

# 2011 Annual General Meeting

- A Year In Review
- Financial Performance
- Operational Highlights
- Strategic Plans Update



## Introducing the Board

### **Chairman & CEO Peter Hutchinson B.Com. FCPA. FAICD**

- Previously MD/Chairman Autodom Limited and Managing Director Vysarn Pty Ltd
- Engineering, manufacturing, construction background, corporate and financial expertise.

### **Executive Director Greg McRostie B.E (Mechanical)**

- Managing Director Abesque Engineering Ltd
- Previously Senior Project Manager GHD, Minproc & Lycopodium
- Design and construct mineral processing facilities expertise, delivery of large scale EPC/EPCM resource projects

### **Executive Director Andrew Ellison**

- Managing Director Cimeco Pty Ltd
- Previously Managing Director Kiam Corporation Ltd
- Engineering, maintenance, construction, shutdowns and large projects background

### **Non-Executive Director John Smith BSC (Mechanical Eng),C.Eng,M.I.Mech.E**

- CEO Clough Ltd (appointed August 2007)
- Previously 20yrs Brown & Root and Halliburton
- Upstream oil & gas engineering & construction experience

### **Non-Executive Director Marcello Cardaci LL.B. B.Com**

- Partner Gilbert + Tobin, Degrees in Commerce & Law
- Independent non executive director experienced in a wide range of corporate and commercial matters, particular emphasis on public and private equity raisings and M&A.
- Member of Remuneration and Audit Committees



## Introducing the Board

### **Non-Executive Director David Craig** LLB, Master of Law, Grad. Dip. Applied Finance, MAICD

- Previously held executive positions in the fields of law, mining, construction, financial services and oil and gas
- Independent non executive director/chairman of Moly Mines, Nomad, Southern Hemisphere Mining and Gunson Resources
- Chairman of Remuneration Committee and member of the Audit Committee

### **Non-Executive Director Neil Siford** Bachelor of Science (Hons) ACA

- CFO of ASX listed company Clough Ltd, Chartered Accountant with over 20 years experience
- Previously with PricewaterhouseCoopers and Caradon Plc
- Member of Remuneration and Audit Committees

### **CFO/Company Secretary Andrew Bell** B.Bus, Grad. Dip.Co.Sec, MAICD, FCIS, FCPA

- 21 years diversified industry financial and management experience at senior level
- Previously CFO and company secretary of Calibre Global Pty Ltd

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## A Year In Review

- ◆ Health, Safety and Environment
- ◆ Revenue Targets
- ◆ Order Book
- ◆ Managing Growth

# Health, Safety & Environment



The HSE Manager presented information to the Board on Forge Group's HSE programs and safety statistics. Various safety reporting improvements were requested. The ongoing focus on improving safety targets and workforce culture was communicated. A 'ForgeSafe' safety charter was also put forward for approval.

*Extract from Forge Group Ltd Board Meeting 5<sup>th</sup> August 2011*



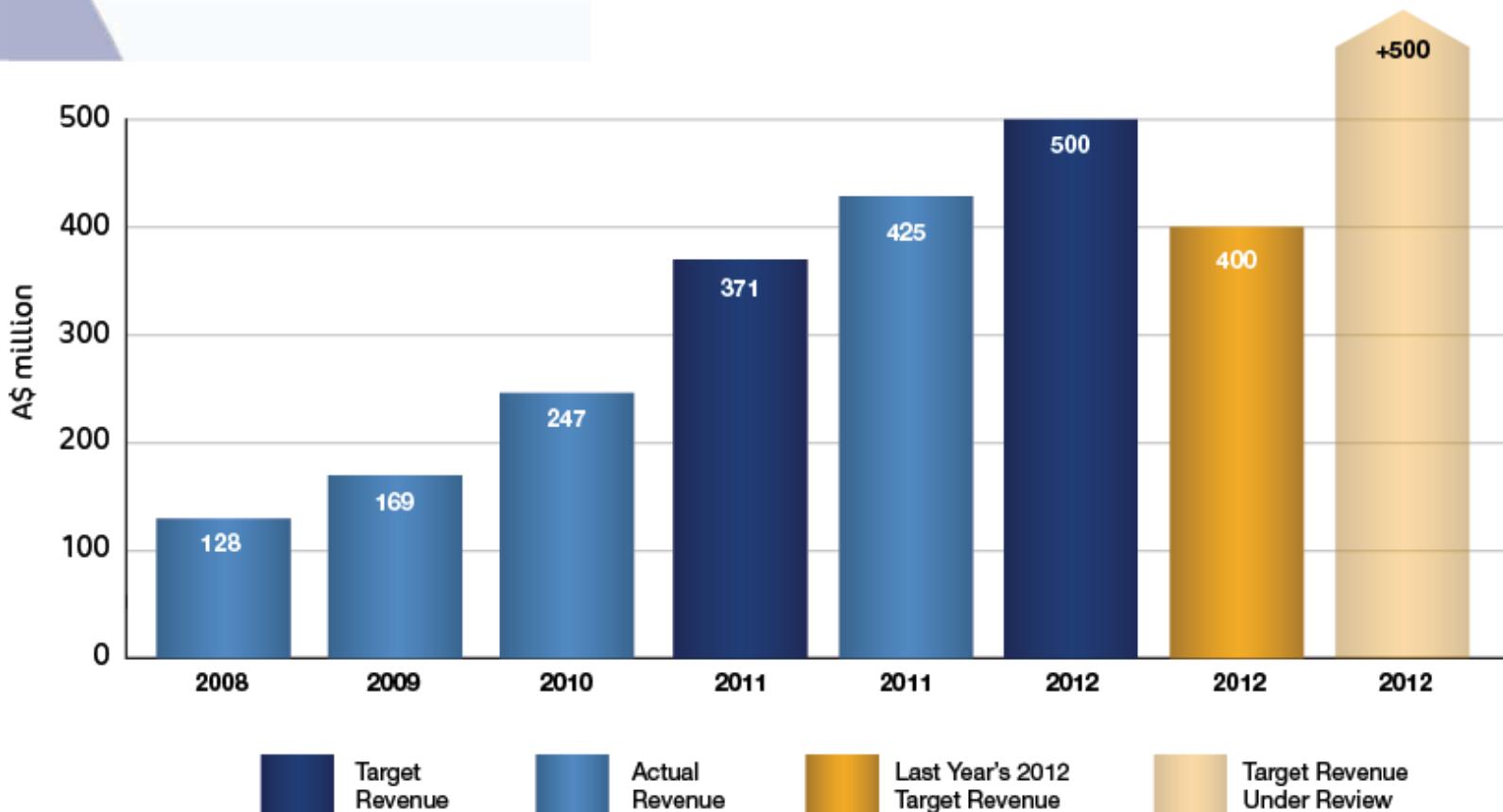
- ◆ 30% reduction in recordable injuries FY 10/11 to date and on target for 58% by years end.
- ◆ 27% increase in annual hours worked (1.50 million hours 2010 to 2.05 million hours 2011).
- ◆ Creation of ForgeSafe Leadership Team to drive continual improvement and compliment Cimeco's Zero Harm philosophy.
- ◆ Roll out of SafeSpine (pre-start flexibility and stretching program) across project sites to combat manual handling injuries.
- ◆ Increased focus on pro-active safety measures (*Job Start Cards, Hazard Observations, Safe Act Observations*).
- ◆ Investment in workforce training, with a strong emphasis on supervision and safety.



