E & A LIMITED

2015 ANNUAL GENERAL MEETING

CHAIRMAN & MANAGING DIRECTORS ADDRESS

1. INTRODUCTION - CHAIRMAN

Good morning ladies and gentlemen.

My name is John Nicholls, and as Non- Executive Chairman of your company, I welcome you to the 2015 Annual General Meeting of E & A Limited.

The Company Secretary has advised me that we have complied with the relevant requirements for convening this meeting, and that a quorum is present.

I therefore declare the meeting open.

Let me begin by introducing the other members of the Board:

- Mr Stephen Young, Managing Director
- Mr Mark Vartuli, Executive Director & Company Secretary;
- Mr Michael Abbott, Non-Executive Director;
- Mr Michael Terlet, Non-Executive Director; and
- Mr David Klingberg, Non-Executive Director.

Later in the meeting, I will recommend the re-election of Mr Michael Abbott.

Details of Michael's extensive experience, together with that of your other Directors, were included in the Annual Report.

At the appropriate time I will ask Stephen Young to chair the meeting in order to enable shareholders to consider my election as a director of the Company. Detail's of my experience is outlined in the Notice of Meeting.

I would also like to introduce Mr David Sanders from EY, the Company's auditors, who are present to answer any questions relevant to the conduct of the audit, the audit report and the Company's accounting policies for the 2015 financial year.

As the notice convening this meeting was sent to all shareholders on the E & A Limited register in accordance with the Company's Constitution, I intend to take the Notice of Meeting as read.

At this point, I would like to acknowledge that it has been necessary for the Company to hold its Annual General Meeting later than normal, in order to enable the Company to include as part of the Annual General Meeting's business the consideration of the resolution to approve the conversion rights associated with the LIM Advisors Strategic Funding Agreement.

The annual accounts of E & A Limited and its controlled entities together with the reports of the directors and auditors for the year ended 30 June 2015 have been published and distributed to shareholders.

E&A Limited is an investment company focused on identifying both organic and acquisition growth opportunities. We invest shareholder funds in our subsidiaries and proactively manage these investments.

E&A Limited's subsidiaries provide specialist engineering services to the oil & gas, mining, defence, infrastructure, water, renewable energy & power and financial services industries.

2015 was a very challenging year for E&A Limited.

In the 2015 financial year, E&A Limited achieved:

- Revenue of $198.6 million after impairments of inventory of $29.2 million,
- Net Loss After Tax of $24.4 million, following impairment provisioning for underperforming contracts and disputed outstanding claims of $29.2 million and non-recurring restructuring costs, which combined totalled $33.9 million.

Before moving to the resolutions contained in the Notice of Meeting, I would like to invite E & A's Managing Director, Mr Stephen Young to comment in more detail on:

- The Market for E & A subsidiaries products and services;
- The strategy being pursued by E&A to rebuild shareholder value;
- The financial performance of E & A Limited over the last financial year;
- The performance of E & A Limited for the first half and of this financial year and outlook for FY16; and
- The safety and people performance of E&A Limited.

2. MANAGING DIRECTOR'S ADDRESS

MARKET CONDITIONS

Overview

The trading outlook for engineering services deteriorated over the last twelve months and the outlook for the oil & gas, mining, defence and renewable energy sectors remains subdued and challenging.

The current commodity prices are forecast to remain depressed for the remainder of CY16 and this remains a persistent headwind for the Australian Engineering and Construction sector. This will maintain pressure on the mining and oil & gas operators to defer capex and maintenance expenditure as they continue to focus their efforts on productivity & efficiency improvements, preserving capital, cost optimisation and the generation of free cashflow.

According to forecasting group BIS Shrapnel, 40,000 jobs have been lost since investment peaked in 2012-13 and a further 20,000 job losses in the current period can be expected.

Resources investment has fallen 11 per cent from its peak to $80.3 billion in 2014-15, and is now forecast to decline almost 60 per cent further over the next three years to $33.9bn in 2017-18.

BIS Shrapnel's Mining in Australia 2015-2030 report, says the decline in investment is due to the completion of LNG export projects, with further (smaller) falls in investment also expected in the coal, iron ore and gold segments. BIS Shrapnel is not forecasting a recovery in investment until 2018-19, with a mild recovery to an estimated $42bn in 2019-20 — still only half of last year's rate of expenditure.

