



PORT OF TOWNSVILLE LIMITED ACN 130 077 673

FORECAST REPORT 2010-2011

INTRODUCTION

Port of Townsville Limited (the Corporation) achieved record trade throughput during the 2009-2010 financial year with demand for commodities recovering from the below trend performance experienced during 2008-2009 as a result of the global financial crisis. Environmental performance was positive, with no environmental compliance breaches reported. The Corporation focused on safety performance in view of two lost time injuries recorded during the period.

The favourable trade and associated trade revenue performance is anticipated to continue during 2010-2011. Particular focus will be placed on improvements in financial, safety and environmental performance and stakeholder satisfaction. The Corporation will also significantly progress a number of its major projects, including the Townsville Marine Precinct Project (TMPP) and Berth 10 capability upgrade (see below for more detail).

	Forecast for 2010-2011*	Explanation
EBIT (\$M) (earnings before interest and tax)	\$31.27	Improved trade throughput has resulted in higher than expected earnings. State Government funding for the Townsville Marine Precinct Project will have a significant positive impact on the Corporation's EBIT. The Corporation's underlying EBIT, when excluding the impact of funding for the Townsville Marine Precinct Project, is forecast to be \$15.84 million.
Total Trade Throughput (million tonnes)	10.96	Demand for commodities began to recover in 2009-2010, with recovery expected to continue in 2010-2011.

STRATEGIC PRIORITIES FOR 2010-2011

The Corporation's 2010-2011 strategic priorities target improvements and growth in six core areas: –

- port facilities and services
- port planning and development
- financial performance and shareholder value
- customers, community and stakeholders
- environmental responsibility and sustainability; and
- people, systems and culture.

The Corporation will have a particular focus on delivering new port infrastructure and improving existing port infrastructure and facilities to meet forecast trade growth requirements.

The Corporation will implement strategies to enhance financial profitability, including implementation a new pricing structure at the Port of Townsville, application of market rates to leases where opportunities arise, reviewing performance of non-core assets and improving long-term operational efficiency in line with shareholding Ministers' expectations. The Corporation will focus on initiatives aimed at maintaining and improving safety and environmental performance. Initiatives will include maintaining certification of the Corporation's environmental, safety, quality and information security management systems against appropriate Australian standards and the provision of safety and environmental compliance training.

The Corporation will also pursue opportunities to improve its relationship with customers, the community and other stakeholders through collaboration, consultation, and transparent and accountable reporting with respect to the Corporation's activities and performance.

MAJOR PROJECTS FOR 2010-2011

Construction of Stage 1 of the Townsville Marine Precinct Project, to be located at the mouth of Ross River in Townsville commenced in May 2010 and is scheduled to be completed in late 2011. The Townsville Marine Precinct facility will provide a best practice marine facility which will consolidate, and provide for future growth in the local industrial and commercial marine and fishing industries.

In principle approval has been received from the Queensland Government for the upgrade of the existing Berth 10 structure at the Port of Townsville to provide a dedicated cruise and military vessel facility. Design works for this project are progressing and will be completed during 2010-2011. Subject to funding commitments from the Townsville City Council and the Department of Defence, construction works are scheduled to commence in late 2010 and are expected to be completed in 2012.

MARKET ENVIRONMENT FOR 2010-2011

2009-2010 was a record trade throughput year, reflecting strong trade performance in the region. This favourable performance is anticipated to continue during 2010-2011. Trade throughput is expected to increase in the medium term due to a number of new mining operations commencing and a number of existing customers and projects expanding and diversifying, primarily in the area of bulk minerals exports. This is consistent with Port of Townsville's history and the development of the mining regions in the area.