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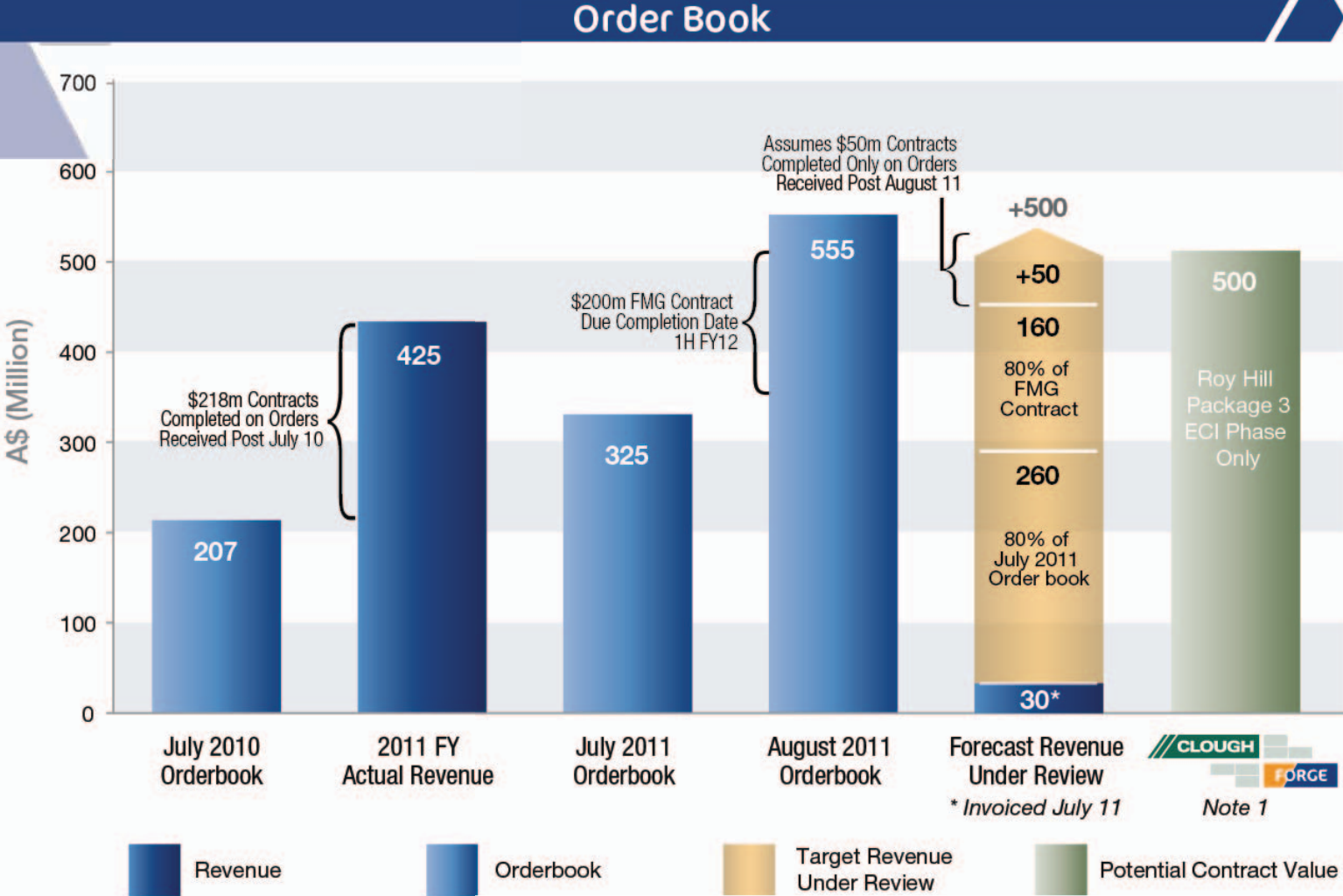
# Revenue Targets

## Revenue Targets Under Review



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# Order Book



Clough Forge Pty Ltd is a JV between Clough and Forge and has been awarded an Early Contractor Interface (ECI) Contract valued at approximately \$1m with Hancock Prospecting for the Roy Hill Portside Materials Handling Facility Package 3. The potential final contract value, should it turn into an EPC contract is estimated to be over \$500m.



