existing portfolio of assets

Strategy	
5 Year	2.1 Monitor opportunities to apply low emission technology to existing assets.
1 Year	2.1 Identification and ranking of opportunities that will reduce carbon intensity or increase plant efficiency for Tarong Energy.

Key strategies to be implemented in the 2010/11 year:

- Monitor existing and new technological developments with the aim of identifying potential options.
- Investigate the potential of various options available to provide bio-sequestration and biodiesel opportunities (including Pongamia plantations) to support green initiatives.
- Tarong Gas Project investigations - three sub-project areas to reach financial conclusion and to move into execution, if appropriate
 - Surat to South Burnett Gas Pipeline
 - Gas to generation site
 - Coal seam gas water transport treatment and disposal.
- Complete feasibility study on gas fired cogeneration at TPS by 31 December 2010.
- Assess sequestration technologies for commercial viability
 - Algae 1 – 1 Ha Display plant
 - Algae 2 – 80 Ha Pilot plant.

Corporate Objective 2.2 - Optimise value of strategic coal assets (Kunioon and Surat Basin)

Strategy	
5 Year	2.2 Develop, and to the extent applicable, implement strategies to maximise the value of the Kunioon and Surat Basin coal resources
1 Year	2.2.1 Implement Kunioon coal resource holding or disposal strategy 2.2.2 Develop understanding of emerging low emissions technologies and their application to the Kunioon and / or Surat Basin resource 2.2.3 Expression of Interest (EOI) process to determine the market value of the Glen Wilga coal asset.

Key strategies to be implemented in the 2010/11 year:

- Kunioon coal resource strategy
 - Implement the Board approved recommendations arising from the 2010 Kunioon Strategic Review.
- Emerging low emission technologies and application
 - Assess a comprehensive range of coal based generation technology options for commercial viability and compatibility with Kunioon and Surat coal resources (linked to 2.1).
- Glen Wilga assets
 - Glen Wilga coal resource: determine market value of Glen Wilga coal resource by approaching market (subject to market conditions).
 - Glen Wilga transport corridor: develop strategy for the Glen Wilga transport corridor including the assessment of value to potential gas suppliers and water utilities and users.

1.4 Corporate Performance Outcomes

In accordance with the above corporate objectives, Tarong Energy undertakes to achieve the following corporate performance outcomes in 2010-11 year:

Strategy	KPI	KPI Measure	Target ¹
Competitiveness	Return on Equity	%	(2.4) %
Cost saving opportunities identified and implemented across all business units	Business units to deliver cost savings below 2009/10 actual business unit cost centre budgets ²	% savings	x%
Non Operational Profitability	Gross Margin ³ 2010/11 Budget	\$ million + / - range	\$xxx.x million - \$xxx.x million
	Corporate Overhead ⁴	\$ million	\$xx.x million

Corporate Objective 1.1 - To defend and improve Tarong Energy's relative competitive position by:

- effective cost reduction and revenue increasing initiatives to maximise gross margin;
- optimisation of its value chain (mine to market), and
- diversification of its contracting portfolio.

Strategy		Target
5 Year	1.1 Embed cost-efficient sustainable work practices, optimise value chain proposition and diversify the contracting portfolio to take advantage of market opportunities as they arise	1.1 To maintain or improve Tarong Energy's relative competitive position
1 Year	1.1 Identify and implement a range of measure that maintain or improve Tarong Energy's relative competitive position	1.1 To maintain or improve Tarong Energy's relative competitive position

Key Deliverables	KPI	KPI Measure	Target
Implement market led value Chain Optimisation study	Modelling completed	Target outcomes determined /	30/07/10

¹ Budget Targets

² These savings will be used to achieve efficiencies as required under the mid year reform guidelines

³ Gross Margin is defined as the sum of:

- Electricity sales
- Contract for differences
- Fuel costs
- Direct costs
- Net ancillary services
- Net retail
- Net environmental
- Other generating costs

⁴ Corporate Overhead is defined as the sum of operating expenditure (excluding depreciation and amortisation) for the following business units:

- Chief Executive Office
- Corporate Governance
- Business and Financial Services (excluding Business Development)
- People and Communications
- Marketing and Trading

Key Deliverables	KPI	KPI Measure	Target
outcomes		developed	
Operational Profitability	All study outcomes implemented resulting:		
	Cost reductions	\$	\$ subject to modelling outcomes ⁵
	Total Gen Ops cost per MWh available	\$ / MWh	\$x.xx – x.xx / MWh
	Total costs to mine per gigajoules consumed	\$ / Gj cost of delivered coal @ 115Pj PA at 28% Ash- mine configuration	No greater than \$x.xx /Gj
Overhaul optimisation at TPS, TNPS and WPS (to include strategic review of timing, scope, contracting and duration)	Reduction of overhaul costs	% reduction of overhaul costs (based on historical actual costs)	5% or greater
Improve plant flexibility to meet Marketing and Trading (M&T) requirements	Ability for plant to better meet M&T expectations	% of stage 1 implemented	100%
Transition TNPS to achieve benefits realisation	Efficient transition	\$ cost reduction	\$x.x m over two years
Diversify the contracting portfolio to take advantage of market opportunities in new trading commodities as they arise	Develop business case for new trading commodities with delivery or decision not to progress	No. of commodity business case	Two by 30/06/11
Cost saving opportunities identified and implemented	All business units to deliver cost savings below 2009/10 actual cost centre budgets	% savings	5 %
Workforce optimisation – active review of positions that become vacant to ensure future need	Vacant positions reviews by relevant GM to ensure need	% vacant positions reviewed	100%
Develop workforce optimisation strategies	Creating an infrastructure to facilitate workforce optimisation objectives	Contracts of employment reviewed CEO approved IR strategy developed	31/12/10 30/06/11
Develop a marginal abatement cost curve to compare and rank carbon cost saving opportunities across Tarong Energy	Board approved corporation wide marginal abatement cost curve published	Published marginal abatement cost curve	30/09/10
Efficient carbon inventory management processes and reporting processes developed to ensure accurate monitoring and management of carbon liability	Systems and reporting in place	System and reporting in place	30/06/11

⁵ Modelling due for completion 30/07/10

Corporate Objective 2.1 - Efficiently manage the value of Tarong Energy's existing portfolio of assets

Strategy		Target
5 Year	2.1 Monitor opportunities to apply low emission generation technology to existing assets	2.1 By 30 June 2011, complete a ranking of low emission technology opportunities
1 Year	2.1 Identification and ranking of opportunities that will reduce carbon intensity or increase plant efficiency for Tarong Energy participation	2.1 Completion of the broad-based assessment and initial prioritisation of low emission opportunities for Tarong Energy

Strategy	KPI	KPI Measure	Target
Monitor both existing and new technological developments with the aim of identifying potential options	The identification of potential development options for both existing and new low emission technologies	Number of options progressed to project initiation assessment	Two
Investigate the potential of various options available to provide bio-sequestration and biodiesel opportunities (including Pongamia plantations) to support green initiatives	The identification of potential development options for both existing and new low emission technologies	Number of options progressed to project initiation assessment	Two
The Tarong Gas Project investigations to be progressed to conclusion. The three project areas to reach financial conclusion and to move into execution	Business case to progress or to discontinue project streams approved by the Board with shareholder approval as necessary	Delivery or decision not to progress	30/06/11
Surat to South Burnett Gas Pipeline <ul style="list-style-type: none"> achieve bankable Feasibility study complete to Final Investment decision level 	Feasibility study complete Final investment decision capable of being made	<ul style="list-style-type: none"> Completion date Case put to Board capable of execution 	31/12/10 31/03/11
Gas Generation at Site <ul style="list-style-type: none"> Gas supply secured to support generation options Complete bankable Feasibility study on gas fired cogeneration at TPS. 	A range of gas supply arrangements considered and assessed and available to be progressed should the gas repowering project be commercially viable Business case for gas co-generation at TPS site capable of Board approval to proceed	Gas supply assessment complete <ul style="list-style-type: none"> Feasibility study complete Investment decision capable of being made 	31/03/11 31/12/10 31/03/11
Coal Seam Gas water transportation, treatment and	Complete examination of options for Tarong	<ul style="list-style-type: none"> Completion of pre-feasibility study 	01/07/10

Strategy	KPI	KPI Measure	Target
disposal - complete pre-feasibility study to enable Tarong Energy to promote water treatment options to potential owners and constructors	Energy or other entity to transport	<ul style="list-style-type: none"> Completion of feasibility study Way forward agreed and decision to proceed made 	30/09/10 31/12/10
Assess a comprehensive range of generation and sequestration technology and participation options for commercial viability	Idea assessments and selected concept assessments complete with recommendations endorsed by the Board	Concept assessments complete	30/06/11
Assess sequestration technologies for commercial viability <ul style="list-style-type: none"> Algae 1 – 1 Ha Display plant Algae 2 – 80 Ha Pilot plant 	Idea assessments and selected concept Algae 1 – Plant commissioning Algae 2 – Prefeasibility completed	Algae 1 – commissioned Algae 2 – Pre-feasibility	31/12/10 30/06/11
Analysis of the impacts and risks different business development options	Future scenarios developed Options endorsed for further investigation.	% scenario developed and agreed Number of options endorsed for investigation	100% by 30/06/11 Two by 30/06/11

Corporate Objective 2.2 - Optimise value of strategic coal assets (Kunioon and Surat Basin)

	Strategy	Target
5 Year	2.2 Develop, and to the extent applicable, implement strategies to maximise the value of the Kunioon and Surat Basin coal resources	2.2.1 Tarong Energy achieves ownership of 80% of the land contained within the Kunioon MDL 2.2.2 Conclude evaluation to maximise optionality of existing coal assets including understanding of emerging technologies and how they can be applied to ensure best use of the Kunioon and Surat Basin resources
1 Year	2.2.1 Implement Kunioon coal resource holding or disposal strategy 2.2.2 Develop understanding of emerging low emissions technologies and their application to the Kunioon and / or Surat Basin resource 2.2.3 EOI process to determine the market value of the Glen Wilga coal resource.	2.2.1 Continue to acquire Kunioon land where approaches are made to Tarong Energy to sell 2.2.2 Progress Tarong Energy's understanding of emerging low emissions technologies and their application 2.2.3 By 31 December 2010 complete an EOI to determine the market value of the Glen Wilga coal resource.

Strategy	KPI	KPI Measure	Target
2.2.1 Implement the Board approved recommendations arising from the 2010 Kunioon Strategic Review	Implementation of Kunioon Strategy	% Implementation of Board approved recommendations	50% by 31/12/10 100 % by 30/06/11
2.2.2 Emerging low emission technologies and application <ul style="list-style-type: none"> assess a comprehensive range of coal based generation technology options for commercial viability and compatibility with Kunioon and Surat coal resources (linked to 2.1) 	Idea assessment and selected concept assessments complete and with recommendations endorsed	Endorsement of recommendation by Board	30/06/11
2.2.3 Glen Wilga assets <ul style="list-style-type: none"> determine market value of Glen Wilga coal resource by approaching market (subject to market conditions) development of strategy for the Glen Wilga transport corridor including the assessment of value to potential gas suppliers and water producers and users promote transport corridor to potential gas suppliers, water producers and users 	Responses to expression of interest process received and evaluated against alternative uses, then pursued if transaction is logical EOI process complete Value to counterparties established Idea assessment and selected concept assessments complete	EOI Responses received Decision to proceed to transaction or retain Binding contracts executed Expressions of interest from counterparties received Endorsement of recommendation by Board	30/09/10 30/10/10 Before 31/12/10 30/09/10 30/06/11

1.5 Operational Objectives

The following operational objectives will contribute to the achievement of the corporate objectives outlined above:

People	<p><i>Ensure the availability of appropriate skills across the Corporation</i></p> <p>Tarong Energy believes that its people are critical to the ongoing success and future security of its business.</p>
Safety	<p><i>Strive to achieve & maintain a zero-harm workplace</i></p> <p>Tarong Energy strives to achieve a zero injury workplace by encouraging behaviours and implementing systems and processes that ensure our workplaces are safe and our people, including contractors and visitors to our sites, remain healthy.</p>
Environment	<p><i>Manage Tarong Energy's environmental impact</i></p> <p>Tarong Energy will undertake a number of measures to manage and where possible reduce the impact of the effects of its operations on the environment.</p>
Marketing & Trading	<p><i>Achieve and maintain effective channels to market</i> <i>Optimise the value of opportunities arising from an ETS.</i></p> <p>Tarong Energy must remain competitive in an increasingly vertically integrated market. It must secure and maintain effective channels to market and position itself to optimise the value of opportunities arising from an ETS.</p>
Generation Plant Performance	<p><i>Maintain commercial reliability of generation plant performance</i> <i>Optimise the life of assets</i></p> <p>Tarong Energy is a major provider of power in Queensland and it seeks to maintain its reputation as a reliable and competitive generator.</p>
Mining Operations	<p><i>Maintain and increase reserves at Meandu</i> <i>Maintain economic coal supply from Meandu</i></p> <p>For Tarong Energy to remain competitive it requires continuity of economically acceptable quality coal.</p>
Stakeholder	<p><i>Secure shareholding Ministers' ongoing support for Tarong Energy's preferred corporate direction</i> <i>Secure Tarong Energy's social and political licence to operate</i></p> <p>Understanding what is important to our stakeholders, keeping them informed and maintaining positive relationships is a priority for Tarong Energy.</p>
Governance Processes	<p><i>Compliant, effective, cost-efficient governance frameworks and policies that consider best practice</i></p> <p>Tarong Energy must ensure its internal policies and processes remain compliant, are "fit for purpose" and facilitate Tarong Energy's ability to optimise opportunities and returns.</p>

1.6 Performance Drivers

The key drivers to Tarong Energy in the year ahead are the need to:

1. *Defend its relative competitive position*

Tarong Energy's relative competitive position is under threat due to rising maintenance cost associated with managing its ageing plant, increasing fuel and high fixed water costs. Should some form of ETS be introduced in the future resulting in additional costs to Tarong Energy relative to other energy producers, then its competitive position will be further threatened.

In order to defend its competitive position Tarong Energy must implement a flexible approach to its generation profile to more efficiently respond to market demand and trading forecasts, and implement innovative trading strategies that optimise gross margin.

2. *Monitor opportunities that complement the current business model*

Given the threats facing its relative competitive position, Tarong Energy must monitor opportunities to complement the existing business to optimise its generation capabilities in the market.