Apart from the completion of the LNG projects, the decrease in growth capex by the industry is a response to the broad collapse in commodity prices, starting with coal in 2012-13, and since moving through all other commodities.

Minerals

Since January 2015, key commodity prices have declined (i.e. iron ore down 39%, thermal coal down 20%, copper down 30% and gold down 10%). During the period, iron ore and copper have moved into oversupply, while coal was already in an oversupply position. Concerns remain that European growth may be subdued for longer than initially forecast and the structural imbalances in China may result in slowing demand and ongoing challenges for commodity prices and confidence generally.

The price of iron ore is hovering around $US40 per tonne, a significant reduction from the $US100-plus a year ago or the heady heights of $US160 per tonne in 2011. Notwithstanding the output is at record levels, new comer Roy Hill has commenced exporting ore and operators such as Rio Tinto, BHPB and Fortescue are increasing throughput as they bring recently completed new capacity online. As a consequence they are reducing their unit costs by increasing production and eliminating all discretionary expenditure through the implementation of significant cost reduction programs.

In terms of capex, global oil & gas and mining capex is likely to remain constrained following a decline in expenditure of approximately 25% in FY15. Some analysts are predicting a further 16% reduction in FY16.

Oil & Gas

Since January 2015, the price of Brent oil is down 42% and oil prices recently breached the US$30/bbl level for the first time in 12 years.
There are a number of factors which continue to weigh heavily on the oil price:
1) global oil markets are oversupplied by approximately 1.3mmbbl/day;
2) the expected increase in Iranian oil volumes by 0.3-0.5mmbbl/day after sanctions were formally lifted recently;
3) concerns over the Chinese economy;
4) a stronger USD; and
5) lack of any material decline in supply from US shale, despite a reduction in drilling activity.

Similar to the mining space, the major players in the oil & gas space have all initiated operating reviews, cut back their exploration programs, deferred facility upgrades and significantly reduced their engineering, operations and administration headcount.

Renewable Energy Target (RET)

In late 2013, the 2020 RET was unexpectedly reviewed by the new Abbott Government and as a consequence, the RET was reduced in June 2015 from the previously legislated 41,000 GWh to 33,000 GWh. During the review period the renewable energy business stalled. The new 2020, 33,000GWh RET was a compromise brokered by the Clean Energy Council following 15 months of "lost" investment caused by the review.

The key outcomes from the new target are as follows:
- Approximately 6,000 MW of new renewable energy capacity to be built by 2020.
- In excess of $40.4 billion worth of investment and more than 15,200 jobs.
- Between 30-50 major projects are likely to be built in the next five years to meet the target, along with hundreds of medium-scale solar projects from commercial and industrial businesses looking to manage their own electricity production and consumption.
- The wind farm industry has forecast this extra demand is likely to translate into approximately 1,500 towers.

Since the introduction of the revised legislation, investment has started flowing back although at a slower rate than expected in to the renewable energy sector including the following investment announcements:

- The $450M Ararat Wind Farm in western Victoria signed the first major contract since the RET was passed.
- Goldwind's White Rock Wind Farm in NSW successfully negotiated the connection of 70 wind turbines to the state's transmission system.
- Windlab announced that construction of the $50M Coonooer Bridge Wind Farm in western Victoria will commence.
- RATCH announced a $100M solar power plant in Collinsville, QLD.

Recently Greg Hunt, the Federal Minster for the Environment, said in respect of large scale renewable energy that "significant additional investment is expected to be announced or approved over the coming twelve months".

The outlook for the restoration for the wind energy generation business is improving but the rapid expansion anticipated following the approval of the new RET target remains elusive and is dependent upon electricity retailers entering into long term power purchasing agreements with the proposed owners of new wind farms.

Defence

Last year was a period of frustrated anticipation for the Australian defence industry, and in particular the naval shipbuilding sector who have been waiting for the delivery of the Defence White Paper and a decision on frigates and submarines.

The Defence White Paper which will be released in the first quarter of 2016 will be accompanied by an integrated investment programme that will bring together all Defence capability-related investments – in major equipment, infrastructure, Information and Communication Technology and in personnel – over the next decade providing clear project approvals and timeframes. This guidance is intended to improve industry confidence to plan for projects including the development of infrastructure, skills and capabilities for the future.

Submarines dominated defence discussions last year, although it will be a number of years before any expenditure on new submarines could impact E&A Limited's subsidiaries. During the early part of the year it appeared inevitable that our shipbuilding industry was headed offshore. However, we ended the year where common sense prevailed and it would appear the tide has turned for the Australian shipbuilding industry.