# Managing Growth

These well integrated non income generating divisions of the Company have made a significant contribution to the success of the Group to date. Each growth step that the income producing divisions take the support functions of the company also need to make and often before. The planning and co-ordination of all the Company's divisions for growth has been disciplined and deliberate and it is in this regard that Group's biggest achievement has been delivered.

*(2011 Annual Report)*





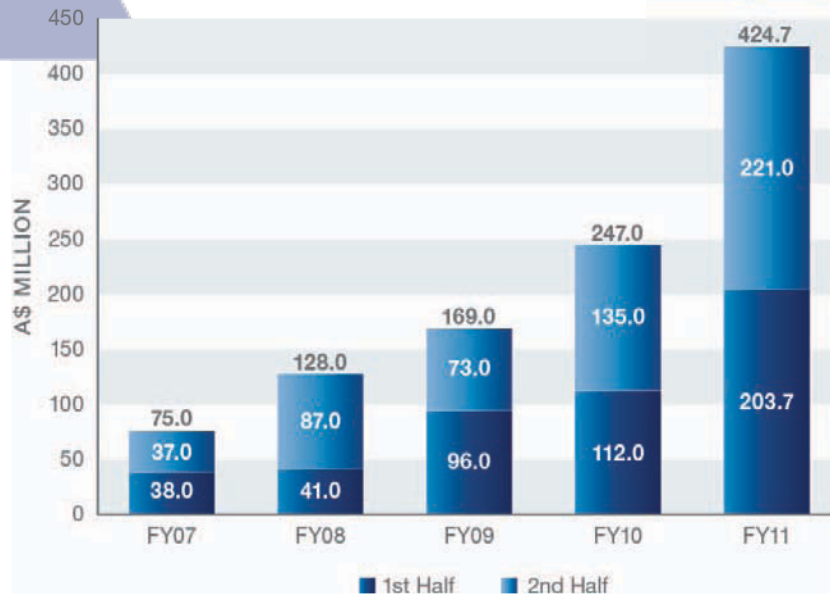


## Financial Performance

- ◆ Revenue & EBITDA
- ◆ Earnings
- ◆ EPS & Share Price Movement
- ◆ Balance Sheet & Cash Build