3. *Embed sustainable cost efficient work practices across the organisation ensuring they optimise three critical operational drivers*

- a. Reliability and efficiency of generation plant performance;
- b. Sustainability of work practices; and
- c. Financial return / competitiveness.

Strategic Drivers	Defending relative competitive position	<ul style="list-style-type: none"> Maintaining reliability and improvement in operating efficiencies and flexibility of portfolio of generation Optimisation of value chain (mine to market) Flexible and innovative trading strategies to optimise gross margin
	Explore opportunities to complement the current business model.	<ul style="list-style-type: none"> Optimise opportunities based on implementation of ETS (when known)
Operational Drivers		<ul style="list-style-type: none"> Safe workplace and competent workforce. Managing Tarong Energy's environmental impact Reducing costs across the organisation and ensuring that maintenance and overhaul expenditures are appropriate having regard to the economic life of the plant.

2. MANDATORY MATTERS

In accordance with section 119(3) of the GOC Act, the Board of Tarong Energy undertakes that the financial and non-financial targets in sections 2.1 and 2.2 and the financial statements in section 3.1 will form the basis for assessment of quarterly outcomes as reported to shareholding Ministers. Definitions for the financial and non-financial SCI targets are provided in **Attachment 1** and are consistent with the key performance indicator definitions included in the quarterly reporting templates submitted by Tarong Energy.

2.1 Financial Targets

In accordance with the above corporate objectives, the Board of Tarong Energy undertakes to achieve at least the following performance targets in 2010/11:

	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Financial				
EBITDA (\$M)	237.5	144.4	175.1	118.1
EBIT	149.0	36.9	76.3	4.4
NPAT	85.1	0.1	35.1	(27.7)
Economic Profit /(Loss)	(4.9)	(91.9)	(94.1)	(152.6)
Return on Operating Assets ¹	6.3%	2.6%	2.3%	1.4%
Return on Assets ¹	5.6%	2.3%	2.1%	1.3%
Return on Equity	10.8%	0.0%	3.1%	(2.4%)
Gearing	28.6%	38.1%	26.8%	31.5%
EBIT Interest Cover – times ¹	3.6	1.2	1.8	0.7

¹ Ratio calculation excludes fair value movements - derivatives

2.2 Non-Financial Performance Targets

In accordance with the above corporate objectives, the Board of Tarong Energy undertakes to achieve the following non-financial performance targets in 2010/11:

	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Operational performance portfolio (including PPAs)				
Energy sent out (GWh)	8,658	9,021	9,669	10,433
Tarong Power Station	7,082	7,228	7,508	7,381
Wivenhoe Power Station	36	22	48	21
Tarong North Power Station	1,540	1,770	2,113	3,031
Availability factor				
Tarong Power Station	85.3%	86.7%	85.8%	88.3%
Wivenhoe Power Station	99.3%	76.7%	87.1%	94.0%
Tarong North Power Station	86.4%	93.2%	69.9%	97.0%
Forced outage factor				
Tarong Power Station	1.1%	1.8%	2.2%	2.0%
Wivenhoe Power Station	0.1%	2.7%	2.1%	1.7%
Tarong North Power Station	1.9%	1.9%	12.0%	2.0%
Capacity factor				
Tarong Power Station	63.2%	64.1%	66.6%	65.4%
Wivenhoe Power Station	0.8%	0.0%	0.8%	0.5%
Tarong North Power Station	83.6%	95.5%	63.3%	81.8%
Average price earned (\$/MWh)				
Volume weighted NEM price (\$/MWh)				
O&M expenditure (excluding fuel) \$/MWh sent out				
Fuel cost \$/MWh sent out				
Compliance, Safety Performance & Human Resources				
Environment - EPA breaches (#)	2	0	0	0
Greenhouse Gas Intensity Portfolio(kgCO _{2e} /MWh generated)				
Tarong Power Station	845	891	872	893
Tarong North Power Station	822	817	819	817
Greenhouse Emissions (ktCO _{2e})				
Tarong Power Station	6,544	6,997	6,718	7,163
Tarong North Power Station	2,666	3,029	1,966	2,592
All Injury Frequency Rate (AIFR) <i>employees & contractors</i>	77.0	100.0	100.0	^
Lost Time Injury Frequency Rate (LTIFR) <i>employees</i>	4.9	0	0	0
Lost Time Injury Duration Rate (LTIDR) <i>employees</i>	13.0	0	0	0
Lost Time Injury Frequency Rate (LTIFR) <i>contractors</i>	6.2	0	0	0
Lost Time Injury Duration Rate (LTIDR) <i>contractors</i>	31.0	0	0	0
Lost Time Injury Duration Rate (LTIDR) <i>contractors</i>	31.0	0	0	0
Staff turnover (annualised)	6.9%	10.0%	5.5%	0.0%
Net FTE staff numbers	535	546	546	536

^ 10% reduction on 2009/10 Actual (to be calculated at completion of year end)

2.3 Assumptions

The key assumptions used in the preparation of the Statement of Corporate Intent are:

- Glen Wilga coal resource, Haystack Road and the related transport corridor to TPS continue to be owned by Tarong Energy and are not disposed during the five year period;
- Full ownership of Meandu and Kunioon mine and resources;
- Ash disposal to King 2 West mine void commenced in November 2009 and the void will be used for ash disposal for the next five years;
- The introduction of an ETS is delayed until 1 July 2012 and it is assumed the scheme will commence at a fixed price of \$10 per certificate and Tarong Energy will be required to surrender carbon pollution permits for greenhouse gas emitted. From 1 July 2012, the carbon costs are reflected in higher operating expenses and are offset by increased electricity pool prices (Note: On 27 April 2010, the Federal Government announced the further delay of any introduction of an ETS.
- There are no equity injections over the five year period although this is subject to the outcomes of the current capital structure reviews and any policy changes by Government regarding the structure of its generation sector ownership;
- The fixed water charge for recycled water increases significantly in accordance with the Grid Water Contract. The fixed water charge for recycled water increases significantly in accordance with the Grid Water Contract. The fixed charge for TPS is \$6.5 million in 2009/10, increasing to \$8.4 million in 2010/11. The fixed charge for TNPS is \$5.7 million in 2009/10 increasing to \$7.6 million in 2010/11
- The table below details the power stations' overhaul schedule and the related days the various units will be unavailable. The overhaul schedule reflects the requirement for the remaining control system refit and the Low NOx burners projects for TPS.

Overhaul schedule – days unavailable

Plant	Unit	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Tarong Power Station	1	123	-	-	10
	2	67	47	12	-
	3	-	-	-	120
	4	-	119	115	4
Wivenhoe Power Station	1	-	76	23	23
	2	28	77	18	-
Tarong North Power Station	1	-	42	67	-
Total Days Off Line		218	361	235	157

2.4 Key operational indicators

		2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Economic Indices					
CPI	%	1.50	5.00	2.70	2.80
Wages Growth	%	5.99	5.75	5.75	4.50
Long term interest (borrowing) rates	%	6.63	7.47	7.47	7.70
Dividend payout ratio	%	80.00	80.00	80.00	80.00
Revenue					
Average Pool Revenue (residual volume exposed to pool) per MWh sent out	\$/MWh				
Average revenue per MWh sent out	\$/MWh				
Pool Revenue (Residual exposure)	\$M				
Contract Revenue	\$M				
Other Revenue	\$M				
Total Operating Revenue	\$M				
Volume of Contracts					
Peak Contracts	GWh				
Off Peak Contracts	GWh				
Flat Contracts	GWh				
Average strike price for Contracts					
Peak Contracts	\$/MWh				
Off Peak Contracts	\$/MWh				
Flat Contracts	\$/MWh				
NEM (Qld region)					
Time - weighted annual pool price	\$/MWh				
Energy					
Total energy produced	GWh				
Total energy sent out	GWh	8,658	9,020	9,669	10,453
Contract Volume sold	GWh				

2.5 Asset ownership

Asset	Ownership (%)	Type/Operation	Unit Size (MW)	No. of Units	Gross Capacity
Tarong Power Station	100	Coal-fired	350	4	1,400
Tarong Power Station	100	Gas-fired Plant/ Emergency Plant	15	1	15
Wivenhoe Power Station	100	Hydro-electric/ Pumped Storage	250	2	500
Tarong North Power Station	100	Coal-fired	443	1	443
Chinchilla East (Glen Wilga) coal resource	100	Coal resource	N/A	N/A	N/A
Meandu Mine	100	Coal resource	N/A	N/A	N/A
Kunioon Site	100	Coal resource	N/A	N/A	N/A

Note: Chinchilla East coal resource refers to the Glen Wilga and Haystack Road coal resources along with the Glen Wilga to Tarong Power Station rail transport corridor.

2.6 Community Service Obligations (CSOs)

No Community Service Obligations have been identified for Tarong Energy in 2010/11.

2.7 Employment and Industrial Relations (E&IR) Plan

An E&IR Plan meeting the requirements of Section 149 of the GOC Act and the *Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations* (E&IR Plan Guidelines) is provided to shareholding Ministers as **Attachment 2** to the SCI.

The remuneration arrangements for the Directors, Chief Executive Officer and all senior executives of Tarong Energy, in line with the E&IR Plan Guidelines, are also detailed in the E&IR Plan provided as **Attachment 2** to the SCI.

3. ADDITIONAL MATTERS

In accordance with Section 106(1) of the GOC Act, the following additional matters have been detailed in this section.

3.1 Financials

3.1.1 Group

3.1.1.1 Income Statement (consolidated)⁶

Quarter 2010/11				\$M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Sep	Dec	Mar	Jun					
				Operating Revenue				
102.5	109.7	118.6	121.3	Sales of Electricity/REC's	430.1	445.8	449.2	452.2
4.9	5.3	4.3	6.4	Other Operating Revenue *	14.0	5.1	5.1	20.9
107.4	115.0	122.9	127.8	Total Operating Revenue	444.1	450.9	454.3	473.1
				Operating Expenses				
				Depreciation and Amortisation				
				Fuel and Pumping				
				Business Development/Fuel Strategy				
				Operations and Maintenance				
				Other Operating Expenses				
107.1	110.2	113.1	113.3	Total Operating Expenses	352.9	407.8	410.1	443.7
0.4	4.8	9.8	14.5	Operating Profit/(Loss)	91.2	43.1	44.2	29.4
				Non-Operating Revenue and Expenses				
0.2	0.2	0.2	0.1	Non-Operating Revenue	17.5	1.8	3.7	0.7
-	-	-	-	Non-Operating Expenses	-	-	-	-
(3.3)	(10.6)	4.2	(16.0)	Fair Value Movements - Derivatives	40.3	(8.0)	28.4	(25.7)
(3.1)	(10.4)	4.4	(15.9)	Non-Operating Profit/(Loss)	57.8	(6.2)	32.1	(25.0)
(2.8)	(5.7)	14.2	(1.4)	Earning Before Interest and Tax	149.0	36.9	76.3	4.4
10.8	11.6	11.8	11.4	Net Interest Expense	30.5	36.4	26.2	45.6
(4.4)	(5.5)	0.5	(4.1)	Income Tax Expense/(Benefit)	33.4	0.4	15.1	(13.5)
(9.2)	(11.8)	2.0	(8.7)	Net Profit/(Loss) After Tax	85.1	0.1	35.1	(27.7)

* Predominately net retail and by-product sales.

3.1.1.2 Equity injections and withdrawals

\$M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Equity injections	-	-	275.0	-
Equity withdrawals	-	-	-	-
Net Equity	913.4	851.7	1,213.3	1,142.2

3.1.1.3 Dividends, Tax Equivalent Payments and Community Service Obligations

\$M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Dividends provided	45.5	0.1	12.2	-
Current Tax Equivalent Payments/(Benefits)	33.4	0.4	15.1	(13.5)
Community Service Obligation receipts	-	-	-	-

⁶ The 2009/10 estimated actual does not include any adjustment for impairment. At this point in time there are too many variables to be considered before the value adjustments can be determined with any certainty.

3.1.1.4 Balance Sheet (consolidated)

Quarter 2010/11				\$M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Sep	Dec	Mar	Jun					
				CURRENT ASSETS				
5.0	5.0	5.0	5.0	Cash	78.7	5.0	5.0	5.0
64.9	79.6	86.8	75.0	Receivables	87.9	56.3	76.5	75.0
0.2	0.2	0.2	0.2	Derivative Financial Instruments	106.1	-	0.2	0.2
101.0	101.0	101.0	108.2	Inventories	100.1	64.4	101.0	108.2
12.1	11.0	9.8	8.7	Other	5.3	6.6	6.0	8.7
183.1	196.7	202.8	197.1	Total Current Assets	378.1	132.3	188.7	197.1
				NON-CURRENT ASSETS				
175.5	138.4	150.1	100.9	Derivative Financial Instruments	137.2	50.8	188.5	100.9
				Property, plant and equipment				
1,717.0	1,737.3	1,718.0	1,706.1	Commissioned Assets	1,277.6	1,326.9	1,687.6	1,706.1
142.4	129.2	134.2	142.4	Work in Progress	193.9	335.5	153.0	142.4
66.8	66.8	66.8	66.8	Intangibles	66.8	74.9	66.8	66.8
21.6	21.6	21.6	21.6	Other	25.8	5.7	21.6	21.6
2,123.3	2,093.3	2,090.7	2,037.8	Total Non Current Assets	1,706.4	1,855.4	2,117.5	2,037.8
2,306.4	2,289.9	2,293.5	2,234.9	TOTAL ASSETS	2,084.4	1,987.7	2,306.2	2,234.9
				CURRENT LIABILITIES				
17.1	18.5	20.0	21.4	Accrued Employee Benefits	20.4	13.6	21.3	21.4
10.8	6.4	5.5	4.5	Derivative Financial Instruments	70.1	8.0	15.4	4.5
78.3	70.3	73.9	76.2	Creditors	69.2	129.5	107.9	76.2
12.2	-	-	-	Dividends	45.5	0.1	12.2	0.0
2.3	2.3	2.3	2.3	Other	10.8	11.2	2.2	2.3
120.8	97.5	101.7	104.5	Total Current Liabilities	216.0	162.3	159.0	104.5
				NON-CURRENT LIABILITIES				
1.6	1.6	1.7	1.7	Accrued Employee Benefits	1.4	8.8	1.6	1.7
510.2	559.1	547.0	530.1	Borrowings	445.0	529.0	449.9	530.1
164.2	165.8	167.3	168.8	Provisions	154.8	171.3	162.7	168.8
312.2	298.8	301.5	288.4	Deferred Tax Liability	303.7	260.0	319.4	288.4
0.1	0.1	0.1	(0.8)	Other	-	4.6	0.1	(0.8)
988.4	1,025.5	1,017.6	988.2	Total Non-Current Liabilities	954.9	973.7	933.8	988.2
1,109.1	1,123.0	1,119.4	1,092.7	TOTAL LIABILITIES	1,171.0	1,136.0	1,092.8	1,092.7
1,197.3	1,166.9	1,174.1	1,142.2	NET ASSETS	913.4	851.7	1,213.3	1,142.2
987.0	987.0	987.0	987.0	Share capital	712.0	712.0	987.0	987.0
121.2	109.3	111.3	102.6	Retained Earnings	107.6	102.3	130.5	102.6
16.4	16.4	16.4	16.4	Reserves	16.4	16.4	16.4	16.4
72.7	54.2	59.4	36.2	Deferred Gain - Fair Value Derivatives	77.4	21.0	79.4	36.2
1,197.3	1,166.9	1,174.1	1,142.2	Total Shareholder's Equity	913.4	851.7	1,213.3	1,142.2