As a consequence of certain State and Federal politicians, unions and industry coming together the Federal Government have been convinced to support the Australian Naval Shipbuilding industry. The Federal Government have indicated that they now consider the merits of local shipbuilding which will provide improved national security through the retention of an independent shipbuilding capability and the economic stimulus from building locally will outweigh any potential cost savings from offshore manufacture.

Work has been pledged to South Australia by then prime minister Tony Abbott and his defence minister Kevin Andrews on August 4 last year as part of an announcement of $89 billion of naval shipbuilding work over 20 years —$50 billion for future submarines and $39 billion for surface ships. The Government said construction of the first of eight frigates would start in 2020. It is expected this strategy will continue to receive bipartisan government support.

E&A Limited subsidiaries have now completed the work they were commissioned to undertake for the Air Warfare Destroyer Program and now wait for the opportunities that should arise from the new frigate program.

Water

The outlook for water services industry has remained stable, although the completion of the LNG developments in Southern Queensland has resulted in a drop for demand for geomembrane lining which is the principal activity of EAL's subsidiary Fabtech.

More generally, water is being regarded and treated as a scare resource and demand for its proper storage whether for human consumption or for the protection of the environment continues to increase.

STRATEGY FOR REBUILDING SHAREHOLDER VALUE

E&A Limited has adopted four major strategies to rebuild shareholder value:

1. The negotiation of a two year US$10M convertible note facility with Lim Advisors and the restructure of the term, repayment obligations and borrowing cost of our NAB loan facilities;

2. The recovery of the disputed, variation, delay and disruption contract claims for their existing carrying value;

3. The delivery of an improved EBITDA; and

4. The potential sale of one or more of the Group's operating subsidiaries.

I will now provide further commentary on these strategies:

Strategic Funding Agreement with LIM Advisors

On 31 August 2015, E&A Limited entered into a two year Loan Facility Agreement for an initial advance of US$6 million with a further standby facility of US$4.0 million provided by LIM Opportunistic Credit Master Fund, a fund managed by the LIM Advisors Limited, ("together referred to as "LIM").

The facility has provided EAL with the funding necessary to complete certain contract works whilst contemporaneously initiating legal proceedings to maximise the recovery of its outstanding contract claims. More generally the LIM funding has supported the working capital requirements of EAL's businesses. The merits of this strategy have already been confirmed through the recovery of the GELOR and NRAH claims.

The term of the loan is 24 months and EAL is expected to make early repayments as it resolves its contract claims. LIM has subject to shareholder approval sort as a condition of the loan facility equity conversion rights for the initial drawn amount of US$6.0 million at 18 cents a share on or before 30 September 2016, or after that date at the time of any repayment by EAL. LIM also has further equity conversion rights in relation to the standby loan facility amount for US$4.0 million, which has now been drawn, at 25 cents per share on or before 30 September 2016, or after that date at the time of any repayment by EAL.

The key terms of the convertible loan facility have further been outlined in the Notice of Meeting together with the attached Independent Experts Report information forwarded to shareholders in advance of today's meeting and later in today's meeting I will recommend the approval of the LIM conversion rights.

Refinance of National Australia Debt

As part of the strategic funding relationship with Lim Advisors the National Australia Bank has agreed to convert $31.0M of EAL's current working capital facilities utilised to fund the disputed contract works to Longer Term Commercial Bill debt.

EAL intends to utilise the funds recovered from the recovery of the disruption and delay claims to retire both NAB and LIM Advisors debt.

I would like to acknowledge the support provided to EAL by NAB as we work through last year's challenges.

Recovery of the disputed, variation, delay and disruption contract claims

As highlighted in our Annual Report, E&A Limited has a number of significant construction contract claims at various stages of recovery.

Significant progress has been made since the release of our Annual Report on 1 September 2015:

- A fully resourced and funded Claim Recovery Team has been established comprising an in-house commercial and legal team supported by independent expert construction claim advisors, leading construction litigation practitioners, senior and junior counsel;

- Adjudication determinations have been received in relation to project claims for Fabtech Australia QGC Northern Water Treatment Plant project and Ottoway Engineering New Royal Adelaide Hospital project, resulting in receipts of $10.3m inclusive of GST, interest and costs;

- Formal dispute proceedings have been initiated for each of the outstanding matters, with the timetable for recovery defined by the dispute resolution procedures of the contracts;

- Arbitration proceedings will commence on the Ottoway Engineering vs MacDow Roma Claim in February 2016. This matter principally relates to delay and disruption costs incurred by Ottoway Engineering on the Santos GLNG project on account of free issue materials arriving out of sequence and to a significant extent well after the originally anticipated completion date for the project;

E&A Limited has an unwavering commitment to the prosecution and recovery of each of its legitimate and rightful claims for work completed.