# Revenue & EBITDA

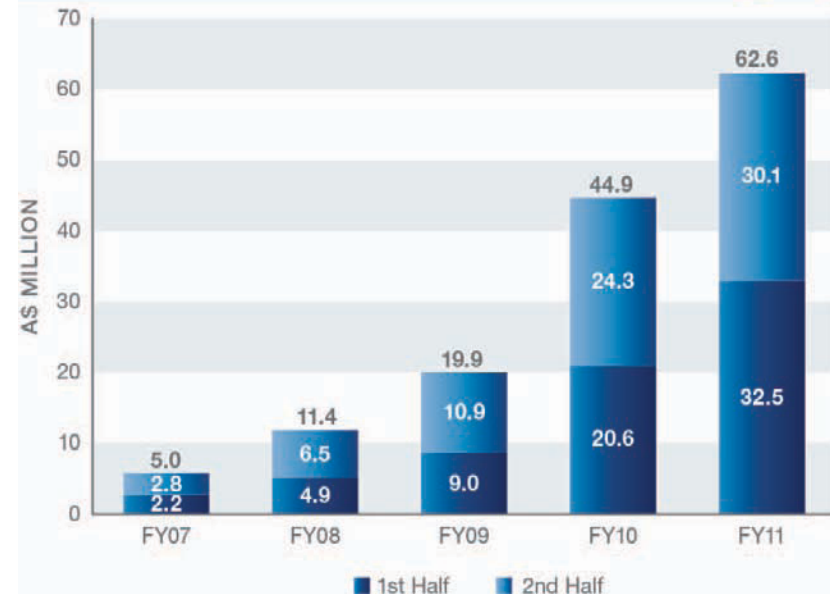
## Forge Group Revenue



### Year on Year Change

2007-08 ↑ 71%  
 2008-09 ↑ 32%  
 2009-10 ↑ 46%  
 2010-11 ↑ 72%

## Forge Group EBITDA

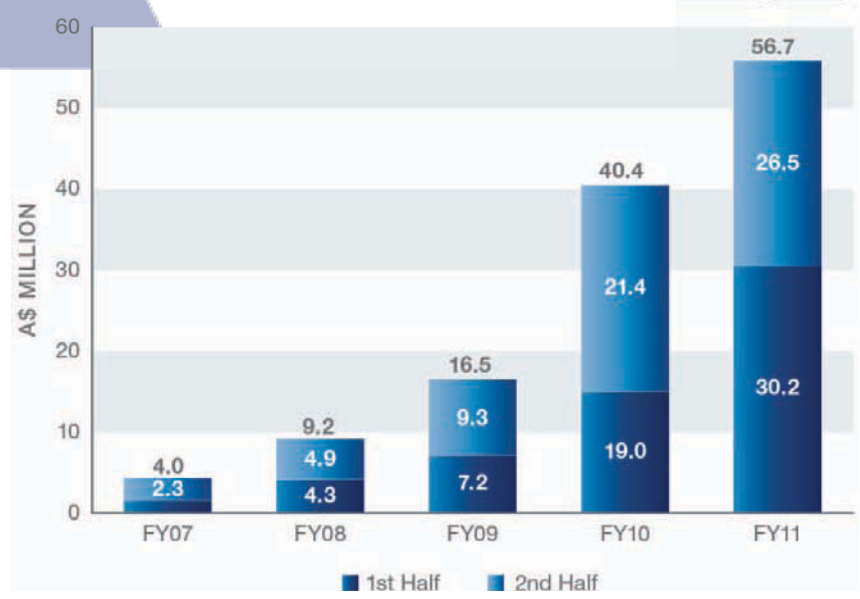


### Year on Year Change

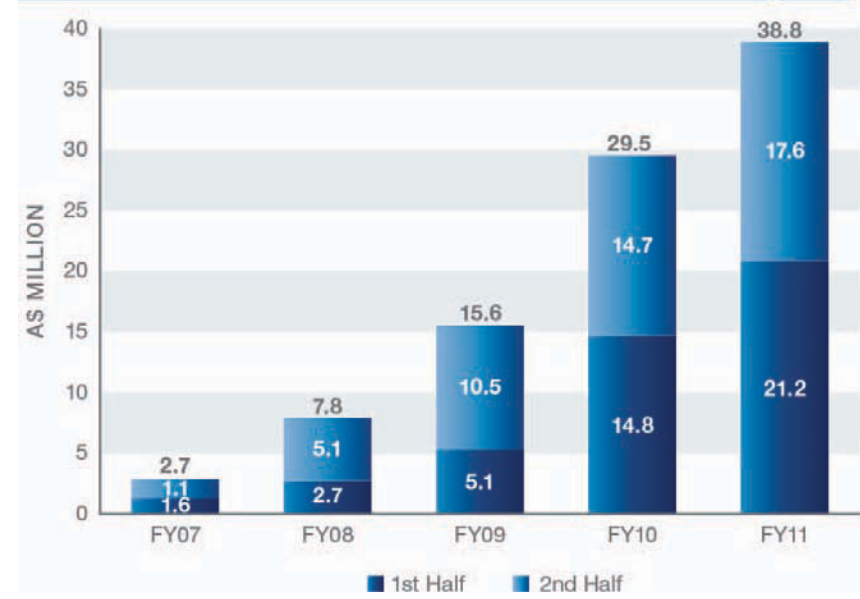
2007-08 ↑ 128%  
 2008-09 ↑ 74%  
 2009-10 ↑ 125%  
 2010-11 ↑ 44%

# Earnings

### Forge Group Net Profit Before Tax



### Forge Group Net Profit After Tax



**Year on Year Change**  
 2007-08 ↑ 130%  
 2008-09 ↑ 79%  
 2009-10 ↑ 145%  
 2010-11 ↑ 40%

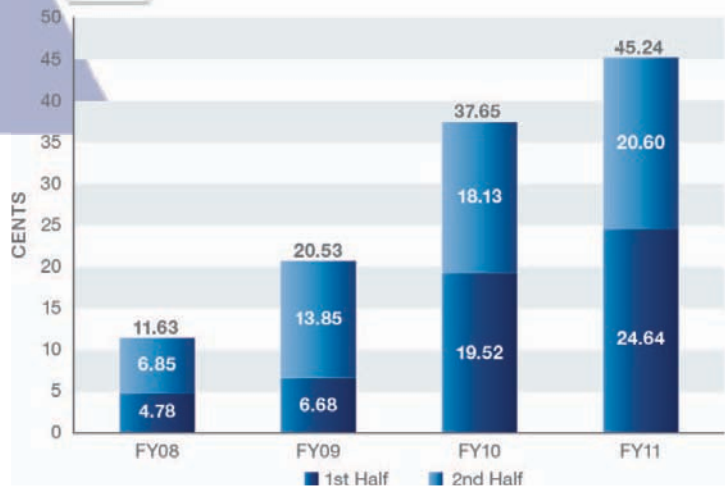
**Year on Year Change**  
 2007-08 ↑ 188%  
 2008-09 ↑ 100%  
 2009-10 ↑ 89%  
 2010-11 ↑ 32%



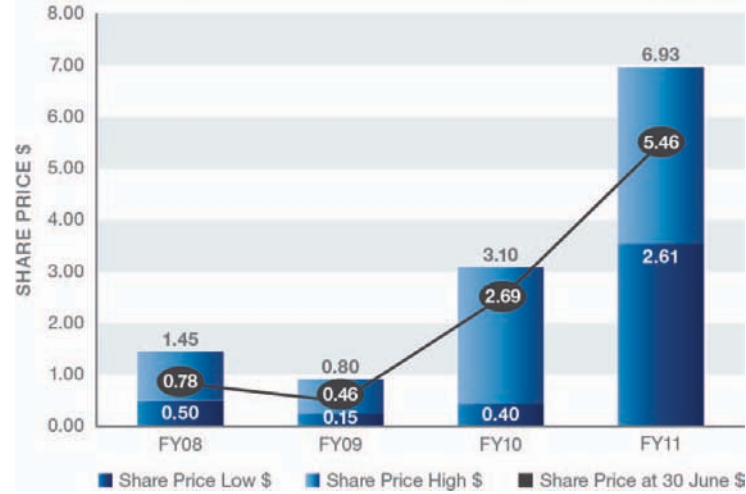
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# EPS & Share Price Movement