3.1.1.5 Cash Flow Statement (consolidated)

Quarter 2010/11				\$M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Sep	Dec	Mar	Jun					
				Cash flows from Operating Activities				
132.2	112.8	130.3	152.0	Cash Receipts in the Course of Operations	474.8	472.9	474.1	527.3
(134.9)	(102.4)	(92.2)	(98.6)	Cash Payments in the Course of Operations	(298.9)	(265.1)	(287.3)	(428.1)
-	-	-	-	Interest Received	4.5	-	1.1	-
(10.8)	(11.6)	(11.8)	(11.4)	Borrowing Costs Paid	(32.5)	(36.4)	(30.5)	(45.6)
(13.5)	(1.2)	26.3	42.0	Net Cash Provided by Operating Activities	145.2	166.1	157.4	53.6
				Cash flows from Investing Activities				
(46.8)	(27.8)	(14.2)	(25.2)	Payments for property, plant and equipment	(125.9)	(228.5)	(461.1)	(114.0)
0.1	0.1	0.1	0.1	Proceeds from Sale of Non-Current Assets	0.0	-	-	0.2
-	-	-	-	Interest Payments Capitalised	(9.4)	(9.1)	(4.3)	-
(0.0)	(7.8)	0.0	0.0	Other (EED expenditure)	(1.8)	(7.8)	(0.0)	(7.8)
(46.7)	(35.6)	(14.1)	(25.2)	Net Cash Used in Investing Activities	(137.0)	(245.4)	(465.4)	(121.6)
				Cash Flows from Financing Activities				
60.2	49.0	(12.2)	(16.9)	Proceeds from Borrowings	51.9	128.2	4.9	80.2
-	(12.2)	-	-	Dividends Paid	(50.7)	(48.9)	(45.5)	(12.2)
-	-	-	-	Equity Injection	-	-	275.0	-
60.2	36.8	(12.2)	(16.9)	Net Cash Used in Financing Activities	1.1	79.3	234.4	68.0
-	-	0.0	-	Net Increase/(Decrease) in Cash Held	9.3	0.0	(73.7)	0.0
5.0	5.0	5.0	5.0	Cash at the Beginning of the Financial Year	69.3	5.0	78.7	5.0
5.0	5.0	5.0	5.0	Cash at the End of the Financial Year	78.7	5.0	5.0	5.0

3.1.2 Financials: Subsidiaries

3.1.2.1 TN Power Pty Ltd⁷

Income Statement

\$'M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
<i>Total Revenue</i>				
<i>Total Expenses</i>				
EBIT				
<i>Interest Expense</i>				
<i>Tax</i>				
Net Profit After Tax				

Balance Sheet

\$'M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
<i>Total Current Assets</i>				
<i>Total Non-current Assets</i>				
TOTAL ASSETS				
<i>Total Current Liabilities</i>				
<i>Total Non-current Liabilities</i>				
TOTAL LIABILITIES				
NET ASSETS				
TOTAL SHAREHOLDERS' EQUITY				

Cash Flow Statement

\$'M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
<i>Net Cash Flows from Operating Activities</i>				
<i>Net Cash Flows from Investing Activities</i>				
<i>Net cash Flows from Financing Activities</i>				
Net Increase/(Decrease) in Cash Held				
<i>Cash at Beginning of Year</i>				
Cash at End of Year				

⁷ From 1 November 2009, Tarong Energy assumed 100% ownership of TN Power Pty Ltd.

3.1.2.2 TEC Coal Pty Ltd

Income Statement

\$'M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
<i>Total Revenue</i>				
<i>Total Expenses</i>				
EBIT				
<i>Interest Expense</i>				
<i>Tax</i>				
Net Loss After Tax				

Balance Sheet

\$'M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
<i>Total Current Assets</i>				
<i>Total Non-current Assets</i>				
TOTAL ASSETS				
<i>Total Current Liabilities</i>				
<i>Total Non-current Liabilities</i>				
TOTAL LIABILITIES				
NET ASSETS				
TOTAL SHAREHOLDERS' EQUITY				

Cash Flow Statement

\$'M	2008/09 Actual	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
<i>Net Cash Flows from Operating Activities</i>				
<i>Net Cash Flows from Investing Activities</i>				
<i>Net cash Flows from Financing Activities</i>				
Net Increase/(Decrease) in Cash Held				
<i>Cash at Beginning of Year</i>	-	-	-	-
<i>Cash at End of Year</i>	-	-	-	-

3.2 Main Undertakings and Businesses

There have been no main undertakings identified for acquisition by Tarong Energy in the 2010/11 SCI. During the 2010/11 year Tarong Energy will conduct a process to determine the market value of the Glen Wilga coal resource by approaching the market (subject to market conditions) for Expressions of Interest to purchase this asset. A decision on whether to proceed with the disposal of this asset will be made based on the outcome of the EOI process and in consultation with the Shareholding Ministers.

3.3 Capital Expenditure Program

Operations

Description \$M	2009/10 YTD Est. Act	2010/11 Budget	Est. Total Cost of Project *	Purpose and Objective	Status
Operations					
Tarong Power Station	65.2	43.1	154.5	Plant upgrade and replacement	N/A
Tarong North Power Station	1.7	2.6	28.5	Plant upgrade and replacement	N/A
Wivenhoe Power Station	2.0	2.2	7.0	Plant upgrade and replacement	N/A
Overhauls					
Tarong Power Station	-	19.6	19.6	Scheduled overhauls	Board Approved
Tarong North Power Station	-	-	-	Scheduled overhauls	Board Approved
Wivenhoe Power Station	3.0	3.0	6.0	Scheduled overhauls	Board Approved
Meandu Mine	65.9	38.4	236.5	Mine fleet, dragline overhaul and resource evaluation	N/A
Tarong North Power Station acquisition	275.0	-	275.0		
Total	412.7	108.8	727.0		

Business Development (material expenses on projects being considered)

Description \$M	2009/10 YTD Est. Act	2010/11 Budget	Est. Total Cost of Project *	Purpose and Objective	Status
Fuel strategy	-	-	-	Fuel strategy	Feasibility
TN acquisition / transition	-	-	-	TN acquisition / transition	Board Approved
Bulk Gas Generation	5.1	1.5	6.6	Gas co-generation strategy	Feasibility
Gas Pipeline	-	0.5	0.5	Gas co-generation strategy	Feasibility
Glen Wilga Mine and Rail	17.5	7.8	25.3	Fuel resource options	Board Approved
Kunioon Development	95.0	4.6	123.2	Land acquisition and mine resource evaluation	Board Approved
Total	117.6	14.4	155.6		

Corporate

Description \$M	2009/10 YTD Est. Act	2010/11 Budget	Est. Total Cost of Project *	Purpose and Objective	Status
Corporate	4.1	10.6	47.3	Information Services projects	N/A
Total	4.1	10.6	47.3		
Total Capital	534.4	133.8	929.9		

* Project out year spend is budgeted only until 30 June 2015 and is only for those projects which have spend in 2010/11.

Overhauls

Includes overhauls for TPS, TNPS and WPS.

Operations

Significant projects during 2010/11 include:

- TPS instrumentation and control system refit/upgrade \$8.6 million
- Water treatment plant \$4.7 million
- TPS Low NOx burners \$3.3 million.

Meandu Mine

Significant projects during 2010/11 include:

- Mine fleet replacement \$16.3 million
- Resource evaluation \$11.9 million
- Mini-dragline overhaul \$10.0 million.

Corporate

Significant projects during 2010/11 include:

- Capital expenditure for continuous improvements to the M&T, Generation and Mining operations information systems
- Programmed equipment and communications infrastructure refresh.

3.4 Major Initiatives Being Undertaken by Tarong Energy

Major initiatives in support of Tarong Energy's Corporate Objectives in the 2010/11 SCI are:

Corporate Objective 2.1 – Diversify Tarong Energy's current business model

Water and Gas Project

This is a portfolio of three individual projects, comprising:

- Project 1 – Gas generation at site – *gas turbines for repowering of the existing steam turbines at TPS*
- Project 2 – Surat to South Burnett Gas Pipeline – *high pressure gas pipeline to transport gas to the TPS site from Surat Basin Coal Seam Gas (CSG) reserves. This project will also include the feasibility of developing a water pipeline to transport CSG water to TPS*
- Project 3 – CSG water treatment and disposal – *further assessment of an integrated CSG water treatment solution at TPS.*

Project milestones and schedules have been devised so that feasibility studies are concluded by 31 December 2010 and Tarong Energy could be in a position to make a well informed Final Investment Decision in the first half of 2011.

3.5 Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements

3.5.1 Total for all expenditure items (over and under \$5,000)

Consistent with the Corporate Entertainment and Hospitality Guidelines and Tarong Energy's Entertainment and Hospitality Policy, Tarong Energy has budgeted the following total amounts for Sponsorship, Advertising, Corporate Entertainment, Donations and Other Related Activities for 2010/11:

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities Total for ALL Expenditure Items (over and under \$5,000)¹

Activity \$	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Sponsorship	498,000	490,366 ²	499,300
Advertising	111,517	125,601	21,034
Corporate Entertainment	214,454	212,488	150,600
Donations	0	0	0
Other Related Activities ³	560,000	560,000	580,000
Total	1,383,971	1,388,455	1,250,934

¹ All expenditure to be GST exclusive

² The estimated actual for 2009/10 differs from that submitted to Tridata as an error has been identified in the estimate previously submitted whereby an input was inadvertently double counted. As a result it is expected that this expense category will not exceed 2009/10 budget as presented in the above.

³ Other Related Activities relate to the contractual agreement between Tarong Energy and the Bunya Wakka Wakka for the ILUA Benefits Fund.

Full details of the budgeted expenditure are provided in **Attachment 3** to the SCI.

Tarong Energy will provide details of any significant changes to the listed commitments in quarterly reports to shareholding Ministers and will notify shareholding Ministers of any significant proposed sponsorship arrangements prior to the signing of a binding contract.

3.6 Other

As part of its performance agreement with shareholding Ministers, the Board of Tarong Energy provides the following additional undertakings:

3.6.1 Prudential Financial Information

The Board will ensure Tarong Energy takes full responsibility to ensure that prudent financial practices will be applied within the corporation and its subsidiaries. Without limiting the obligations imposed on the Board and the CEO by the GOC Act and, where applicable, the *Corporations Act 2001*, this includes a commitment to:

- abide by the *Code of Practice for Government Owned Corporations' Financial Arrangements* (Code of Practice), as issued by the Queensland Government
- establish, maintain and implement appropriate financial risk management practices and policies required and as specified in the Code of Practice.

3.6.2 Capital Structure

The Board will prudently manage the financing of Tarong Energy's existing business and new business developments. As an integral part of the financing of the Corporation, the overall debt will be managed to ensure that Tarong Energy maintains the appropriate credit rating or other rating as directed by shareholding Ministers. Tarong Energy's Board will ensure Tarong Energy complies with this.

3.6.3 Weighted Average Cost of Capital (WACC)

The Board will ensure that Tarong Energy reviews its WACC on an annual basis. As part of the SCI negotiation process, Tarong Energy's beta and optimal capital structure have been determined in consultation with shareholder representatives. Separate WACCs have been calculated for those parts of Tarong Energy's operations that face differing business risk profiles.

Other than the annual review process, in the event Tarong Energy encounters a significant change to the risk profile of its business, its WACC will be recalculated in consultation with shareholder representatives.

Details of Tarong Energy's WACC calculations are provided in **Attachment 4** to the SCI.

3.6.4 Dividend Policy and Payment

Tarong Energy's dividend policy takes into account the return the shareholders expect from their investment. The Board of Tarong Energy is likely to recommend no dividend be provided for 2010/11, based on a budget net loss after tax of \$27.7 million.

The Board will adopt such a recommendation on the basis of its shareholders agreeing to provide the necessary funding for projects which have received Board and shareholding Ministers' approval or for the maintenance of Tarong Energy's approved capital structure or for ensuring the operational viability of Tarong Energy. Tarong Energy's Board undertakes to ensure the dividend policy is adhered to.

The dividend payment recommendation provided by the board will be in the form of a percentage of consolidated profit after provision has been made for income tax (net profit after tax, NPAT), adjusted for the net impact of non cash transactions. The recommendation will be accompanied by an estimate of NPAT and will include detailed information on any proposed or likely adjustments to NPAT, including a statement of the amount and reasons for any adjustments.

When determining the final dividend to be declared at the end of the period, the board will ensure shareholder departments are consulted with and that written agreement is received from shareholder departments for any material changes to the adjustments identified or any subsequent adjustments in the dividend recommendation agreed to by shareholding Ministers.

3.6.5 Corporate Governance Guidelines for Government Owned Corporations

The Board of Tarong Energy undertakes to continually monitor and review its corporate governance arrangements to reflect good practice, having regard to the *Corporate Governance Guidelines for Government Owned Corporations* (Corporate Governance Guidelines).

Tarong Energy has adopted all the recommendations in the Corporate Governance Guidelines.

3.6.6 Risk Management

The Board of Tarong Energy has ultimate responsibility for the management of all potential internal and external risks for the Corporation. The Corporation's risk identification and management process is monitored by the Audit & Risk Management Committee, which is a subcommittee of the Board and which reports to the Board on a regular basis.

The risk management framework is designed to ensure that all potential financial, operational and other risks are regularly identified, assessed, monitored and reported to the Audit & Risk Management Committee and the Tarong Energy Board, along with appropriate risk mitigation and management plans. In particular, potential security risks have been considered and identified and a framework to respond to security threats has been developed.

