

**Ausenco Limited**

**2016 Annual General Meeting**

**Brisbane**

**Thursday, 5 May 2016**

**Chief Executive Officer's address**

**Zimi Meka**  
**Chief executive Officer**  
**Ausenco Limited**

Thank you George. Good morning ladies and gentlemen.

As George said, in 2015, conditions in global resources and energy markets remained volatile, creating increased uncertainty and ultimately reducing confidence. In 2015, this was led largely by an unexpected and sharp decline in oil, iron ore and copper prices. A bright spot was gold, with a solid price increase in both US dollar terms and peak pricing in Australian and Canadian dollar terms given relative currency declines.

These factors made it more challenging for our clients to access capital to progress their projects to the next stages of development, leading to an environment of fewer and smaller capital projects, tougher competition and shortened planning horizons. As such, we experienced reduced levels of revenue from new capital expenditure projects.

Difficult market conditions persisted in the first quarter of 2016 and, while some parts of our business continued to grow, the first quarter was slower than expected. This was in part due to the delay or deferral of some of the assignments initially envisaged to either start or ramp up in the first quarter. While we anticipate an increased number of EPC or fixed price awards during the year, in the short term we have refocused our efforts to improve our market share of consulting, engineering and asset optimisation work.

Our intensive focus on cost management has led to a total of \$53 million in controllable cost savings over the past two years. With a continued focus on tightly managing controllable costs, these savings will contribute to improved earnings to profit conversion in both the immediate and longer term future.

### *Key achievements*

The current focus of our clients on cost reduction and cost certainty is presenting opportunities for Ausenco. Our traditional competitive advantage has always been our ability to identify alternative solutions for our clients that substantially reduce the capital intensity of their projects without compromising on project outcomes.

The success of our asset optimisation and value engineering solutions was a particular standout in 2015. Through these services, which are underpinned by our

leading edge proprietary technology software, we have been able to consistently deliver capital cost reductions and maintenance cost savings of over 15% for our clients. In some instances, we have been able to reduce maintenance costs by over 20%. These savings have been easily captured by our clients, who are benefiting from the contributions to their cost reduction targets.

In 2015 we expanded our asset optimisation services to new markets, including South America where we are working with clients including Anglo American and BHP Billiton.

When it comes to projects that are in the delivery stage, clients and resources sector financiers are intensely focused on cost certainty. This has created an increased appetite for projects to be delivered on an EPC fixed price basis. While this is a new contracting approach for some of our peers, Ausenco has a long history of successful EPC project delivery.

Our strategic alliance with Duro-Felguera (DF) is an important part of our strategy to further strengthen our offering in this area. The alliance aims to increase the shareholder value of both companies by combining our collective strengths to bid for and deliver an expanded pool of major EPC project opportunities throughout the world.

Ausenco was also announced as preferred contractor for Atlantic Gold Corporation's (AGC) Moose River Consolidated gold project in Canada. AGC has finalised its debt and equity funding for this project, and subject to the completion of final contractual negotiations, we anticipate commencing the EPC work in the near future

Revenues from our engineering and consulting businesses have remained fairly stable. This is expected to continue.

### *Operational summary*

From an operational perspective, while some parts of our business had a successful year in 2015, other parts were exposed to difficult regional conditions.

In North America, although market conditions were challenging, we saw good activity across the region in gold, copper and lithium. In the case of copper – while commodity prices may currently be low compared to previous years – clients and

project financiers are looking ahead to the global shortages that are forecast over the coming years, which is prompting some market activity.

The rapid decline in the oil price significantly reduced activity in the oil & gas sector and materially impacted our oil & gas business in Canada. We have restructured this business to minimise costs and are focused on diversifying our service offering to move into other parts of the value chain, particularly midstream oil and gas services, where we see strategic opportunities.

In South America, our key operating regions of Brazil, Chile, Peru and Argentina continued to experience political, economic and infrastructure challenges, which impacted our business in the region. These challenges are ongoing, but we are delivering a number of assignments which is positioning us well for future business.

In APAC/Africa, there were good opportunities in some parts of the region, while others remained tough. We experienced growth in consulting and asset optimisation services, which helped compensate for the reduction in project delivery work in the current market. The APAC/Africa region has had a promising start to 2016, winning a number of new contracts since the start of the year.

### *Safety performance*

Safety remains core to our culture. The safety of our people – wherever they are located throughout the world – is our highest priority. Our focus on safety is an enduring journey as we continually identify and implement new safety processes and strategies to work towards our goal of zero harm.

In 2015, Ausenco posted a Total Recordable Injury Frequency Rate of 0.94, a 56% reduction from the previous year and the lowest in our company's history.

We were acknowledged during the year for the safety results we achieved, being named Silver Recipient winner in the category of Mining and Natural Resources at Canada's Safest Employer Awards. We were also a finalist in the Australian National Safety Council Awards.

### *Our people*

I want to acknowledge and thank Ausenco's people who have remained focused and engaged during what has been a challenging time for the sector and our people. In 2015 we had to undertake additional restructuring and right sizing to align our business to the current environment, which led to a further reduction of our workforce. These are difficult decisions and ones we wish we didn't have to make; but they are necessary to enable us to continue managing our costs while ensuring we retain our core capabilities and expertise to quickly and effectively respond to new opportunities as they arise.

I am constantly impressed by the world-class expertise of our people and by their commitment to our company and our clients. In recent years, our people have proven they are nimble, flexible and willing to rise to the challenge to identify and convert new opportunities for our business and deliver on our strategy. They are the core of our organisation and I sincerely thank them for their dedication and ongoing contribution.

Diversity continues to be an important focus of our people strategy. We want to be the preferred employer for new graduates and, in particular, we are focused on attracting graduates across a range of gender, race, religious or professional backgrounds and on retaining these young people as they progress their careers.

### *Outlook*

We expect industry conditions to remain challenging on the whole over the coming 12 to 18 months, but we are very well positioned on a number of opportunities and are experiencing increasing levels of enquiries and tender requests. In particular, we've had an increase in enquiries for minerals and metals projects, especially in gold and copper, which is presenting good opportunities for the broader Group. On the project side of the business, the gold sector offers promising opportunities, as clients and financiers are continuing to progress projects and studies to the next stage of development.

A key future growth area will be pursuing fixed price EPC project opportunities across all of our markets. We continue to work with our alliance partner DF to explore, and actively pursue, opportunities in this space and we have a number of near-term prospects.

As a result of our diversification strategy, we also have a solid earnings base from clients focusing on non-greenfield, capital sensitive projects. These include studies, consulting, sustaining capital, asset management and optimisation assignments. Our pipeline of these projects remains solid in every region and we expect this trend to continue in 2016.

The outlook for the business remains stable at current forecast revenue levels and the restructuring undertaken in 2015 should lead to improved earning conversion in the current year.

Ausenco's Board and management team are committed to restoring shareholder value and have been evaluating options to deliver a return to growth. We consider technology, combined with innovative engineering solutions, to be an important platform for this growth.

Thank you.