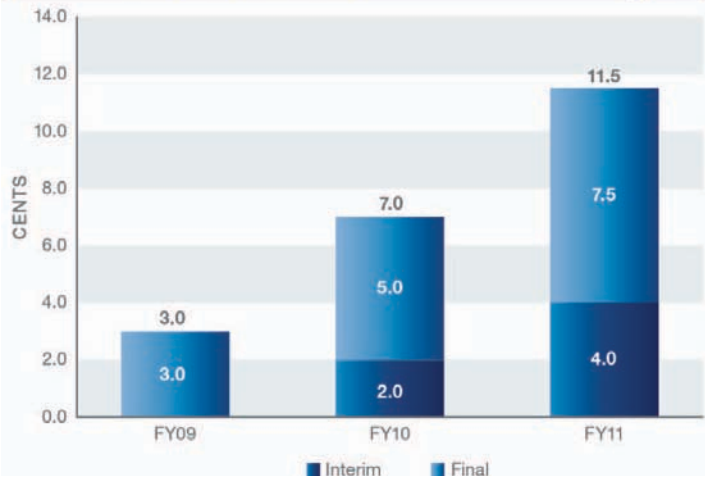
### Forge Group Diluted EPS (Cents)



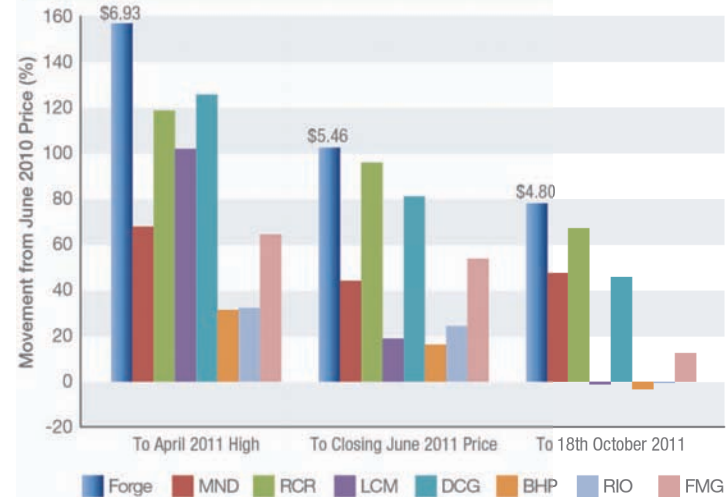
### Forge Group Share Price Movement



### Dividends (Fully Franked)

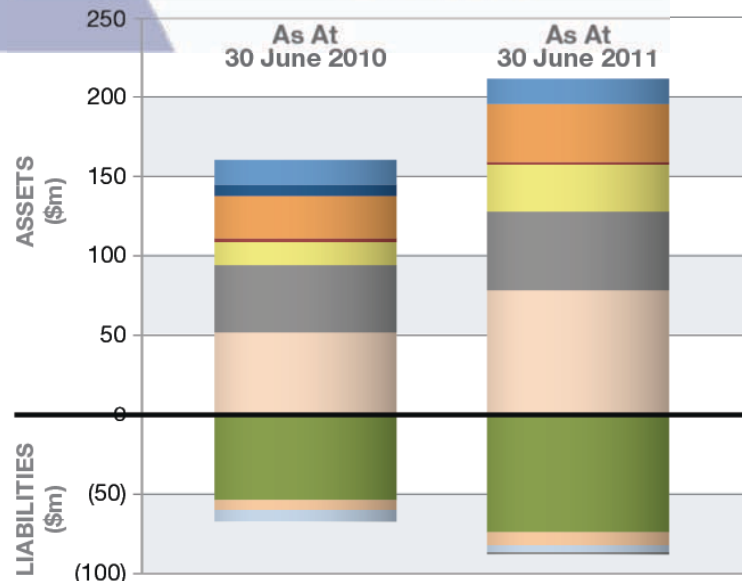


### Comparative Share Price Movement



# Balance Sheet & Cash Build

## Net Assets

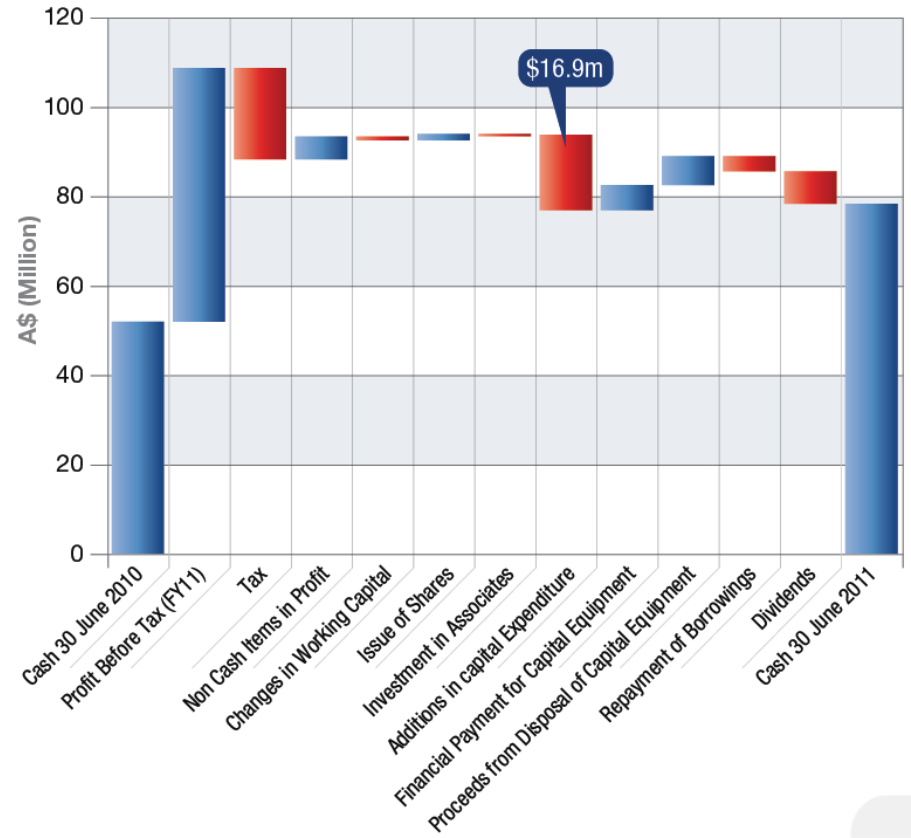


**Net Assets \$93.4m**

**Net Assets \$124.5m**

- Intangibles
- Non current assets classified as held for sale
- Property, plant and equipment
- Other assets
- Inventories
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Borrowings
- Current liabilities
- Clough Forge JV

## Cash Build 2010-11





## Operational Highlights

- ◆ Cimeco - Civil Division
  - SMP Division
  - E&I Division
  - Building Division
  - Services Division
- ◆ Abesque Engineering
- ◆ Webb Construction

## SINO IRON ORE PROJECT



**CLIENT:**  
MCC MINING

**VALUE:** \$225m (total)

**LOCATION:**  
Cape Preston, WA

**SCOPE:**  
Bulk & detailed earthworks and concrete footings/foundations for a series of packages constructing port process and handling infrastructure.

ENG SMP E&I CIV CBD SRV WEB

## SSWA DESALINATION PLANT



**CLIENT:**  
Southern Seawater Alliance

**VALUE:** \$21.5m

**LOCATION:** Binninyup, WA

**SCOPE:**  
Construction of civil/concrete components for Reverse Osmosis, Micro Filtration and Intake Pump Station Buildings. Also tilt-up concrete walls for five out-buildings.

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## SIMCOA N°3 FURNACE EXPANSION



**CLIENT:**  
Simcoa Operations

**VALUE:** \$6.8m

**LOCATION:**  
Kemerton, WA