The Board will continually monitor security risks and update Tarong Energy's response framework as necessary.

Risk management plans have been incorporated in Tarong Energy's budgetary and strategic planning processes.

3.6.7 Compliance with Government Policies

The Board of Tarong Energy and its subsidiaries will comply with all relevant Government policies and guidelines as set out in **Attachment 6**. In particular, Tarong Energy and its subsidiaries will comply with the approval, notification, reporting and other requirements of those policies and guidelines.

3.6.8 Community Engagement

Tarong Energy's primary stakeholder engagement goal (as outlined in the Corporation's Stakeholder Engagement Policy) is to establish relationships built on trust, respect, mutual commitment and understanding of the constantly changing needs of all stakeholders.

In its Stakeholder Engagement Policy, Tarong Energy commits to:

- Support and pro-actively engage the communities within which it operates.
- Interact with all key stakeholders in an open, honest and responsible manner.
- Ensure it makes timely and balanced disclosures to shareholders and their representatives and that it considers the effects changes of Tarong Energy direction may have on stakeholders.
- Monitor stakeholder priorities and recognise the need for flexibility as stakeholders change and new issues arise.
- Actively communicate corporate initiatives in order to raise awareness and promote the Corporation's reputation amongst shareholders and stakeholders.
- Integrate corporate social responsibility into its decision making process. Whenever possible, the interests of stakeholders will be considered in decision-making. If these interests conflict with Tarong Energy's commercial obligations or Corporate Purpose, the Corporation will clearly explain this.
- Support the communities within which it operates through corporate sponsorships and donations as outlined in the Social Investment Policy.
- Develop and maintain a stakeholder engagement strategy that identifies stakeholders, seeks to understand the issues that are important to them, and keeps them informed of Tarong Energy's activities relating to these issues.

At the time of finalising Tarong Energy's Statement of Corporate Intent, key decisions were pending on a number of important projects and initiatives, including Kunioon, the Glen Wilga and Haystack Road resources and the Surat to South Burnett pipeline (for which a feasibility study is currently underway). It is therefore not possible to outline the stakeholder engagement approach that will be taken on any of these initiatives. However, stakeholder engagement and consultation is always a key element of any Tarong Energy project which has the potential to impact stakeholders.

3.6.9 Cost Efficiency Improvements

The Treasurer and Minister for Employment and Economic Development has requested that Tarong Energy enhance its financial performance by identifying and implementing operational efficiencies and productivity measures (*Refer 'GOC Reform' letter dated 9 December 2008*). Tarong Energy's contribution to the savings targets will be \$2.0 million in 2009/10, \$3.0 million in 2010/11 and \$4.0 million from 2011/12 onwards.

In response to declining profitability, Tarong Energy's efficiency initiatives have been structured in the following three streams:

- Capital Expenditure
- Sourcing (procurement efficiencies)
- Business Improvements.

Each Business Unit has also incorporated efficiency initiatives into their 2010/2011 business unit plans including:

- Market led Coal Chain Value Optimisation
- Developing alternative channels to market to optimise value
- Optimising overhaul planning and costs
- Implementing Lean Manufacturing (waste elimination)
- Upgrading the Coal Sampler
- In-sourcing the IT service desk
- Integrating the Brisbane and TPS-based HR teams
- Reducing policy and process complexity.

These initiatives are in addition to those outlined in the 2009/10 SCI.

The Executive Management Team continues to be responsible for driving and owning business improvements. Progress will continue to be reported in the quarterly reports to shareholding Ministers.

3.6.10 Measures and Reports

For each quarter of 2010/11 the shareholding Minister will receive a report on the following:

Quantitative

Savings targets to date measured against Earnings before Interest and Tax (EBIT) using the 2010/11 Budget EBIT as the benchmark. These are to be analysed by significant areas of contribution and 'other'.

Capital expenditure reductions achieved to date. These are to be analysed by "Permanent Reduction' and 'Deferred Expenditure'. A calculation of the impact on interest cost savings will also be provided. Although this is not part of the Government reporting requirement it is a useful additional measure of value creation for the Corporation.

Qualitative

A report on the progress to date of identifying and implementing efficiency improvements together with a schedule of completed, current and future initiatives.

4. PERFORMANCE AGREEMENT

DIRECTORS' STATEMENT AND AGREEMENT OF SHAREHOLDING MINISTERS

This Statement of Corporate Intent (SCI) and all attachments, for the 2010/11 year, are presented in accordance with Chapter 3, Part 8 of the GOC Act.

In accordance with Chapter 1, Part 3, Section 7 of the GOC Act, the SCI represents a formal performance agreement between the Board of Tarong Energy and its shareholding Ministers, The Hon Andrew Fraser MP, Treasurer and Minister for Employment and Economic Development and The Hon Stephen Robertson, Minister for Natural Resources, Mines and Energy and Minister for Trade with respect to the financial and non-financial performance targets specified for the financial year. The SCI also represents an acknowledgment of and agreement to major activities, objectives, undertakings, policies, investments and borrowings of Tarong Energy for the 2010/11 year.

This SCI is consistent with Tarong Energy's 2010-15 Corporate Plan submitted to, and agreed to by, shareholding Ministers in accordance with Chapter 3, Part 7 of the GOC Act.

In signing the document the Board of Tarong Energy undertakes to ensure that the document, and all reports to shareholding Ministers, are prepared with accuracy and timeliness.

In signing this document Tarong Energy's Board undertakes to achieve the targets proposed in the SCI for the 2010/11 year.

Major changes to key assumptions and outcomes detailed in this SCI, and which come to the Board's attention during the year, will be brought to the attention of shareholding Ministers. Any modifications to this SCI will be dealt with in accordance with the GOC Act.

This SCI is signed by the Chair on behalf of all the Directors in accordance with a unanimous decision of the Board of Tarong Energy.

K Collins
Chair

Date

March 2011

Honourable Stephen Robertson, MP
Minister for Energy and Water Utilities

Honourable Rachel Nolan, MP
Minister for Finance, Natural Resources and
the Arts

Date:

Date:

5. ATTACHMENTS

ATTACHMENT 1

List of financial and non-financial target definitions.

ATTACHMENT 2

Employment and Industrial Relations Plan.

ATTACHMENT 3

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements.

ATTACHMENT 4

WACC Calculations.

ATTACHMENT 5

Corporate Governance Guidelines for Government Owned Corporations.

ATTACHMENT 6

Compliance with Government Policies.

Definitions (confirmation of definitions required prior to submission)

KPI	Definition	Generation
All Injury Frequency Rate	The number of occurrences of injury or disease for every million hours worked. Calculated as number of injury occurrences X 1,000,000/ employee hours. Calculated as a total across employees and contractors. Includes lost time and non lost time injuries.	Y
Availability factor	Measures the percentage of total plant capacity that is actually available to produce power, reported as a percentage. Calculated as available plant capacity (Installed plant capacity less MW losses due to outages) divided by (installed plant capacity)	Y
Avg Price Earned \$/MWh sent out	Revenue earned (including pool settlement, contract revenue including caps, environmental revenues) divided by MWh sent out to provide an average price	Y
Capacity Factor	The ratio of energy sent out in the period to installed capacity x number of hours in the period	Y
Capital Expenditure	Amount incurred by the GOC on capital projects to the end of the reporting period	Y
Cost Performance Index	Indicates the level of cost over or under expenditure relating to the actual work performed. Calculated as budgeted cost of work to be performed in the period divided by the actual cost of work performed in the period (for approved capital projects only)	Y
Debt to Debt + Equity Ratio	Debt divided by the total of debt and equity (using balances current as at the end of the reporting period)	Y
EBIT	Group Earnings before Interest and Tax	Y
EBITDA	Group Earnings before Interest, Tax, Depreciation and Amortisation. Measures the group earnings in terms of cash-related items only.	Y
Economic Profit	Financial performance of the company based on residual wealth calculated by deducting the cost of capital from its operating profit. Measured by EBIT- Notional tax expense - (Capital Invested*Cost of Capital) where Capital Invested = Total Assets - non interest bearing liabilities and Notional tax expense = EBIT * 30%.	Y
Energy sent out	Measures total production of the generator, net of power used internally (in both unit and station auxiliaries). For clarity net of imports. Measured in GWh.	Y
EPA breaches	Number of reportable breaches of the Environmental Protection Act.	Y
Forced outage rate	Proportion of plant capacity that is unavailable due to forced outage. Calculated as MWh lost due to forced outages and load reductions divided by (total installed plant capacity x hours in period)	Y
Fuel Cost/\$ GWh sent out	Total fuel costs or energy inputs expenses (e.g. pumping cost) divided by the MWh sent out.	Y
Greenhouse gas emissions	Total greenhouse gas emissions (from generation) as defined by the National Greenhouse and Energy Reporting System measured in t CO ₂ e	Y
Greenhouse gas Intensity	Greenhouse gas emissions divided by total MWh generated	Y
Interest Cover	Earnings before Interest and Tax (<i>but after any abnormal or extraordinary items</i>) divided by interest cost (for clarity - includes capitalised interest, but excludes finance charges)	Y
Lost Time Injury Duration Rate (LTIDR)	Total days of lost time for injury and disease for every million hours worked. Calculated as number of working days lost to injuries X 1,000,000/ number of injury occurrences. Calculated separately for employees and contractors	Y

Definitions (confirmation of definitions required prior to submission)

KPI	Definition	Generation
Lost Time Injury Frequency Rate (LTIFR)	The number of lost time occurrences of injury or disease for every million hours worked. Calculated as number of lost time injury occurrences X 1,000,000/ employee hours. Calculated separately for employees and contractors.	Y
Lost Time Injury Frequency Rate (LTIFR) <i>Inc. contractors</i>	As above, but inclusive of contractor data (calculated as number of total working days lost to injuries <i>(including absences recorded for contractors)</i> * 1,000,000/ number of injury occurrences)	Y
O&M Expenditure (excluding fuel) \$/MWh Sent Out	Operation and maintenance costs excluding fuel divided by the MWh sent out	Y
Net FTE staff numbers	Measures the GOC's efforts at hiring and maintaining the budgeted staff numbers/as set in the Establishment Plan. reported as net number of staff full time equivalents	Y
NPAT	Group net profit after tax	Y
Planned outage factor	Proportion of plant energy production that is unavailable due to planned outages or load reductions. Calculated as MWh lost due to planned outages and load reductions divided by (total installed plant capacity x hours in period)	Y
Project Variances: Cost and Schedule	A measure of the variance against budget (in terms of both cost and schedule) for the GOC's approved capital projects (by CBRC) - refer to Schedule Performance Index - refer to Cost Performance Index	Y
Return on Equity	Group Operating Profit after tax <i>(but before any abnormal or extraordinary items)</i> divided by the average contributed equity plus asset revaluation reserve	Y
Return on Assets	Group Operating Profit before Interest and tax <i>(but after any abnormal or extraordinary items)</i> , divided by the total average assets	Y
Return on Operating Assets	Group Earnings before Interest and Tax <i>(but after any abnormal or extraordinary items)</i> , less income from investments, divided average of group operating assets (for clarity this excludes legacy assets and less assets under construction)	Y
Schedule Performance Index	Budgeted cost of work performed in the period divided by the budgeted cost of work scheduled for the period. It provides information on whether the project is ahead of schedule or if there is slippage (for approved capital projects only)	Y
Staff Turnover	The annualised number of staff leaving the GOC in the period divided by the total number of full-time equivalent staff at the end of the period.	Y
Volume weighted NEM price (\$/MWh)	Pool revenue received divided by total energy sent out	Y

SHAREHOLDER INFORMATION

1. E&IR Philosophy/Direction

Prior to the Global Financial Crisis, the previous five years have been categorised with low levels of unemployment together with a strong economy and booming mining and infrastructure sectors in Queensland. This placed significant pressure on the organisation's capacity to attract and retain key talent during those times.

The recent change in the global economic climate has resulted in a changing labour market, and as such the critical issue of attraction and retention of key resources was somewhat downgraded during the past twelve months. In this environment, Tarong Energy's status as a Government Owned Corporation providing an essential service has served to support our attractiveness as a secure employer.

However, with unemployment dropping, business confidence accelerating and job advertisements increasing, the early 2010 indicators are pointing towards another skills shortage looming. Tarong Energy's ageing workforce, particularly in a number of the operational areas, means that as older workers transition to retirement it will be increasingly necessary to effectively manage the challenges associated with knowledge transfer within a dynamic and changing environment.

Tarong Energy operates in an ambiguous and challenging environment. Policy responses to climate change are evolving, public sentiment towards coal fired generators is deteriorating and an alternative source of low emission base load generation technology has yet to be realised; these factors have far-reaching implications for the organisation.

In its current form, the Federal Government's proposed Carbon Pollution Reduction Scheme poses significant financial challenges for Tarong Energy, resulting in a likely impairment of the value of the Tarong Energy's coal fired generation portfolio.

Regardless of these challenges, Tarong Energy remains committed to the productivity initiatives which were agreed to in the 2009 Certified Agreement and continues to focus on finding further efficiency gains across the Corporation. Many of the initiatives outlined later in this document have resulted in notable efficiency gains, and the workforce has demonstrated considerable commitment to ensuring these targets are met.

The people strategies we develop in response to our organisational context will need to both build our future capabilities and mitigate the current and foreseen risks. The initiatives mentioned below are all designed to support these issues.

More information is provided on these issues in the Corporate Plan. Note that a more in-depth commentary on strategic safety initiatives is included in the relevant section of the Statement of Corporate Intent.

The key Corporate Human Resource initiatives for the 2010/11 financial year are:

- Leadership Capability Development– the ongoing development of organisational development initiatives such as a Senior Leaders Program, Supervisor Induction Program and an annual in-house Training Calendar for strategic skill development.
- Talent Management – the implementation of a program which identifies high performing employees and results in targeted development plans for such individuals.

- Workforce Planning – continue to develop, implement and maintain Workforce and Succession Planning processes which support each Business Unit in effectively managing knowledge transfer and foreseen skills gaps.
- Employment Brand development – ongoing development of the Corporation's Employment Brand and website in order to support attraction and retention efforts.
- PD Review Project – conduct a review of all EBA position descriptions as per commitments made in recent EBA Negotiation.
- Culture Reinforcement – review of Corporation's Values and Code of Ethics in support of recent Employee Opinion Survey results and develop an on-line training package for refresher training across the Corporation.