E&A Limited will provide further updates to Shareholders on the status of claim recoveries throughout 2016.

The delivery of an improved EBITDA

E&A Limited's ten operating subsidiaries are focussed on improving the profitability of their operations through the provision of safe, quality, fit for purpose, on-time and on budget product and services to our clients.

Initially our focus was on reducing overheads as turnover decreased. In this regard we are pleased to report that our indirect operating costs have been reduced by $6.0M and we are progressively working towards implementing a further $2.0M per annum in cost reduction.

More recently our subsidiaries have been focussed on restructuring pay rates, through EBA renegotiation, improving productivity, simplified project documentation, improved risk management and innovation in the way we deliver services. It is intended that these initiatives will enable E&A Limited subsidiaries to maintain their targeted gross margins whilst meeting the competitive demands of the marketplace.

New Work

E&A Limited's operating subsidiaries have secured new work in hand including:

- Ottoway Engineering has recently secured in excess of $20M of construction, tank fabrication, well-head skid fabrication and capital equipment repair work.

- Fabtech Australia (Fabtech) has recently been awarded more than $18M worth of geomembrane supply and installation work across the mining, oil& gas, landfill and water industries.

- ICE Engineering & Construction has recently secured more than $8M of electrical installation and associated upgrade work across the oil & gas, mining and water industries.

- Tasman Power has continued to expand its maintenance, shutdown and sustainability project work in the Pilbara with Australia's leading iron ore producers as those operators have brought additional capacity online. Furthermore, Tasman has established a new service, Tasman Rope Access which continues to grow whilst delivering operational savings to its clients.

The delivery of this new work on-time, on budget and fit-for –purpose should enable EAL to deliver improved profitability as Ottoway Engineering has now completed the challenging loss making contracts.

Productivity & Profit Improvement Program

During the second half of FY15, EAL made significant progress with its Productivity & Profit Improvement Program. This has resulted in a reduction in direct and indirect headcount, the closure and consolidation of several facilities and the sale of surplus plant and equipment. The annualised indirect cost savings realised to date are in the order of $6 million per annum. The key areas of focus included:

- realigning overhead costs including personnel numbers to ensure overheads reflected the reduced activity levels;
- streamlining and simplifying the operating model;
- driving increased discipline, accountability and efficiency throughout the organisation;
- streamlined reporting against productivity and targets; and
- working closely with our customer and suppliers to innovate, drive productivity and reduce avoidable costs.

EAL's ongoing Cost Reduction and Profit Improvement Program is continuing to be implemented and further benefits have been identified for delivery in FY16 in the order of an additional $2 million of annualised savings.

Furthermore, EAL has commenced a program to realign each of its subsidiaries organisational structures, business processes, and innovation initiatives in order to improve its productivity. It is expected that these programs will deliver further direct cost savings over the course of the next 12 months.

Salary Reductions

As a cost leadership initiative, E&A Limited executive directors with effect from 1 September 2015 reduced their salaries by a further 10% on their already reduced 10% salary arrangements.

With effect from 1 January 2016, I have taken a further significant salary reduction and one half on my reduced salary is now dependent upon the Company achieving its forecast results. Mr Mark Vartuli has taken a further reduction of 10%, bringing his combined total salary reduction to 30% of his current contractual arrangements.

The potential sale of one or more of the Group's operating subsidiaries.

The EAL board has undertaken with PwC a strategic review of its portfolio of businesses. The board and PwC have identified that opportunities exist for both joint ventures and straight sale transactions. Any proposal which represents an outcome where EAL will receive more than carrying value of a subsidiary will be considered as part of the suite of initiatives being pursued to reduce debt and improve shareholder value.

THE 2015 FINANCIAL YEAR IN REVIEW

On behalf of the E&A Limited Board of Directors, I report the Company's financial results for the 12 month period ended 30 June 2015.

Income Statement

E&A Limited achieved consolidated revenue of $198.6 million after impairments against the value of inventory of $29.2 million.