**SCOPE:**  
Excavation and construction of complex, below ground, heavy structural concrete foundations totalling 3,200m<sup>3</sup> of concrete.

ENG SMP E&I CIV CBD SRV WEB

## MERREDIN POWER STATION



**CLIENT:** CTEC

**VALUE:** \$7.3m

**LOCATION:**  
Merredin, WA

**SCOPE:**  
Bulk earthworks and concrete foundations for Gas Turbine Power Station at Merredin in WA's Wheatbelt.

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**cimeco**

# Mechanical (SMP) Projects

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## RAVENSTHORPE NICKEL PROCESS UPGRADE



**CLIENT:**  
First Quantum Minerals

**VALUE:** \$17m

**LOCATION:**  
Ravensthorpe, WA

**SCOPE:**  
Construction of 2 crushing circuits with dewatering and benfication facilities for the Ravensthorpe Nickel Project

ENG SMP E&I CIV CBD SRV WEB

## GORGON TANKS



**CLIENT:**  
Chevron Australia Pty Ltd

**VALUE:** \$16m

**LOCATION:**  
Henderson, WA

**SCOPE:**  
Design, supply, fabricate and construct various tanks for the Gorgon Project to be shipped to Barrow Island.

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## ONslow SALT WASH PLANT



**CLIENT:** Onslow Salt Pty Ltd

**VALUE:** \$20m

**LOCATION:** Onslow, WA

**SCOPE:**  
Construction of a new salt screening plant.

ENG SMP E&I CIV CBD SRV WEB

## KANMANTOO COPPER PROJECT



**CLIENT:** Hillgrove Resources

**VALUE:** \$65m

**LOCATION:** Kanmantoo, SA

**SCOPE:**  
Construction of the processing facility inclusive of crushing, milling and flotation for the Hillgrove Copper Project

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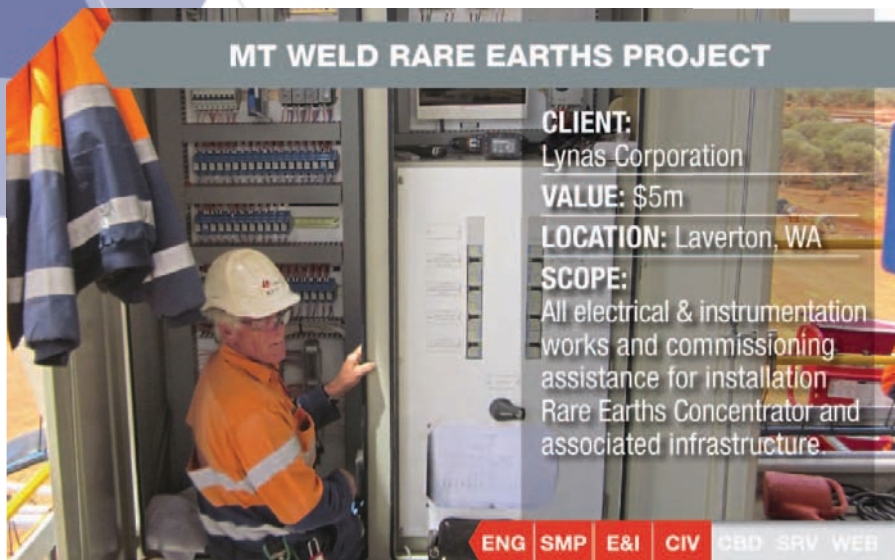
**FORGE**