2. Significant and Emerging Issues

The key significant and emerging issues for the People Function are:

- Supporting the Corporation through a period of uncertainty and significant cost pressures should the Carbon Pollution Reduction Scheme come into effect
- Managing the industrial relations implications of the introduction of the new Modern Award and 2009 Fair Work Act
- Developing and promoting a Zero Harm safety culture
- Leadership Capability development and change management skills development
- Identification of Business-Critical and At-Risk roles
- Attraction and retention of key resources – skills shortage in the technical/trades and some professional areas
- Ageing workforce issues

Workforce Plan

Tarong Energy has a comprehensive workforce planning process which is prepared and costed as part of the annual budget process. A rolling five-year staff plan is reviewed and incorporated into the five year Corporate Plan. In addition, a detailed two and five-year plan for specific operational roles is being implemented.

Key Capability Gaps

Potential capability gaps remain most prominent in the technical field, specifically in the Generation Operations Business Unit. In this group there are currently 62 employees reaching retirement age in the next 5-10 years, a number which represents 21% of the total employees in this Business Unit. Of this group, the most at risk skill group are Operators at 18, followed by Electrical/Mechanical Technical Officers at 7, and Engineer/Chemists at 6.

Strategies have been put in place to develop existing employees to transition into these roles, together with targeted recruitment campaigns to obtain appropriately experienced applicants as vacancies arise. Internally, Tarong Energy is committed to identifying talented and experienced employees and empowering them to develop their careers. Most other skills are relatively easy to replace in the current and expected labour market.

Impacts on Workforce Plan

- The ageing workforce effect and unclear retirement triggers
- Increasing level of difficulty in attracting employees to work in regional areas
- Skills competition still present due to mining and project activity
- Business critical and at risk role identification strategies which will impact workforce planning processes

Current Attraction and Retention Strategies

- Development of the EVP (Employment Value Proposition) which serves to articulate the value prospective and current employees will gain through employment with Tarong Energy
- Competitive positioning of salaries and benefit arrangements
- Increasing the focus on attraction and retention through enhanced people management practices, eg. a focus on people development, leadership development, identifying and responding to key employee issues through engagement surveys
- Investing in the development of our technical capability through our Graduate, Apprenticeship & Trainee program and the Technical skills framework for Operations & Maintenance staff
- Promotion and ongoing development of flexible work practices

Present Issues

The issues of an ongoing shortage of critical skills in certain technical, engineering and professional areas, in addition to the challenges of an ageing workforce, remain of paramount concern to the Corporation.

Tarong Energy intends to develop the following key strategies in order to remain a successful organisation:-

- Leadership - to build leadership capability and depth at the organisational and personal level
- Employer of Choice - to be an employer of choice in order to attract, engage and retain the right people to deliver business outcomes.
- Culture - to enhance Tarong Energy’s culture, emphasising safety, flexibility, openness to change, achievement focus, accountability, and excellence.
- Talent and Capability - to maintain and continually develop organisational capability, in areas such as technical, commercial and relationship management.
- Future Workforce - to understand and effectively plan for our future workforce and resourcing requirements and ensure execution strategies are in place.
- Cost efficiencies – continue to review and refine policies and processes.

3. Directors/Senior Executive Remuneration

In accordance with Section 149 (3) (a) of the GOC Act, the tables below provide the current remuneration details for the senior executives of Tarong Energy and the Directors of Tarong Energy. These are based on 2009/10 figures at 1 January 2010.

Non-Executive Directors including Chairman

Non-Executive Directors	Directors’ Fees	Committee Fees	Super-annuation	Other	Total
G Carpenter, Chair Member People & Performance Committee, Business Development Committee Ex-officio member Audit & Risk Management Committee	\$65,840.00	\$8,098.00	\$7,393.80	-	\$81,331.80

Employment and Industrial Relations Plan

L Bond, Director Member Audit & Risk Management Committee, People & Performance Committee	\$26,994.00	\$8,098.00	\$3,509.20	-	\$38,601.20
K Collins, Director Member Business Development Committee and People & Performance Committee	\$26,994.00	\$8,098.00	\$3,423.60	-	\$38,515.60
J Pegler, Director, Chair Business Development Committee	\$26,994.00	\$5,399.00	\$3,239.30	-	\$35,632.30
E Jameson, Director, Chair People & Performance Committee Member Business Development Committee	\$26,994.00	\$9,448.00	\$3,644.20	-	\$40,086.20
R Barton, Director Member Audit & Risk Management Committee, Business Development Committee	\$26,994.00	\$4,049.00	\$3,104.30	-	\$34,147.30
K Smith-Pomeroy, Director, Chair Audit & Risk Management Committee	\$26,994.00	\$5,399.00	\$3,239.30	-	\$35,632.30

CEO and Senior Executives

CEO/Senior Executives	Base Salary ¹	Employer Super-annuation Contributions ²	Motor Vehicle ³	Car Park ⁴	Other personal benefits ⁵	Total Fixed Remuneration ⁶	Other non-personal benefits ⁷	Performance Payments Made ⁸
H Gluer, Chief Executive Officer	\$357,417.00	\$46,510.00	\$52,990.00	\$8,160.00	-	\$465,330.00	\$7,365.40	xxx
A Krotewicz, General Manager Generation Operations	\$236,955.00	\$31,457.00	\$38,000.00	\$8,160.00	-	\$314,572.00	\$4,325.30	xxx
J Barber, General Manager Marketing & Trading	\$198,580.00	\$26,650.00	\$33,110.00	\$8,160.00	-	\$266,500.00	\$4,715.88	xxx
R Van Breda, Chief Financial Officer	\$208,820.00	\$27,788.00	\$33,110.00	\$8,160.00	-	\$277,878.00	\$3,283.44	xxx
J Gregg, General Manager People and Communication	\$173,396.00	\$23,852.00	\$33,110.00	\$8,160.00	-	\$238,518.00	\$3,297.76	xxx
J Williamson, General Manager – Corporate Governance	\$172,705.00	\$23,483.00	\$30,480.00	\$8,160.00	-	\$234,828.00	-	xxx
Mark Turner, former General Manager Mining Operations	\$247,515.00	\$31,180.00	\$33,110.00	-	-	\$311,805.00	-	xxx

1. Includes salary sacrifice items plus cash salary.
2. Employer contributions to superannuation (other than by salary sacrifice).
3. Value of a motor vehicle for business and personal use (other than by salary sacrifice).
4. Value of carpark if carpark is a personal benefit to the Executive (other than by salary sacrifice).
5. Includes, but is not limited to, general/expense allowances, subscriptions, home telephone/communication expenses, FBT not elsewhere included, etc. (other than by salary sacrifice).
6. Sum of columns 1 to 5.
7. Include the value of non-personal benefits provided to the Executive to assist in the performance of their duties.
8. This is the actual payment made in the year immediately preceding the plan year relating to performance in the financial year two years prior to the plan period.

Remuneration Objectives

Tarong Energy's Remuneration Policy has three distinct objectives:

1. To ensure all employees are recognised and rewarded for their performance in a fair and equitable way;
2. To ensure the remuneration paid to employees is competitive, enabling Tarong Energy to attract and retain employees capable of meeting the Corporation's needs; and
3. To reward employees for achieving pre-determined corporate, business unit and personal performance targets.

Remuneration Structure

Tarong Energy's remuneration structure is comprised of four main components:

1. The CEO who is appointed by the Board, subject to prior written approval by Shareholding Ministers, on a three-year fixed term basis.
2. Senior Executives whose appointments are approved by the Board. The CEO and Senior Executives' salaries are based on the General Market rate as assessed by Mercer Human Resources Consulting and disclosed to and approved by our Shareholders. Remuneration and employment contracts are established consistent with the "Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009)". Remuneration increases for the CEO and Senior Executives are applied after personal performance reviews and consideration of the Corporation's performance. Shareholding Ministers will only be required to approve remuneration if it falls outside of the governance arrangements.
3. Personnel employed on alternative arrangements ('Contract Employees'). Remuneration for Contract Employees is also based on Mercer Human Resources Consulting assessments. Annual remuneration reviews for these employees are calculated from a combination of factors including employee performance, an employee's salary in relation to the salary range, the Corporation's performance and other external factors such as movements in market rates.

Mercer grades 8 to 10 in our Corporate office, and Mercer grades 10 + at our Operational sites are in the process of having their contracts reviewed and updated to clarify their terms and conditions which are outside of the Agreement.

4. Personnel employed under the provisions of the Tarong Energy Certified Agreement 2009 (EBA) which was successfully renegotiated in 2009. Wage increases are subject to the provisions of the agreement.

Incentive Payments

Tarong Energy has an incentive scheme in place for all employees. It is an annual “at risk” payment tied to the achievement of pre-determined company and team or individual performance targets.

Incentive payments are capped at the following percentages:

CEO / Senior Executives	:	15% of Total Fixed Remuneration
Contract Staff	:	15% of Base Salary
EBA Staff	:	12% of Base Salary

EMPLOYMENT AND INDUSTRIAL RELATIONS PLAN

4. Employment Conditions

Except for any construction work where compliance with the National Construction Code and Guidelines is required, the following is agreed.

This Employment and Industrial Relations Plan meets the requirements of S.149 of the GOC Act 1993 and is structured to meet the requirements of the Government Policy Guidelines on Agreement Making in GOCs (subject to the provisions of the Corporation's EBA).

The Tarong Energy Corporation Limited Certified Agreement 2006 (CA82/2006) ("the Agreement") was certified by the Queensland Industrial Relations Commission on 13 March 2006 with an expiry date of 12 March 2009. The Agreement incorporates the provisions of the Electricity Generation, Transmission and Supply Award – State 2002 as a Schedule.

On 27 March 2006 the Agreement became a Preserved Collective State Agreement under WorkChoices. The Agreement has, in turn, become a transitional instrument under the *Fair Work Act 2009*.

The Agreement was successfully renegotiated in 2009. The outcome of this renegotiation was formalised in a Variation and Extension of the Agreement which was approved by Fair Work Australia on 22 September 2009. The Agreement's nominal expiry date was extended to 29 July 2012.

Tarong Energy is committed to compliance with the "*Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees*" (attached at Schedule 1). Tarong Energy is also required to comply with the minimum employment standards contained in the *Fair Work Act* and reflected in the National Employment Standards (NES). In the event of a difference in an employee entitlement contained in Schedule 1 and the NES, Tarong Energy will apply to its employees the entitlement which is more beneficial to the employees.

There are currently 318 employees engaged under the Agreement. The predominant hours of work for Tarong Energy employees are as follows:-

- Employees engaged on alternate employment arrangements and Brisbane based EBA employees work 40 hours per week on a 10 day fortnight.
- Tarong Power Station based EBA employees work 72.5 hours over a 9 day fortnight with a rostered day off every second Monday.

The variation to the Agreement included the negotiation of the Grievance Procedure clause. This procedure may be utilised for any grievance or dispute affecting working conditions of employees or any other industrial matter and provides a framework for conciliation and/or arbitration. This procedure also allows the parties to a dispute to utilise members of the Queensland Industrial Relations Commission in resolving a dispute.

The key issues which were agreed by the parties, include:

- A variation and 3 year extension to the existing agreement.
- A 3.25 per cent wage increase each year;
- A productivity payment percentage of 0.75 per cent productivity payment each year, in return for economic gains realised through work practice optimisation related to technological upgrades such as the Control System Refit at Tarong Power Station

(the CS Refit Project) and revised work flows associated with the Meandu Mine Coal Integration. Further details are provided under 'Productivity Initiatives'.

- An additional 0.5 per cent percentage productivity payment is proposed to be offered in Year 1 in return for achievement of further operational activities and improvements to culture;
- A once-off lump sum payment of \$600 will be offered in Years 2 and 3 only. This payment is specifically linked to the CS Refit Project and its successful implementation during the term of the new Agreement. The payment is non-recurrent and can be taken as either cash or salary sacrificed into superannuation; and
- An increase to the on-call availability allowance from \$45 to \$65 per day (which will provide increased participation in on-call duties at a manageable cost while remaining below the energy sector benchmark of \$75 per day).

The 0.5 per cent payment in Year 1 and lump sum payments of \$600 in Years 2 and 3 will be funded by the net productivity savings in Years 2 and 3, and are able to be funded in accordance with the Government Wages Policy 2008-10.

5. Enterprise Bargaining and Productivity Initiatives

Enterprise Bargaining

Tarong Energy continues to regularly meet with Union representatives in order further advance commitments made under the 2009 Certified Agreement. The Single Bargaining Unit Consultative Committee (SBUCC), which represents employees covered by the Certified Agreement, works collaboratively with Tarong Energy senior management to ensure communication channels remain open and that all parties can work together to ensure the swift resolution of issues where possible.

Productivity Initiatives

The following initiatives were developed during the negotiation of the 2004 Certified Agreement, and were rolled over into the 2006 and the 2009 Certified Agreements.

Given the workforce commitment and support for the following key business objectives, a 1% increase in salary is paid to the EBA workforce, in addition to the EBA allowance, during the life of the 2009 Agreement. In return for this additional increase, the workforce has demonstrated the required commitment to the following productivity initiatives:-

Productivity Program	Source of Productivity Initiative	Target	Achievement to Date	Action required if target/s not met	Other comments / explanation
Meandu Mine Integration	Stockpile Management	Minimise the handling, holding and re-handling of coal in the supply chain process	Continuing at approximately 30KT per month but will slow as a result of two 6 week mine plant outages in August/Sept 2010 and May/April 2011.	On track to meet target	Current strategy is to reduce to approximately 500KT by June 2011.