E&A Limited incurred a Net Loss After Tax of $24.4 million, following impairment provisioning for underperforming contracts and disputed outstanding claims of $29.2 million and non-recurring restructuring costs, which combined totalled $33.9 million.

Cashflow

EAL recorded negative cashflow from operations, before interest and tax, of $14.5 million and after payment of interest and tax, a net outflow of $22.6 million from operating activities.

The operating cash flow performance during the period was impacted by the working capital requirements associated with large construction projects undertaken on major projects for iron ore and infrastructure clientele which were subject to disputed variation, delay and disruption contract claims.

These non performing construction contracts have now been completed although the final resolution of the outstanding contract claims will take time.

EAL has progressed the resolution of significant variation, disruption and delay claims throughout the year and is working to resolve these claims as promptly as possible.

Net Debt & Gearing

Net debt at 30 June 2015 was $77.4 million, compared with $44.6 million at the prior corresponding period. Gearing at 30 June 2015 was 61% (as measured by the ratio of net debt to net debt plus shareholder equity). The increase in debt included the funds borrowed to acquire Tasman Power in October 2014. In addition to the acquisition, net debt was impacted by the additional working capital required to fund the works undertaken for iron ore and infrastructure projects which are subject to disputed contract variation, disruption and delay contract claims.

EAL's longstanding financier, the National Australia Bank, subsequent to 30 June 2015 agreed to convert $31 million of current overdraft debt into commercial bills due 31 August 2016, which prior to 31 December 2015 the National Australia Bank have further extended to 1 March 2017. This commercial bill debt which has already been reduced is expected to be repaid in part from the collection of proceeds from the disputed variation, disruption and delay contract claims.

2015 FINANCIAL YEAR EARNINGS CONTRIBUTION BY SEGMENT

The E&A Limited business is reported in four segments:

- Heavy Mechanical & Electrical Engineering;
- Water & Fluid Solutions;
- Maintenance Engineering & Plant Construction; and
- Investment and Corporate Advisory.

An overview of the contribution provided by each segment in FY15 is outlined in further detail below.

Heavy Mechanical and Electrical Engineering

This segment comprises the Ottoway Engineering Pty Ltd (**Ottoway**), ICE Engineering & Construction Pty Ltd (**ICE**) and Ottoway Fabrication Pty Ltd (**Ottoway Fabrication**).

Contribution from this segment has been significantly impacted by the one-off items relating to impairment of work-in-progress subject to variation, disruption and delay claims and provisions for underperforming contracts at Ottoway Engineering and charges relating to the restructuring of the business.

These non-recurring items, coupled with underutilisation of Ottoway Fabrication's Whyalla facility due to the RET uncertainty, cancelled work, restructuring costs and subdued demand levels in the iron ore and oil & gas sectors, have offset the positive contribution generated by ICE.

In line with my earlier comments, the outlook for the wind tower market has improved since late June 2015 after the Federal Government's revised Renewable Energy Target (**RET**). The achievement of the new RET target requires significant new wind farm investment over the next 5 years, as other renewable energy generation alternatives cannot be economically established within the required timeframe.
Ottoway Fabrication is set to capitalise from its substantial investment in wind tower construction capability and capacity over the past three years. Ottoway Fabrication currently has more than $300 million of tenders in relation to wind tower manufacturing projects, including major wind farms in relatively close proximity to its Whyalla based workshop.

ICE has established a strong foothold in the oil & gas sector, whilst retaining presence in the mining and infrastructure industry. Through a longstanding relationship with Santos, ICE has maintained its position in the Cooper Basin working on a number of electrical upgrades and plant installations. Further client relationships were established in FY15 expanding ICE's service offering to WA and NT. ICE's FY15 result contributed positively to the segment's performance.

Water and Fluid Solutions

This segment comprises the Fabtech Australia Pty Ltd (Fabtech) and Blucher (Australia) Pty Ltd (**Blucher**) businesses.

The activity in this segment significantly contracted during FY15 in terms of revenue and earnings as a result of various factors including the completion of Phase 1 upstream water treatment facilities necessary to feed the Curtis Island LNG facilities and the impact of lower commodity prices on greenfield construction projects.

Fabtech was unexpectedly unsuccessful in securing the last section of the Northern Wastewater Treatment Plant in late 2014. Fabtech had secured the material supply and had been nominated as the preferred contractor for the remaining installation work. The awarding of that work to another contractor caused a significant disruption to Fabtech's scheduled activity. Unfortunately this unexpected contract loss coincided with a number of delays or deferrals to a number of other projects and as a consequence Fabtech's profitability dropped significantly during the second half of FY15.