# E&I Division Projects

## MT WELD RARE EARTHS PROJECT



**CLIENT:** Lynas Corporation  
**VALUE:** \$5m  
**LOCATION:** Laverton, WA  
**SCOPE:** All electrical & instrumentation works and commissioning assistance for installation Rare Earths Concentrator and associated infrastructure.

ENG SMP E&I CIV CBD SRV WEB

## MARANDOO



**CLIENT:** Rio Tinto  
**VALUE:** \$3m  
**LOCATION:** Tom Price, WA  
**SCOPE:** Underground installation of high voltage and fibre optic cabling inclusive of civil works.

ENG SMP E&I CIV CBD SRV WEB

## MARAMPA, SIERRA LEONE



**CLIENT:** London Mining  
**VALUE:** \$8m  
**LOCATION:** Sierra Leone  
**SCOPE:** Electrical and Instrumentation installation for 3.6Mtpa iron ore tailings treatment facility.

ENG SMP E&I CIV CBD SRV WEB

## RAVENSTHORPE NICKEL PROCESS UPGRADE



**CLIENT:** First Quantum Minerals  
**VALUE:** \$12m  
**LOCATION:** Ravensthorpe, WA  
**SCOPE:** E&I works involved in the refurbishment and upgrade of Ravensthorpe nickel plant.

ENG SMP E&I CIV CBD SRV WEB



# Building Division Projects

## PLUTO ONSHORE BUILDINGS PACKAGE N°3



**CLIENT:**  
Woodside Burrup Pty Ltd

**VALUE:** \$26m

**LOCATION:**  
Dampier, WA

**SCOPE:**  
NPI project provision of Fire Station, Workshop, Warehouse and Administration facilities on a live LNG site.

ENG SMP E&I CIV **CBD** SRV WEB

## ESPLANADE HOTEL, PT HEDLAND



**CLIENT:** Bloo Moons Pty Ltd

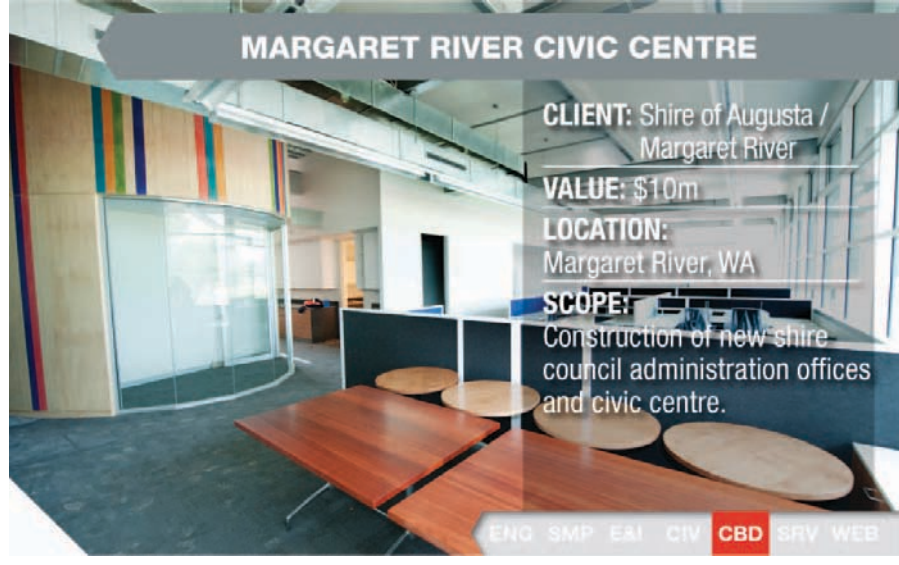
**VALUE:** \$13m

**LOCATION:**  
Port Hedland, WA

**SCOPE:**  
Construction of a 90 room steel frame extension and fit out to an existing hotel including extensive landscaping works.