Productivity Program	Source of Productivity Initiative	Target	Achievement to Date	Action required if target/s not met	Other comments / explanation
	Sharing of Plant and Equipment	Commitment to shared equipment model between power station and mine and completion of relevant training to operate different plant and equipment under such a model	Plan in place to share equipment (dozers) to improve the balance of run hours across both the power station and the mine. May reduce leasing costs for the mine equipment based on the lower hours of power stations equipment (dozers). TE also utilise mine graders for TPS road maintenance and ash dam work (to date about one week per year).	On track to meet target	N/A
Control System Refit Implementation	Operation of Control System	Commitment from all Operators at TE to undertake training required and obtain necessary skills to efficiently operate the panels	All available training completed	N/A	Simulator behind scheduled completion and has delayed operator training on the Control System and development of training modules
	Maintenance regimes with new Control System	Commitment from maintenance staff to review the previous maintenance schedules and align to new requirements	Redundant calibrations identified and new sheets created for extra instrumentation installed.	On track to meet target	N/A
Utilisation of Information Technology Systems	Employee Self Service	Commitment to uptake of the electronic employee self service system including electronic payslip functions and introduction of online leave processing	An internal project group has been formed to scope out the capabilities of the existing system and ensure all functionality is working correctly. ESS will be rolled out to a pilot group of employees in April 2010	On track to meet target	N/A

Productivity Program	Source of Productivity Initiative	Target	Achievement to Date	Action required if target/s not met	Other comments / explanation
	E-Learning	Commitment to uptake of online learning training packages in place of face-to-face training delivery for specific training courses	Late 2009, TE engaged in a public tender to source a suitable provider to develop online training packages over the next three years. The preferred Tenderer has been awarded the contract, and we are planning to commence the development of identified courses in February 2010.	On track to meet target	N/A
Transitioning from TE	Resignation Notice Periods	Minimum of two weeks for all staff, up to four weeks by agreement	Complete	No further action required	N/A
	Retirement Strategies	Commitment to alert the business of pending retirement considerations or exiting plans as early as possible	Ongoing	On track to meet target	N/A
Health and wellbeing	Capacity for Work	Commitment to the full implementation of Capacity for Work initiatives discussed in the Single Bargaining Unit Consultative Committee	Ongoing	On track to meet target	N/A
	Medical Programs	Increased take-up of business-provided voluntary health assessment programs	Confidential Employee Assistance Program and comprehensive employee health assessments and ergonomic assessments of workstations well utilised	On track to meet target	N/A
Control System Refit Challenges	Project Management	Commitment to ongoing implementation of the Control System during the challenging and complex project management	Integrated new Spray Water Injection System in the Control System	On track to meet target	N/A

Productivity Program	Source of Productivity Initiative	Target	Achievement to Date	Action required if target/s not met	Other comments / explanation
		phases			

6. Employee Flexibility

The Corporation's current certified agreement has the following provisions in relation to employee flexibility.

At the request of the employee, and where the employer agrees, an employee may exchange time worked outside of that employee's normal attendance for an equal amount of time off, at a mutually agreed time. Such time can be accrued to a maximum of three (3) days. Should there be any evidence that this provision is being used to circumvent the payment of overtime or other penalties then this provision shall be deleted from the Agreement.

In October of 2007 the company introduced a Flexible Work Policy which sought to formalise some of the existing formal and informal arrangements. These areas of application under the Policy are designed to encourage an effective work/life balance for employees and the business will accommodate requests where possible and include the following practices:-

Part-time arrangements	Yes – a minimum of 15 hours and a maximum of 32.2 hours must be worked as per the 2006 Certified Agreement
Flexible work hours	Yes – flexible start and finish times within the Core Working Hours Window
Reduced working year	Yes – employees are able to purchase an additional 2 weeks annual leave each year to work a reduced working year.
Paid maternity/paternity/adoption leave	Yes – 14 weeks Maternity Payment and 1 week paid, plus 1 week unpaid Paternity Leave as per the 2009 Certified Agreement. In addition, there will be a 14 week ex gratia payment for the adoption of a child up to the age of 6 years (4 week ex gratia payment for a child older than 6 years but younger than 16). This is in line with wages policy 2008-10.
Telecommuting (work from home)	Yes – following a safety and ergonomic assessment full-time employees can work a maximum of 2 days a week from home
Sabbatical	Yes – a period of extended unpaid leave from 3 to 12 months duration
Phased-in retirement	Yes – in return for nominating a fixed retirement date, the following flexible arrangements can be entered into (eg part-time, job sharing, flexible working hours).

7. Type of Employment and Workforce Planning

Tarong Energy notes Government's 2009 election commitment to maintain 5,000 public sector apprenticeship and trainee positions over four years to April 2013 across the Queensland public sector agencies, Government Owned Corporations, government departments and statutory authorities. Tarong Energy's workforce planning and employment

policies are underpinned by a clear recognition of the need for a skilled and viable workforce which takes into account the need for on-going renewal and appropriate training to ensure there is sufficient capacity within the organisation to replace retiring or departing employees. Apprentices and trainees are an important part of this forward planning and Tarong Energy therefore supports the Government's commitment. Tarong Energy will continue to make available apprenticeship and trainee opportunities consistent with its workforce planning, training programs and business needs.

Our rolling budget process provides our desired workforce profile. Our Operations Business Unit is the area where the most flexibility exists to change the workforce profile, mainly in the area of overhaul resources. Our current strategy is to resource the business for normal operations with permanent employees, utilise contractors for non-core activities, eg. transport, cleaning, etc, and to use permanent staff with contract resources to cover major overhauls.

In the area of Information Technology we maintain permanent staff for strategic activities and outsource day-to-day user and system support functions.

The table below details the projected workforce profile excluding the contractors supporting IT, non-core and overhaul activities. These numbers will vary during the year, depending on the Corporation's requirements and hence are marked * in the table below. The Corporation is mindful of engaging casual labour for more than twelve months, and as such these people are typically engaged on a short-term basis.

	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Employment Category:				
Permanent Full-time	455	455	455	455
Permanent Part-time (FTE)	12	12	12	12
Other Contract	0	0	0	0
Senior Executive Contract	7	7	7	7
Apprentices (In House)	0	0	0	0
Trainees (In House)	0	0	0	0
Casual Employees (FTE)	1	1	1	1
Total Directly Employed Workforce:	475	475	475	475
Apprentices (Group)	31	31	31	31
Trainees (Group)	16	16	16	16
Contractor Employees (Trade/Technical)	5	5	5	5
Contractor Employees (Professional/Administrative/Clerical)	12	12	12	12
Labour Hire (Trade/Technical – FTE)	*	*	*	*
Labour Hire (Professional/Administrative/Clerical – FTE)	*	*	*	*
S457 Temporary Visa	0	0	0	0
Total Workforce:	539	539	539	539

Future employment requirements, including those resulting from the acquisition of the new mining business, have been assessed through the workforce planning process. The review

identified that no significant changes to overall workforce numbers are expected. An increase in the workforce was felt during 2007 and 2008 and therefore it is anticipated that future years will only require maintenance of workforce numbers.

8. Workforce Health & Safety

Tarong Energy has implemented comprehensive health, safety, environmental and quality management systems. Key elements include policies, systems, strategic committees, reporting and auditing activities.

These management systems are certified under the following Australian and international quality standards and are subject to annual audit:

- AS/NZS ISO 9002:2000,
- AS/NZS ISO 14001: 2001; and
- AS/NZS 4801: 2001.

The Board, Board Committees, the Executive Management Team (EMT) and EMT sub-committees review these systems and receive regular reports on the performance of the systems and the progress of planned improvements.

Tarong Energy's last external audit was conducted in May 2009. No significant non-conformances were identified and the Corporation was re-certified against the standard for its Health, Safety, Environment and Quality management systems. The Health, Safety, Environment and Quality management systems are under constant review to ensure continuous improvement and are key enablers of the Corporation striving towards our goal of zero harm and meeting our environmental targets and objectives.

Tarong Energy currently holds certification for the following standards: AS/NZS 4801 Occupational Health and Safety Systems, AS/NZS ISO 14001:2004 Environmental Management Systems, and ISO 9001:2008 Quality Management Systems. Audits conducted in May 2009 detected no significant non conformances and certification was maintained. The audit provided 93 improvement suggestions, most of which were minor in nature. 31 improvement suggestions were selected for further review and implementation where practicable. Approximately 50% of the improvement opportunities have been implemented and all of the improvement opportunities selected for actioning will be completed by September 2010.

Examples of improvements opportunities included:

- Investigate opportunities to improve operational control communication between Wivenhoe Power Station, Tarong Power Station and Marketing and Trading. (Completed - The commissioning of the new Control Room at Tarong Power Station with a dedicated Station Control Bench enables improved communication with all parties.)
- Investigate opportunities to improve general housekeeping in both workshops and office areas at Tarong Power Station. (40% Complete - A comprehensive program utilising the 5S Lean Manufacturing principles has been introduced at Tarong Power Station starting with a selected pilot. This initial roll out has been completed with considerable success. The intention is to run this program out to all of the remaining areas within Tarong Energy)
- Consider reviewing licences of waste removal contractors on site at Tarong Power Station. (Planned for completion by September 2010)

- Consider reviewing data being recorded into the Ellipse Work Management System to improve system data quality. (Completed - Statistics are now provided on these parameters in a monthly report to all appropriate Managers for review and ongoing improvement)
- Consider reviewing the synergies between project and maintenance work carried out at Tarong Power Station to create greater efficiencies where possible. (Completed - Both Project and Maintenance work is now reviewed at weekly scheduled planning meetings).

The next external audit regarding the Corporation's Health and Safety, Environment and Quality systems will be conducted in mid-2010.

Our risk management processes are contained within TAMS (Tarong Asset Management System) which is the corporate wide tool utilised for tracking and recording the management of risk. We also have JSEA (Job Safety and Environment Assessment) processed and HSE STAR cards for managing hazards at a task level.

Performance against our key safety and environment indicators is included in the body of the Statement of Corporate Intent and includes:

<i>To achieve and maintain a safe workplace</i>	<ul style="list-style-type: none">• Develop, and implement the 2010/2011 H&S Strategic Improvement Plan.• Continuous improvement in internal safety management policies and guidelines.
<i>Maintain Corporate-wide safety, environmental and QA accreditation</i>	<ul style="list-style-type: none">• Implement appropriate HSEQ surveillance audit findings to achieve re-certification for current operations.• Review of corporate-wide Quality Assurance framework.• Implement 2010/11 Environmental Action Plan.

9. Equal Employment Opportunity and Anti-Discrimination

The Corporation ensures the principles of merit and equity are upheld in its processes associated with recruitment, selection and promotion of our employees.

Tarong Energy has recently reviewed the Fair Treatment Policy and Procedure to ensure all employees, contractors, consultants, visitors and applicants for employment are aware of their rights and their responsibilities, in relation to EEO, discrimination, harassment and any other inequitable behaviour. Refresher training will be conducted in 2010, together with all induction processes being updated.

While legislative changes occurred in 2009 that removed the requirement for the Corporation to lodge an equity management plan, work still continues to reach ongoing pre-determined targets. The 2009 year marked a positive trend in our overall equity and target group results as reported to the Office of the Public Service Commissioner. The Corporation intends to work towards continuing these results in coming years.

10. Interstate Acquisitions/Operations

Tarong Energy currently has no interstate work or employees.

11. Joint Venture Projects

In September 2009 Tarong Energy signed an agreement to purchase the 50 per cent interest in the Tarong North Power (TN) Station from our Japanese joint venture partners TM Energy (Australia) Pty Ltd which is jointly owned by TEPCO/Mitsui. After satisfying a number of regulatory and commercial requirements Tarong Energy completed the acquisition and moved to full ownership of TN at 30 November 2009.

Contractual arrangements with TN employees remain in place and are consistent with the terms of the Tarong Energy 2009 Certified Agreement.

12. Management of the Relationship between GOCs and Unions

The EBA staff of Tarong Energy Corporation are represented by the Single Bargaining Unit Consultative Committee (SBUCC). This committee is also charged with negotiating the EBA along with the State and/or transitional Federal Union Officials. The Corporation is committed to working collaboratively with the SBUCC and Unions to resolve issues of contention and to investigate means of introducing better work practices and more flexible working arrangements.

The Unions represented are:

- Association of Professional Engineers, Scientists and Managers Australia, Queensland Branch, Union of Employees
- Automotive, Metals, Engineering, Printing & Kindred Industries Industrial Union of Employees
- Electrical Trades Union of Employees of Australia, Queensland Branch
- Federated Engine Drivers' and Firemens' Association of Australasia, Queensland Branch, Union of Employees
- Federated Ironworkers Association of Australia (Queensland Branch) Union of Employees
- Queensland Services Industrial Union of Employees
- Australian Municipal, Administrative, Clerical and Services Union, Central and Southern Queensland Clerical and Administrative Branch, Union of Employees
- Australian Institute of Marine and Power Engineers' Union of Employees Queensland
- Australian Workers' Union of Employees, Queensland
- Queensland Nurses Union of Employees

13. Redundancy Provisions

Employee Type	Termination Payment	Notice Payment	Additional Payment 4 weeks	3 weeks per year of service	Accrued / pro-rata LSL	Accrued / pro-rata AL	External Training Payment	Income Protection
A Contract	xxx	13 weeks	Yes	Yes	Yes	Yes	\$1000	Up to 2 years
B Contract	xxx	13 weeks	Yes	Yes	Yes	Yes	\$1000	Up to 2 years
W Contract	xxx	13 weeks	Yes	Yes	Yes	Yes	\$1000	Up to 2 years

EBA	xxx	13 weeks	Yes	Yes	Yes	Yes	\$1000	Up to 2 years
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Note: Redundancy provisions for the Chief Executive Officer and all General Managers are included in their individual employment contracts.

- A Contract: Staff on employment contracts on Grade 11 and above
- B Contract: Staff on employment contracts on Grade 8 - 10 in the Corporate office, and Grade 10 at Operational sites
- W Contract: Staff on employment contracts engaged at Wivenhoe (W) Power Station
- EBA: All other staff covered by the Tarong Energy Corporation EBA

14. Job Security

The Corporation has provided a commitment that “no forced redundancies” will occur unless formally approved by shareholding Ministers.

15. Contracting Out

The Corporation has implemented a number of initiatives with regard to contracting out, consistent with the shareholding Minister’s advice. The initiatives include:

- Establishing a formal list of preferred contractors;
- Verifying that contractors that provide significant services have suitable systems operating to ensure the necessary level of skill and qualification of their employees to provide the services and to ensure a safe and healthy work place.

The Corporation is also committed to a thorough process of assessment around the requirement and use of contract labour, and the subsequent procedures for labour hire arrangements.

Contractors are used for the peak workloads and specialist skills often required in the short term. The procurement process requires all contracting companies to articulate that they can provide appropriately skilled and qualified labour for the contract scope.

Consistent with company procurement policy a competitive tender process is undertaken for most supply labour arrangements. As part of the tender process considerations include whether the companies can demonstrate compliance with employment legislation (i.e. Australian working rights) and that they provide appropriate and comparable remuneration to Tarong Energy. Contracts include standard clauses to ensure continued compliance with such legislative obligations and appropriate remedies.

Random audits from time to time are used as checks to ensure contracted terms and conditions are consistently being met.

The business has not had to engage necessary skills through the use of 457 visas as worksites have been able to source locally the required labour to satisfy business requirements.

16. Superannuation

The Corporation's Default Superannuation fund is ESI Superannuation. Under the terms of the 'Choice of Fund' legislation employees are also able to be members of other superannuation funds. The Corporation is unable to access any surplus in the ESI Super Defined Benefit fund however, as the rules dictate an Actuarial review is conducted every three years that determines the Employer Contribution rate.