Notwithstanding the declining demand for Coal Seam Gas water infrastructure, Fabtech managed to grow its overall market share during FY15 and remains Australia's leading supplier and installer of geomembrane liners and floating covers.

Fabtech's national presence, capacity, experience and technical capability remain strong competitive advantages and position Fabtech for large and complex environmental protection projects in the landfill, water infrastructure, resources and mining sectors.

The increasing regulation of landfill containment and mine site remediation continues to increase demand for Fabtech's unique capabilities. Furthermore, replacement of existing floating covers, which deteriorate over time and an increased focus from water authorities on the use of floating cover technology for its potable water storages, to reduce evaporation loss, will also see an increased demand for Fabtech's industry leading floating cover design and installation services.

Fabtech has recently secured a number of large contracts which now sees it with a strong order book.

Blucher delivered a positive contribution to the segment's result during FY15 despite the adverse consequences of an increasingly competitive market which resulted from competitors inferior product at lower price points.

Blucher has seen a significant shift in the industry segments using its products during FY15. The health and food industries grew significantly whilst oil & gas sector experienced a downturn. Blucher's diverse customer base has ensured it has maintained market share but this shift has resulted in a change in the product mix. Blucher has rationalised costs to stay in line with this shift.

Blucher continues to innovate and invest in new products, which as a result will see it launch a number of new products during the second half of FY16. Blucher is expecting an improvement in sales and earnings as these new products come online.

Maintenance Engineering and Plant Construction

The Maintenance Engineering and Plant Construction segment comprises the services provided by Quarry & Mining Manufacture Pty Ltd (QMM), Heavymech Pty Ltd (Heavymech) and Tasman Power Holdings Pty Ltd (Tasman Power & Tasman Rope Access).

Tasman Power has been a successful acquisition for EAL providing increased exposure to the significant electrical maintenance requirements of the large iron producers in Western Australia. Tasman Power has been working collaboratively with its customers to deliver total cost reductions for its services through development of joint cost saving measures and productivity enhancements.

Tasman Power provides superior customer service with industry leading experience, safety, quality and delivers total cost savings for asset owners as a consequence of Tasman Power's site knowledge, responsiveness to unplanned breakdowns and on-time delivery of planned shut down maintenance.

Tasman Power has grown its maintenance presence in Western Australia iron ore electrical maintenance market since acquisition and continues to grow its pool of highly skilled electricians.

As part of Tasman Power's continued drive for innovation and customer service, a new business called Tasman Rope Access was established in the second half of FY15 to provide industry leading rope access maintenance, installation and inspection services.

The Rope Access business has generated a positive contribution to the turnover and earnings of since October 2015 and its clientele base, secured work and new opportunities is continuing to grow.

QMM faced reduced market demand for its services in FY15 and challenging cost conditions on plant construction and project delays. Despite this, QMM contributed positively to the segment's result in the second half of FY15 as a result of cost saving initiatives and improved revenue from onsite works.

Heavymech experienced in both Adelaide and Whyalla softer market conditions in refurbishment and breakdown work. Heavymech has also restructured its workforce and lowered its cost base in line with market activities achieving increased productivity through initiatives implemented in the second half of FY15. Market activity remains subdued and no material improvement in trading conditions is expected this financial year.

Investment and Corporate Advisory

This segment comprises the Equity & Advisory Ltd (**Equity & Advisory**) business and corporate head office costs associated with E&A Limited.

Earnings have been impacted by the realisation of a bad debt for work performed in the prior year and a significant impairment of outstanding work-in-progress. More significantly the principle focus of Equity & Advisory staff was internal including the acquisition of Tasman Power, establishment of the Tasman Rope Access, work on the recovery of outstanding contract claims and the implementation of profit improvement plans for EAL's operating subsidiaries.

Throughout FY15, activity in the mergers, acquisitions and divestments remained flat. Equity & Advisory's revenues were predominantly internally generated in the second half of FY15. This trend is expected to continue during the first half of FY16 as work was directed to the refinancing of EAL, resolution of contract claims, the Productivity & Profit Improvement Plan and Strategic Review initiatives.

