

28 November 2016

## **CHAIRMAN'S ADDRESS** 2016 ANNUAL GENERAL MEETING

Ladies and Gentlemen, in my address this afternoon I will provide an overview of our performance in the 2016 financial year. I will then detail the measures that have been undertaken in the wake of what has been a challenging year for Brierty. These measures have positioned the business well for improved performance in the 2017 financial year, as evidenced with earnings turnaround in the first half of the year that was announced today. Following my address I will introduce Brierty's new Chief Executive Officer Ray Bushnell to give his presentation that will outline his priorities in the role, an update on our projects, and the Company's strategy. I will then invite any general questions before proceeding with the formal business of today's meeting.

Turning to the year in review.

Brierty's financial performance in FY2016 was dominated by issues we experienced at the North West Coastal Highway Project. To a lesser degree, our result was also impacted by a reduction in revenue. This included reduced turnover from both Brierty's civil division due to sustained strong competition for new projects and our mining division due to completion of the Karara contract in the prior year. Those reductions outweighed an improvement in revenue from Brierty's land development division in the year, which was driven by the ongoing solid performance at our Mitchell Creek Green project.

Brierty also brought to account two one-off, non-cash items in the year. The first was a \$23.1 million after tax impairment to the carrying value of the Company's plant and equipment following an independent valuation by Smith Broughton. The second was an \$11 million non-recognition of a deferred tax asset.

As a result, Brierty reported a net loss after tax of \$52.4 million. I can assure you the Board was extremely disappointed by this result. What was most disappointing is that the underlying net loss after tax result of \$18.3 million – which removes those two non-cash items – was dominated by a single poor project. This shrouded Brierty's solid performance at many of our other projects during the year, including our \$300 million mining project at Western Turner Syncline, major land development project at Mitchell Creek Green in the Northern Territory, and a number of smaller civil projects, largely in the Perth metropolitan area.

Our focus has been on resolving the issues created by the North West Coastal Highway Project, which has now been completed, and then making changes to ensure Brierty remains on the path towards improved operational and financial performance. A number of changes have already been made across the business as a result of lessons from this project.

For example, Brierty's business strategy has been altered to target projects that play to Brierty's strengths, such as mining services projects and smaller civil jobs. Brierty will also apply greater scrutiny on road construction projects. Structurally, we established an expenditure review committee to identify and implement significant cost efficiencies across the business. These have delivered meaningful structural change to ensure we can better compete in the current competitive market. Ray will provide greater detail on the strategic initiatives that have been delivered and are underway across the business in his presentation.

Brierty also maintained its focus on safety in the year, which is ever critical in the current environment. There was a considerable reduction in Brierty's total reportable injury frequency rate in FY2016 and we reported another year with a lost time injury frequency rate of zero. We have continued to manage our cash flow carefully and appreciate the support our bank has given the business during a challenging period.

I'd like to take a moment to also reflect on personnel changes at Brierty in the past 12 months.

In July 2016, Ray Bushnell was promoted from the role of Chief Operating Officer to Chief Executive Officer, following the resignation of Peter McBain as Managing Director. The transition to a new CEO was mutually agreed between the Board and Peter. Ray entered the CEO role after leading our successful mining business over the past year. The Board has every confidence that Ray's extensive experience and expertise in both contract mining and civil construction provides the right skill set to lead the Company. We have been very impressed with what Ray has been able to achieve since starting in the role. I would also like to take this opportunity to thank Peter for his contribution as Managing Director over five years.

In May 2016, Alan Brierty retired as a Non-Executive Director. Alan co-founded Brierty with his wife Kylie, as a civil construction business in 1981. He then oversaw its expansion to providing a full range of civil infrastructure services, contract mining, and land development, and led the Company to a successful initial public offering in December 2007. Alan has left a significant and long-lasting legacy at Brierty; none more so than the enduring culture of evolving the business and delivering projects. On behalf of the Board and all current and former staff, I would like to thank Alan for his passion and commitment to Brierty over a long career and wish him all the best in retirement.

Looking ahead, there is growing optimism about the Company's ability to deliver improved results in financial year 2017. This optimism is driven by two key factors.

Firstly, Brierty has resolved the legacy issues that were weighing on the business. As I mentioned earlier, the North West Coastal Highway Project is now complete. Losses relating to that project were fully provided for in the FY2016 accounts, as required under accounting standards. In September 2016, we also reached agreement with Main Roads WA to resolve the Great Eastern Highway contract dispute. Under the agreement the terms must remain confidential, however the Board can confirm that there was a satisfactory conclusion to the matter.

Secondly, we are now seeing the early success of the Company's back to basics strategy. Brierty is delivering solid performance across our broad range of quality mining, civil, and land development projects. In addition, the Company is benefiting from significant cost efficiencies that have been achieved across the business.

These factors support our guidance of approximately \$5 million profit before tax in the first half of FY2017. This is a substantial turnaround from our performance during in the first half of FY2016, and indeed the past 12 months more broadly. The market for new work remains highly competitive and this is not expected to change for the foreseeable future. However, Brierty has a quality order book totalling \$238 million at the end of October 2016, of which approximately \$93 million relates to the balance of FY2017, \$88 million to FY2018, and \$57 million to FY2019. This order book, combined with our strategy focused on productive project delivery, means Brierty is well positioned to profitably deliver on the backlog and win our share of the opportunity pipeline.

In closing, I would like to thank my fellow Board members, Ray and the management team, and all of Brierty's staff for their contribution to the business. A lot of hard work has gone into ensuring Brierty emerged from what has been a difficult period in the Company's history. I would also like to thank shareholders for their ongoing support during this period. Brierty's quality order book and back to basics strategy means the business is well placed to deliver improved performance and value for shareholders.

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## ABOUT BRIERTY

Brierty provides civil construction and mining services to government and private industry through its civil and mining lines of business, which include:

### Civil

- Construction of city and town infrastructure including land developments, roads and car parks.
- Highway and road construction, bulk earthworks, railways, airport runways, site-works, concrete and pavement works.

### Mining

- Contract mining and mine maintenance.
- Drill & blast, crushing & screening.
- Mining services: tailings dams, airstrips, access & haul roads, and non-process infrastructure.

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