Employee Numbers Employer Contribution

Fund Type	Employee Numbers	Employer Contribution (%)	Employee Contribution
Defined Benefits	107	3.0	As per Deed
Defined Contribution	399	10.0	Variable

17. Consultation

The Corporation is committed to consultation with the Department of Employment, Economic Development and Innovation, Department of the Premier and Cabinet, Office of Government Owned Corporations, and Department of Justice and Attorney General. The Corporation's Employment and Industrial Relations Plan has evolved since the Corporation's inception in July 1997.

It has been a stated objective of the Corporation that its IR/HR strategies will be evolutionary and whenever it has introduced new strategies, concepts, policies and practices it has been diligent in engaging the Executive Management, SBUCC, staff, unions and shareholding Ministers representatives in consultation prior to implementation.

Consultation on this E&IR Plan has occurred with relevant Government agencies, relevant unions and staff directly.

18. Reporting

The requirements of this section will be provided to Government as per the Guidelines.



**Minimum Employment, Industrial Relations and
Job Security Principles
for
Government Owned Corporation (GOC) Employees**

November 2009

Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation (GOC) Employees

Context

The Queensland Government through shareholding Ministers holds the principal financial interest in Government Owned Corporations (GOCs). Consequently Government is an important stakeholder in GOCs, which now operate in the national marketplace. Government also has a leadership role setting minimum employment standards and providing an example of a model employer.

Rationale

The Government is committed to ensuring employment conditions are not eroded, and that standards within GOCs reflect community standards. These principles were introduced in order to ensure that there is some certainty regarding minimum employment standards, industrial relations practices and job security, especially in the GOC sector, which falls under the Federal industrial relations jurisdiction.

Objective

The principles set out below, which have been endorsed by Government, are intended to confirm the Government's position on minimum employment conditions and industrial relations practices in GOCs. These principles should be read in conjunction with the other relevant legislation, policies and procedures that apply to GOCs.

As a general principle, GOCs, including any GOC subsidiaries within Queensland, should maintain employment arrangements and policies without a reduction in entitlements or protections unless otherwise agreed with unions. GOCs should also work cooperatively with unions to resolve issues using services available at the State level where possible.

Application

GOC shareholding Ministers request that GOCs put in place available safeguards to maintain standard employment conditions, industrial relations practices and job security through the provisions of GOC Employment and Industrial Relations Plans (E&IR Plans). E&IR Plans form part of the annual Statements of Corporate Intent which are considered and approved by the shareholding Ministers by 30 June each year in line with the *Government Owned Corporations Act 1993* provisions.

Legal advice from Crown law supports this approach, except where the relevant GOC is subject to the National Code of Practice for the Construction Industry e.g. Qld Rail as a result of undertaking work on federally funded rail infrastructure projects.

Principles

1. Union Encouragement

At the point of engagement, employees are to be provided with a document indicating that the corporation encourages employees to join and maintain financial membership of an organisation of employees that has the right to represent their industrial interests.

Union delegates and job representatives have a role to play within a workplace. The existence of accredited union delegates and/or job representatives is to be encouraged.

Accredited union delegates and/or job representatives shall not be unnecessarily hindered in the reasonable and responsible performance of their duties.

2. No Disadvantage

Rates of pay and conditions of employment in an industrial instrument, when taken as a whole, are not to be reduced in the future except as required by relevant federal legislation or as agreed between the relevant industrial parties.

3. Enterprise Agreements

The following conditions of employment and practices shall continue –

a) Enterprise Bargaining agreements, with unions as parties to the agreement, shall be the preferred means of industrial regulation of rates of pay and conditions of employment. Broadly, enterprise agreements can include a broad range of matters such as:

- rates of pay
- employment conditions e.g. hours of work, meal breaks, overtime
- consultative mechanisms
- dispute resolution procedures
- deductions from wages for any purpose authorised by an employee.

They cannot, however, include unlawful content (such as discriminatory or objectionable terms).

GOCs must comply with the *Fair Work Act 2009* (FW Act) and the relevant Government policies and principles pertaining to bargaining, such as the Government Wages Policy.

b) new individual common law contracts shall not be written within the relevant enterprise agreement envelope (individual contracts should only be executed where total fixed remuneration equates to or exceeds the equivalent of the Queensland Public Service AO-8 level (from 1/8/2009 \$99,361 per annum) plus 12.75% plus the

equivalent of annual leave loading plus any overtime component) or the top rate in the respective GOC enterprise agreement plus the applicable superannuation and annual leave components, where the aggregate of these is lower –

- i) An amount lower than outlined in b) above may be negotiated within an enterprise agreement as agreed between the relevant parties; and
- ii) Developing and utilising alternative employment arrangements under enterprise agreements, which provide hours and overtime flexibility linked to a rolled-up rate of pay, is preferred to the use of individual contracts within the relevant enterprise agreement envelope/s.

4. Payroll Deductions of Union Fees

Requests from employees for payroll deduction of union fees are to be accommodated where the service has previously been provided. It is noted that Government agencies provide this facility without charge to relevant unions.

5. Use of Contractors

The following general principles should be followed when using contractors:

(a) Contractors and/or labour on-hire arrangements are to be utilised in an orderly and responsible manner, such that there is not a detrimental effect on the State's or public interest e.g. causing disruption to services to the public or causing damage to the economy or standing of the State.

(b) It is recognised that circumstances arise where the use of Contractors is either desirable or essential. These circumstances are seen to be within the following guidelines:–

- (i) The work volume, type of work or specialisation required is beyond the capacity of resources or staff;
- (ii) It is in the public interest to undertake such work. Public interest includes issues of cost effectiveness; or
- (iii) The security and tenure of employment of additional staff required to meet work peaks cannot be guaranteed.

(c) The use of contractors is not to be exercised to avoid training for existing staff or employing new staff to cater for emerging areas of work. "Emerging areas of work" does not include one-off works or temporary work peaks.

(d) In addition, contractors and/or their employees are not to be appointed to any position as permanent employees unless normal advertising and selection processes have been followed.

6. Unfair Dismissal

Responsible and defensible policies and procedures regarding the management of performance, conduct and capacity of staff should be in place and adhered to. That is, except where situations arise warranting summary dismissal under common law, –

a) if an employee's conduct, capacity or performance is deficient ----

- (i) ensure the employee is formally warned about the conduct, capacity or performance and is given a chance to rectify any deficiency; and
- (ii) ensure the employee is given an opportunity to respond formally to any allegation about their conduct, capacity or performance; and
- (iii) ensure employees have a right to be represented through all parts of the process; and

b) if dismissal is subsequently contemplated –

- (i) provide the employee with a clear reason for dismissal detailing the process gone through to seek improvement as referred to above; and
- (ii) ensure clarity as to whether the dismissal is related to the employee's conduct, capacity or performance.

7. Right of Entry of Union Officers to the Workplace

The rights and obligations that may be exercised by officials and employers in relation to right of entry are provided for under the FW Act.

An official of a union, who wishes to enter premises for purposes related to their representative role under the FW Act and who holds a valid and current entry permit issued by Fair Work Australia, shall be provided with access to relevant workplaces during business hours. The permit allows the official to inspect and request information and/or discuss with the employer and members or potential members, a suspected breach of applicable employment legislation, a relevant award or enterprise agreement or a workplace or industrial matter and exercise rights under occupational health and safety laws.

Written notice (an **entry notice**) may be required to be given by the official before entering a workplace and should be provided no less than 24 hours and no more than 14 days before the proposed visit.

Under the legislation, permit holders must abide by conditions imposed on their permit; comply with reasonable occupational health and safety requests; act in a proper manner and should not interrupt the normal continuity of work.

An employer will not unreasonably refuse, delay or obstruct a permit holder from exercising their rights. However, it should be noted that by law, entry to certain

operations subject to national/state security initiatives can only occur under escort unless the necessary authorities are held. It is recommended that Union officials make contact with GOCs beforehand to ensure necessary compliance before entering workplaces where this might be the case e.g. ports, airports and other essential infrastructure installations.

8. Industrial Relations Education Leave

Unless an award/enterprise agreement and/or custom and practice provides otherwise, paid time off not exceeding five days per union in any one year non-cumulative, is to be made available to a duly elected or appointed union representative or delegate, upon written application by the union at least 6 weeks in advance (or such lesser period as provided for in an award/enterprise agreement or custom or practice or as is mutually agreed by the union and the GOC), to attend courses or seminars conducted by the union or specific training courses approved and accredited by the union.

The GOC shall give consideration to the special requirements of any regionally based workplaces in applying the limits on paid time off referred to above, provided that the granting of such leave does not unreasonably interfere with the GOC's operations. The scope, content and level of such courses or seminars shall be such as to contribute to a better understanding of industrial relations within the GOC's operations.

9. Consultative Arrangements

GOCs shall endeavour to deal with industrial relations matters cooperatively through consultative arrangements with employees and union delegates at the workplace level and through employees and/or delegates and union representatives or officials at the organisation level. Paid involvement of delegates and relevant employees shall be considered in relation to such consultative arrangements, as well as in circumstances where their involvement facilitates the resolution of industrial relations issues or assists the employer in developing and implementing new initiatives, provided they are not involved in industrial action. Where paid union meetings have been available as a result of an award/enterprise agreement or alternatively existing custom and practice such arrangements shall be continued.

10. Job Security

In any situation of redundancy, options for redeployment and retraining of staff shall be exhausted before the offer of voluntary redundancy arrangements is considered. The GOC Unit within the Department of Justice and Attorney-General (DJAG) should be consulted prior to the offer of voluntary redundancy arrangements. There shall be no forced redundancies without the explicit and written sanction of relevant shareholding Ministers in the case of forced redundancies at GOCs.

11. Assistance with the Resolution of Disputes

Dispute resolution is the process by which disputes within the workplace are brought to an end and is separate to the processes that deal with industrial action during bargaining.

Enterprise agreements are required to contain a dispute resolution clause which details the procedure for dealing with disputes. Parties to an agreement can agree on a particular procedure or adopt the model term specified in the *Fair Work Regulations 2009*.

The Dispute Resolution Procedure should:

- Provide a consistent and clear approach for the parties to deal with and resolve disputes early on;
- List the nominated parties to assist in resolving disputes; and
- Detail the range of functions and conditions agreed between the parties to determine, on a case by case basis, the best way to deal with particular disputes (eg. through a negotiated, mediated, arbitrated or adjudicated outcome).

It is recommended that the procedure highlights that a party to the dispute can refer the matter to either the Queensland Industrial Relations Commission by mutual agreement, or the assistance of Fair Work Australia if discussions at the workplace level do not achieve a resolution.

It is the preference of the Government that GOCs should genuinely attempt to resolve issues through the provisions of the *Industrial Relations Act 1999* (IR Act). The IR Act was amended in 2007 to provide for parties to have access to the Queensland Industrial Relations Commission (QIRC) by agreement, to conciliate and/or arbitrate matters in dispute and to provide greater flexibilities in the structure of the QIRC to respond to changing workloads. GOCs are therefore encouraged to utilise this avenue as a means of resolving issues at the State level.

GOCs are reminded of the requirement to liaise with and inform the GOC Unit (DJAG) on Industrial Relations matters. Due to the potentially politically sensitive nature of an industrial dispute, and where industrial action is threatened or taken, the GOC is expected to advise and inform DJAG as soon as possible.

See attachments: Guidelines for Establishing a Disputes Resolving Policy for use in seeking the assistance of the Queensland Industrial Relations Commission under section 273A of the IR Act.

ATTACHMENT**GUIDELINES: Establishing a Dispute Resolving Policy**

The GOC and Union/s shall have regard to the following principles in establishing a disputes resolving policy.

Step 1 Resolution at the Workplace Level

Involves genuine attempt to resolve the issue using consultative arrangements with employees and union delegates and if necessary, with union officers.

If there is no resolution at the work place level, proceed to next level (Step 2):

Step 2 Alternative Dispute Resolution Process [including QIRC assistance]**Who**

The disputes policy shall list the nominated person (s) agreed between the parties to assist in resolving disputes. Person/s may include a Queensland Industrial Relations Commission (QIRC) member/s in relation to utilising section 273A under the Industrial Relations Act 1999 or, alternatively establish a panel of agreed persons (eg industry expert, AIRC/QIRC representative and union representative)

How

The parties may determine the appropriate approach to each dispute on a case-by-case basis and must agree in writing how the dispute is to be resolved. If the parties agree to seek the QIRC's assistance, the parties must submit a referral agreement to the QIRC as to how the dispute is to be resolved by the QIRC (refer to section 273A (1)(b) under the Industrial Relations Act 1999).

What**General Provisions**

Provisions covered in the disputes resolving policy must be agreed between the parties in advance of handling any particular dispute. Such provisions can include:

- (i) Commitment from parties to follow agreed process.
- (ii) Determine appropriate timeframes to deal the dispute.
- (iii) The allocation of any costs associated with a dispute process will be as agreed between the parties on a case-by-case basis or if no agreement can be reached,

each party shall meet its own costs.

(iv) Work as directed unless the employee has a reasonable concern about an imminent risk to their health or safety.

(v) At any time industrial action is threatened or taken during the process, either party may directly proceed to Fair Work Australia for assistance.

Any time industrial action is threatened or taken, the GOC must inform DJAG as soon as possible.

Functions of QIRC

The following provisions are consistent with the functions available under section 273A (4) of the Industrial Relations Act 1999:

- (a) conciliating;
- (b) arbitrating;
- (c) granting a remedy or other relief; and/or
- (d) deciding any other issue or question.

Furthermore, a decision by the QIRC in performing the dispute resolution functions does not bind the parties unless the *referral agreement* provides for the decision to bind the parties.

Disputes Resolving Policy - Checklist

The following checklist could also be used as a basis of a *referral agreement* under section 273A(1)(b) of the *Industrial Relations Act 1999*.