FY16 FIRST HALF TRADING UPDATE and OUTLOOK

FY16 OPERATIONS UPDATE

EAL advises the difficult trading conditions it experienced last financial year continued through the first quarter of FY16, however the Company was pleased to announce last month its subsidiaries have been awarded several contracts which are now delivering improved trading results for the second quarter, albeit at competitive margins.

Heavy Mechanical & Electrical Engineering

Ottoway Engineering's first quarter performance was adversely impacted by the finalisation of two problematic contracts for the New Royal Adelaide Hospital (NRAH) and the finalisation of the construction of Dewatering facilities for Sino Iron at Cape Preston. Ottoway's second quarter performance has improved as a consequence of the substantial completion of the contract works on the NRAH and Sino Iron projects.

Ottoway Engineering has recently secured in excess of $20M of new construction, tank fabrication, well-head skid fabrication and capital equipment repair work.

ICE Engineering & Construction had a soft first quarter due to delays in awarding of contracts and the general market conditions.

ICE Engineering & Construction has secured more than $8M of electrical installation and associated upgrade work across the oil & gas, mining and water industries. Following the commencement of work on these new contracts ICE Engineering & Construction second quarter performance has also improved.

Ottoway Fabrication first half for FY'16 has been slower than expected. Ottoway Fabrication had expected the revised legislative changes to the RET to deliver increased opportunities during the second quarter of FY'16. This has not yet eventuated. These work opportunities are now expected to come on stream progressively during CY16. As a consequence EAL is currently reviewing the wind tower assumptions it uses for asset impairment analysis for this Cash Generating Unit.

Water & Fluid Solutions

Fabtech Australia (Fabtech) has recently been awarded more than $18M of geomembrane supply and installation work across the mining, oil& gas, landfill and water industries. Fabtech's first half remained subdued due to the challenging market conditions and delays in commencing scheduled new work, however Fabtech expects to have a much improved second half for FY'16.

Blucher's first half for FY'16 has been slower than anticipated. In particular, the Queensland market has continued to remain weak for longer than anticipated. The expansion of new processing facilities to accommodate growth in the agribusiness sector is providing increased opportunities to Blucher. Furthermore, Blucher through product innovation, has reached in principle agreement with two new customers for recurring sales of Blucher products. As mentioned previously, Blucher will launch a number of new products to the market during the second half of FY'16 which are also expected to improve sales and earnings. However the underlying market conditions, and in particular, the pressure on margins in part as a consequence of the weaker exchange rate will remain.

Maintenance Engineering & Plant Construction

The electrical maintenance division of Tasman Power, a wholly owned subsidiary, has continued to expand its maintenance, shutdown and sustainability project work in the Pilbara with Australia's leading iron ore producers.

Whilst revenue was up during the first half margins have been impacted as our clients have insisted that we undertake maintenance work at reduced hourly rates.

Tasman Rope Access was established as a new business during calendar year 2015. This business continues to expand in line with the business plan approved by the board. The Rope Access business has been making a positive contribution to revenue and earnings since October 2015 and has secured a number of new customers, contracts and work opportunities for the provision of its specialist rope access services.

The market conditions for breakdown repair and maintenance services offered by Heavymech continued to remain soft during the first half.

Heavymech's Whyalla division continues to predominately undertake mechanical repairs for OneSteel's Steelworks and provide on-site services to Arrium's mines in the Middleback Ranges. Demand for Heavymech Whyalla services have been impacted by the challenging conditions facing the iron ore and steelmaking industries.

QMM SA also has been impacted by the reduction in commodity prices for quarrying, mining and material handling products. The provision of underground maintenance work at Olympic Dam with BHP Billiton also reduced during the first half.

Investment & Corporate Advisory

Equity & Advisory's focus during the first half has been on implementing the strategy to rebuild shareholder value for E&A Limited.

OUTLOOK

The challenging market conditions experienced by a number of EAL's trading entities on the back of lower iron ore, oil and gas commodity prices during the first half is not expected to change during the second half of FY'16.

Several EAL subsidiaries have started CY16 with improved order books and recent trading performance has been profitable as a consequence of these newly secured works.

Major construction projects activity remains subdued however the maintenance, shutdown and sustaining capital projects in the oil & gas and mining sectors remains stable albeit at competitive margins.

EAL has strategically repositioned its businesses, focusing on maintenance and sustaining capital projects which enjoy a stronger recurring work profile, and a lower contractual risk than major lump sum contracts.

EAL also expects to benefit from the earnings contribution of the newly established Tasman Rope Access business during the second half of FY16.

The new RET is expected to underwrite demand of about 1,500 to 1,750 wind towers over the next 5 years to 2020. EAL is well positioned to capitalise on the anticipated surge of activity, however this activity has been slower to pick up than originally forecast by management.

In the medium to long-term, EAL expects to benefit from the recently announced $39 billion of defence shipbuilding budget for the construction of the new class corvettes and frigates to be built in its home state of South Australia. EAL has sophisticated naval construction expertise gained during the construction of the Air Warfare Destroyer project.

Finally EAL expects to capitalise on the benefits of the Productivity & Profit Improvement Program which has been implemented and is continuing to be further enhanced and refined. EAL is in focussed on identifying and delivering further productivity improvements across its businesses.

SAFETY & OUR PEOPLE

Safety

The health and safety of our people, the subcontractors who work alongside us, and the communities in which we operate are essential to our success. EAL actively promotes and encourages all of our employees to take shared and individual responsibility for their safety as well as the safety of those around them, as they carry out their daily activities. Our safe work achievements in this critical area of importance have been and continue to be exceptional.

In line with our belief that safety is a mutual responsibility between our management, our employees and their families, a number of EAL subsidiaries have embraced Arrium's "Swear By Safety" program, which invites our people to pledge to safe work practices via a commitment that is dear to their hearts. The "Swear By Safety" program is expected to be adopted by all remaining EAL subsidiaries throughout the course of FY16.

I expect this program will not only assist our employees to focus on safety but will in part facilitate the building of a new generation of employees who inherently think about safety as part of everyday life.

All of E&A Limited's subsidiaries continue to improve their safety cultures through proactive safety leadership, training and communication with their employees, ensuring safe workplaces, processes, and procedures. The outcome of this has is reflected in our safety performance which resulted in significant milestones, during FY15 and as at 19 January 2016:

- ICE completed 3,458 days without a Lost Time Injury (LTI) and has worked more than 1,800,000 hours on site without a LTI claim.
- Fabtech completed 2,304 days without an LTI and has worked more than 1,600,000 hours on site without a LTI claim.
- QMM completed 1,855 days without a LTI and worked more than 510,000 hours in the workshop and on-site without a LTI.
- Ottoway Engineering completed 1,964 days without a LTI and has worked more than 2,730,000 hours in the workshop and on site without a LTI.
- Ottoway Fabrication completed 1,891 days without a LTI and worked more than 1,233,000 hours in the workshop and on site without a LTI.
- Tasman Power & Tasman Rope Access completed 1,670 days without a LTI and worked more than 913,000 hours in the workshop and on-site without a LTI.
- Heavymech completed 1,105 days without a LTI and worked more than 194,000 hours in the workshop and on-site without a LTI.

I would like to thank and congratulate our leadership team, our safety management personnel and all our employees on the exemplary commitment which has delivered these outstanding safety results. The Board is very proud of their individual and collective efforts and performance.

Since obtaining self-insurance status in July 2014, EAL has managed to resolve 11 out of the 12 workers compensation claims which were transitioned from Return to Work SA.
EAL's focus on safety has enabled it to significantly reduce its workers compensation costs which it has in turn shared with its clients as part of EAL's subsidiaries commitment to meet their clients' expectation of cost reduction in everything they do.

People

Throughout FY15, EAL subsidiaries have reduced their workforces and labour costs in line with the market demand. This has seen our employee numbers decrease by 28% over FY15 from the prior year to 664 employees. Our businesses continue to monitor workforce requirements throughout the FY16 first half. On an overall level it is pleasing to see that our total employee numbers have risen by 12% to 746 employees over the last six months with increasing contractual wins and work commitments particularly for Tasman Power, Tasman Rope Access and Fabtech.

The present volatile employment markets have created opportunities for EAL subsidiaries to complement their senior executives and operational teams by attracting experienced managers and high quality tradespersons and to build on the skills and expertise of our existing workforce. EAL remains focussed on improving the strength of our executive teams and those who work for them.

I would like to take this opportunity to thank the EAL subsidiary chief executives and their direct reports, and all of our other employees for their support and commitment in what was a very challenging year for E&A Limited.

I would also like to thank my Board colleagues for their guidance, direction and support.

Prior to handing back to the Company's Chairman and moving on to the formal business of today's meeting, including the consideration of the 2015 Annual Report, I invite questions on my address.