1. Request the informal assistance of [INSERT Commissioner] to resolve a dispute between [INSERT parties involved].
2. Advise the dispute is in relation to [INSERT subject matter, brief background and timeframe the dispute has existed].
3. Indicate the [INSERT union or other party to the dispute] has been notified and agrees to the Commissioner's assistance to resolve this dispute and the parties request that the Commissioner be requested [INSERT terms of disputes process eg
 - to conciliate the matter
 - to conciliate the matter and if the dispute remains unresolved, arbitrate the matter
 - to arbitrate the matter
 - granting a remedy or other relief
 - deciding any other issue or question arising in the dispute.
4. State that in its role as [INSERT conciliator / arbitrator] the Commissioner is requested [INSERT any of the following relevant terms]:
 - to observe the confidentiality of the matters in dispute
 - to identify and define the matters in dispute
 - to develop a procedure that aims to resolve the dispute quickly, fairly and cost-effectively
 - to suggest resolution techniques for individual issues aimed at narrowing the matters in dispute
 - to act as the facilitator of direct negotiations between the parties
 - to make suggestions for resolution (Conciliation process)
 - express opinions about a reasonable resolution (Conciliation process) that if the matter is unresolved it may within seven days of terminating the process, provide a written report to the parties expressing the opinion of what would be a reasonable resolution of the dispute (Conciliation).
 - to determine the matter (s) in dispute by selecting one only of the final round of offers on the basis of which offer the Commissioner believes provides the most reasonable basis on which to resolve the matter in dispute (Arbitration)
 - not to amend or otherwise qualify the offer it selects (Arbitration)
 - to notify the parties in writing as to the offer it considers to provide the most reasonable basis of settlement as soon as practicable after receiving the final round of offers from the parties (Arbitration)
 - to make a recommendation which the parties accept as a binding resolution of the dispute. The recommendation can be based on the information provided in conciliation and additional information provided by the parties. The parties agree that

- the Commission may issue directions for the purposes of obtaining further information. (Informal Determination)
- to make a formal determination and that the parties agree to abide by the determination. The parties will have the opportunity to be heard formally on the matter(s) in dispute and the Commissioner will only regard material including witness evidence, submission and will disregard admissions, concessions, offers or claims made in mediation. The Commissioner may also make and issue directions in relation to the process leading to is determination and the parties will abide by those directions. (Formal Determination).
5. Address procedural matters including [INSERT details about]:
- how the parties will present its position
 - confidentiality arrangements
 - representation
 - timing, location and duration of the process
 - if a telephone conference is required
 - how the process will be recorded
 - any other particulars about the Commissioner's role in relation to establishing procedures.
6. Advise that in the event that the requested Commissioner is not available, the parties request [INSERT Commissioner] to assist the parties.

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Related Activity

(Reference: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Arrangements – all tables updated, SCI)
Total for all expenditure items (over and under \$5,000)

Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities: Total for ALL Expenditure Items (over and under \$5,000)¹

Activity \$	2009/10 Budget	2009/10 Est. Act	2010/11 Budget
Sponsorship	498,000	490,366	499,300
Advertising	111,517	125,601	21,034
Corporate Entertainment	214,454	212,488	150,600
Donations	-	-	-
Other Related Activities	560,000	560,000	580,000
Total	1,383,971	1,388,455	1,250,934

¹All expenditure to be GST exclusive

² The estimated actual for 2009/10 Sponsorship differs from that submitted to Tridata as an error has been identified in the estimate previously submitted whereby an input was inadvertently double counted. As a result it is expected that this expense category will not exceed 2009/10 budget as presented in the above.

³ Other Related Activities relate to the contractual agreement between Tarong Energy and the Bunya Wakka Wakka for the ILUA Benefits Fund.

Table 1: Sponsorship, Advertising, Corporate Entertainment, Donations and Other Activities - Details of Individual Expenditure Items ^{1,2}

Activity ³	Description/Benefit	2009/10 Budget (\$)	2009/10 Est. Act (\$)	2010/11 Budget (\$)	Quarter (SCI year) ^{4,5} (\$)				(SCI year) Per Head Budget (\$)
					Sep	Dec	Mar	Jun	
SPONSORSHIP									
Individual entity over \$5,000									
Corporate Sponsorship Program	2010/11: To be granted to successful applicants	-	-	135,000	33,750	33,750	33,750	33,750	
	2009-10: Major sponsorship with an emphasis on the South Burnett region i.e. Nanango Energy Centre \$41,000	50,000	50,000	-	-	-	-	-	
	Significant events with an emphasis on the South Burnett region (Defined as events >\$5k-\$20k) i.e Queensland Music Festival - A 3 year partnership with an annual commitment of \$10k	10,000	10,000	10,000	2,500	2,500	2,500	2,500	
	Kingaroy Chamber of Commerce Business Awards	-	-	5,000	-	5,000	-	-	
	Community and school festivals	60,000	60,000	-	-	-	-	-	
Staff Engagement	Activities undertaken by staff that lead to a donation or sponsorship initiative 2009/10: Tarong sporting teams and groups	27,000	27,000	27,800	6,950	6,950	6,950	6,950	
Other	Contingency funding within CEO cost centre	21,000	10,000	21,500	5,375	5,375	5,375	5,375	
Tarong Energy Community Partnership Fund	2010/11: To be granted to successful applicants	-	-	300,000	150,000	-	150,000	-	
	2009/10: - Nanango State School playground equipment \$40,000 - Kingaroy Swimming Club pool cover \$29,000 - South Burnett Community Training Centre community garden \$10,000 - Careflight "Lighting the Dark" Project: \$50,000 - Other community fund sponsorships \$171,000	300,000	300,000	-	-	-	-	-	
Total over \$5,000		468,000	457,000	499,300	198,575	53,575	198,575	48,575	
Other (total) below \$5,000		30,000	33,366	-	-	-	-	-	
Total (1)		498,000	490,366	499,300	198,575	53,575	198,575	48,575	
ADVERTISING									
Campaigns over \$5,000									
Print	Advertising for submissions to the Tarong Energy Community Partnership Fund	10,000	10,000	-	-	-	-	-	
Human Resources	Recruitment and promotional activity	27,217	26,250	8,500	2,125	2,125	2,125	2,125	
Potential asset sale	Advertising for the potential sale of the Chinchilla East (Glen Wilga) asset	69,300	78,000	-	-	-	-	-	
Total over \$5,000		106,517	114,250	8,500	2,125	2,125	2,125	2,125	
Other (total) below \$5,000		5,000	11,351	12,534	3,134	3,134	3,134	3,134	
Total (2)		111,517	125,601	21,034	5,259	5,259	5,259	5,259	

Activity ³	Description/Benefit	2009/10 Budget (\$)	2009/10 Est. Act (\$)	2010/11 Budget (\$)	Quarter (SCI year) ^{4,5} (\$)				(SCI year) Per Head Budget (\$)
					Sep	Dec	Mar	Jun	
CORPORATE ENTERTAINMENT									
Events over \$5,000									
Contribution to stakeholder engagements	Contribution to various stakeholder events predominately in South Burnett region	30,000	28,329	12,000	3,000	3,000	3,000	3,000	
Cricket or other sporting event	Marketing and Trading stakeholder event	12,000	2,031	-	-	-	-	-	
Site Christmas Function	End of year employee function	12,000	9,280	12,000	3,000	3,000	3,000	3,000	
Total over \$5,000		54,000	39,640	24,000	6,000	6,000	6,000	6,000	
Other (total) below \$5,000		160,454	172,848	126,600	31,650	31,650	31,650	31,650	
Total (3)		214,454	212,488	150,600	37,650	37,650	37,650	37,650	
DONATIONS									
Individual entity over \$5,000									
Donations are included under scope of Tarong Energy's Social Investment Policy and are budgeted for together with sponsorships		-	-	-	-	-	-	-	
Total over \$5,000									
Other (total) below \$5,000		-	-	-	-	-	-	-	
Total (4)		-	-	-	-	-	-	-	
OTHER RELATED ACTIVITIES									
Commitment over \$5,000									
ILUA Benefits Fund		555,000	555,000	575,000	143,750	143,750	143,750	143,750	
Annual membership	Annual membership fee to the Burnett Inland Economic Development Organisation (BIEDO)	5,000	5,000	5,000	-	-	-	5,000	
Total over \$5,000		560,000	560,000	580,000	143,750	143,750	143,750	148,750	
Other (total) below \$5,000		-	-	-	-	-	-	-	
Total (5)		560,000	560,000	580,000	143,750	143,750	143,750	148,750	
Total (1)+(2)+(3)+(4)+(5)		1,383,971	1,388,455	1,250,934	385,234	240,234	385,234	240,234	

¹ All expenditure to be GST exclusive

² Cells shaded in grey do not need to be populated

³ Add other rows as required to include all entities/campaigns/events/commitments over \$5,000 in each category

⁴ These figures are not cumulative

⁵ If expenditure planned for during the year but quarter not finalised, insert N/A in quarter columns

Activity ³	Description/Benefit	2009/10 Budget (\$)	2009/10 Est. Act (\$)	2010/11 Budget (\$)	Quarter (SCI year) ^{4,5} (\$)				(SCI year) Per Head Budget (\$)
					Sep	Dec	Mar	Jun	
CORPORATE ENTERTAINMENT									
Events over \$5,000									
Contribution to stakeholder engagements	Contribution to various stakeholder events predominately in South Burnett region	30,000	28,329	12,000	3,000	3,000	3,000	3,000	
Cricket or other sporting event	Marketing and Trading stakeholder event	12,000	2,031	-	-	-	-	-	
Site Christmas Function	End of year employee function	12,000	9,280	12,000	3,000	3,000	3,000	3,000	
Total over \$5,000		54,000	39,640	24,000	6,000	6,000	6,000	6,000	
Other (total) below \$5,000		160,454	172,848	126,600	31,650	31,650	31,650	31,650	
Total (3)		214,454	212,488	150,600	37,650	37,650	37,650	37,650	
DONATIONS									
Individual entity over \$5,000									
Donations are included under scope of Tarong Energy's Social Investment Policy and are budgeted for together with sponsorships		-	-	-	-	-	-	-	
Total over \$5,000									
Other (total) below \$5,000		-	-	-	-	-	-	-	
Total (4)		-	-	-	-	-	-	-	
OTHER RELATED ACTIVITIES									
Commitment over \$5,000									
ILUA Benefits Fund		555,000	555,000	575,000	143,750	143,750	143,750	143,750	
Total over \$5,000		555,000	555,000	575,000	143,750	143,750	143,750	143,750	
Other (total) below \$5,000		-	-	-	-	-	-	-	
Total (5)		555,000	555,000	575,000	143,750	143,750	143,750	143,750	
Total (1)+(2)+(3)+(4)+(5)		1,378,971	1,533,455	1,245,934	386,484	236,484	386,484	236,484	

¹ All expenditure to be GST exclusive

² Cells shaded in grey do not need to be populated

³ Add other rows as required to include all entities/campaigns/events/commitments over \$5,000 in each category

⁴ These figures are not cumulative

⁵ If expenditure planned for during the year but quarter not finalised, insert N/A in quarter columns

Details of Corporate Entertainment Expenditure under \$5,000

Table 2: Corporate Entertainment - Details of Total Budgeted Expenditure under \$5,000^{6,7}

Activity	2009/10 Budget (\$)	2009/10 Est. Act (\$)	2010/11 Budget No. of Activities	2010/11 Budget (\$)	Quarter (SCI year) ⁸ (\$)			
					Sep	Dec	Mar	Jun
Corporate Entertainment Total								
• Staff Functions	34,075	44,941	44	26,586	6,647	6,647	6,647	6,647
• Business Development	1,000	1,728	3	1,266	317	317	317	317
• Stakeholder Engagement	70,450	62,225	34	55,704	13,926	13,926	13,926	13,926
• External Award Functions	1,000	1,728	2	1,266	317	317	317	317
• Other	53,929	62,225	101	41,778	10,445	10,445	10,445	10,445
Total Under \$5,000	160,454	172,848	184	126,600	31,650	31,650	31,650	31,650

⁶ All expenditure to be GST exclusive

⁷ Cells shaded in grey do not need to be populated

⁸ These figures are not cumulative

Attachment 4: WACC Calculations

Assumptions

Corporate tax rate	x%
Inflation rate	x%

Capital structure:

Equity	x%
Debt	x%

Notional market interest rate	x%
Nominal risk free rate (R_f)	x%
Notional market premium ($R_p=R_m-R_f$)	x%
Corporate beta	x%
Corporate gamma	x%

Cost of Debt

Nominal pre-tax cost of debt	x%
Nominal post-tax cost of debt	x%

Real pre-tax cost of debt	x%
Real post-tax cost of debt	x%

Cost of equity

Nominal pre-tax cost of equity	x%
Nominal post-tax cost of equity	x%

Real pre-tax cost of equity	x%
Real post-tax cost of equity	x%

WACC

Nominal before tax before debt	x%
Nominal after tax before debt	x%

Real before tax before debt	x%
Real after tax before debt	x%

Corporate Governance Guidelines for Government Owned Corporations

Tarong Energy Corporation Limited has adopted all of the recommendations in the Corporate Governance Guidelines for Government Owned Corporations (2009).

Government Policies and Guidelines

- Biannual Reporting: Guidelines for the Preparation of Interim Reports (2009)
- Code of Practice for Government Owned Corporations' Financial Arrangements (2009)
- Community Service Obligations – A Policy Framework (1999)
- Corporate Entertainment and Hospitality Guidelines (2008)
- Corporate Governance Guidelines for Government Owned Corporations (2009)
- Cost of Capital Principles – Government Owned Corporations (2006)
- Government Owned Corporations Air Travel Policy (2009)
- Government Owned Corporations Bargaining Guidelines (2010)
- Government Owned Corporations Governance Arrangements for Chief and Senior Executives (2009)
- Government Owned Corporations Guidelines for the Preparation of Statements of Corporate Intent and Corporate Plans (2010)
- Government Owned Corporations Release of Information Arrangements (2009)
- Government Owned Corporation Subsidiaries - Key Shareholder Requirements for Constitutions (2006)
- Government Owned Corporations Wages Policy (2010)
- Guidance for Chief Executive Officers - Agreement Making and Industrial Relations in Government Owned Corporations (2010)
- Guidelines for the Development of Employment and Industrial Relations Plans in Government Owned Corporations (2009)
- Guidelines for Export of Services by Government Owned Corporations (2001)
- Investment Guidelines for Government Owned Corporations (2009)
- Local Industry Policy: A Fair Go for Local Industry (2008)
- Minimum Disclosure Requirements for Directors and Chief and Senior Executives of Government Owned Corporations (2009)
- Minimum Employment, Industrial Relations and Job Security Principles for Government Owned Corporation Employees (2009)
- Purchasing Carbon Offsets for Queensland Government Air Travel (2008)
- QFleet ClimateSmart Policy (2008)
- Queensland Code of Practice for the Building and Construction Industry (2009)
- Sport and Recreation Sponsorship Policy (2009)
- State Procurement Policy (2008)