ENG SMP E&I **CIV** **CBD** SRV WEB

## MARGARET RIVER CIVIC CENTRE



**CLIENT:** Shire of Augusta / Margaret River

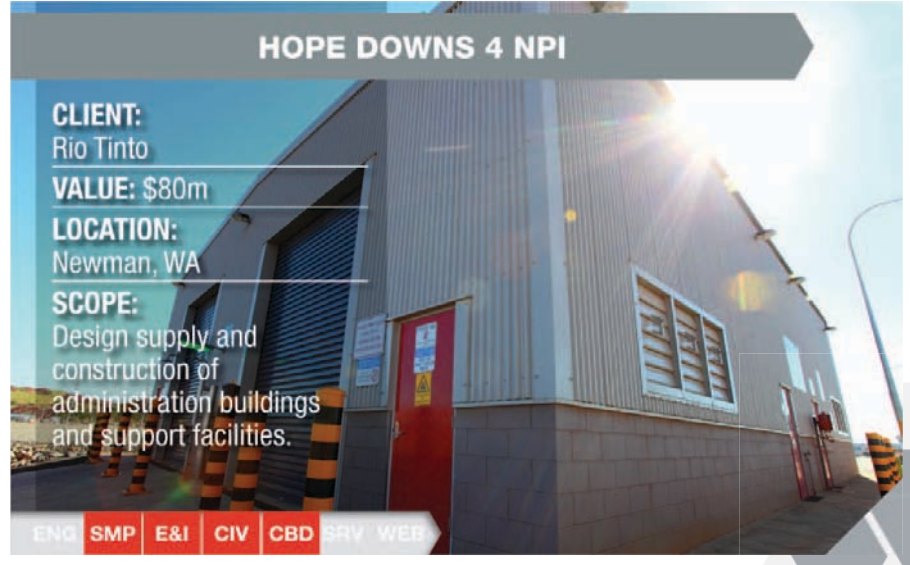
**VALUE:** \$10m

**LOCATION:**  
Margaret River, WA

**SCOPE:**  
Construction of new shire council administration offices and civic centre.

ENG SMP E&I CIV **CBD** SRV WEB

## HOPE DOWNS 4 NPI



**CLIENT:** Rio Tinto

**VALUE:** \$80m

**LOCATION:**  
Newman, WA

**SCOPE:**  
Design supply and construction of administration buildings and support facilities.

ENG SMP E&I CIV **CBD** SRV WEB

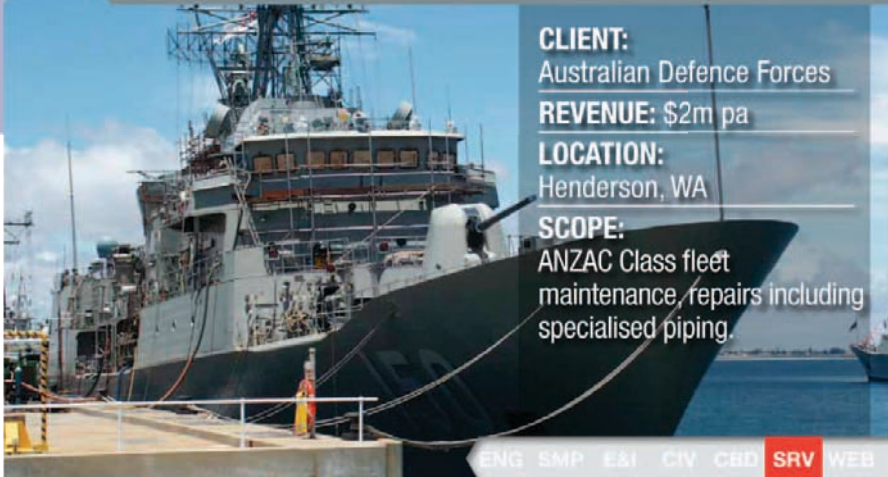




# Services Division Projects

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## NAVY - ANZAC FLEET MAINTENANCE



**CLIENT:**  
Australian Defence Forces

**REVENUE:** \$2m pa

**LOCATION:**  
Henderson, WA

**SCOPE:**  
ANZAC Class fleet maintenance, repairs including specialised piping.

ENG SMP E&I CIV CBD SRV WEB

## WORSLEY EXPANSION & GROWTH



**CLIENT:**  
BHP Billiton Worsley Alumina

**VALUE:** \$40m to date

**LOCATION:**  
Collie, WA

**SCOPE:**  
Various earthworks, concrete, construction and maintenance packages for Expansion & Growth project at BHP's Worsley Alumina Refinery.

ENG SMP E&I CIV CBD SRV WEB

## BIBRA LAKE FABRICATION WORKSHOP



**CLIENT:** Various

**REVENUE:** \$5m pa

**LOCATION:** Bibra Lake, WA

**SCOPE:**  
General steel fabrication including platework, pipe spooling, structural steel and other specialised welding services.

ENG SMP E&I CIV CBD SRV WEB

## BURRUP FERTILIZERS SHUTDOWN



**CLIENT:**  
Burrup Fertilisers

**VALUE:** \$4m

**LOCATION:**  
Karratha, WA

**SCOPE:**  
Maintenance shutdown of pressure vessels for repairs.

ENG SMP E&I CIV CBD SRV WEB

## MT WELD RARE EARTHS PROJECT



**CLIENT:** Lynas Corporation  
**VALUE:** \$40m  
**LOCATION:** Laverton, WA  
**SCOPE:** Design & Construct (EPC) contract for the 400,000tpa Rare Earths Concentrator & associated infrastructure.

ENG SMP E&I CIV CBD SRV WEB

## SIMCOA N°3 FURNACE EXPANSION



**CLIENT:** Simcoa Operations  
**VALUE:** \$110m  
**LOCATION:** Kemerton, WA  
**SCOPE:** EPCM contract for the installation of a third submerged arc furnace and associated infrastructure.

ENG SMP E&I CIV CBD SRV WEB

## ONslow SALT WASH PLANT



**CLIENT:** Onslow Salt Pty Ltd  
**VALUE:** \$22m  
**LOCATION:** Onslow, WA  
**SCOPE:** FEED and capital cost estimates for replacement and enhancement of the current ageing wash plant. Also design and construction works under EPC Contract.

ENG SMP E&I CIV CBD SRV WEB

## KANMANTOO COPPER PROJECT



**CLIENT:** Hillgrove Resources  
**VALUE:** \$57m  
**LOCATION:** Kanmantoo, SA  
**SCOPE:** EPC contract involving identification of suitable plant at Pilara WA. Then dismantling, relocation and modification of the existing Lead/Zinc plant to Kanmantoo SA.

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# African Projects

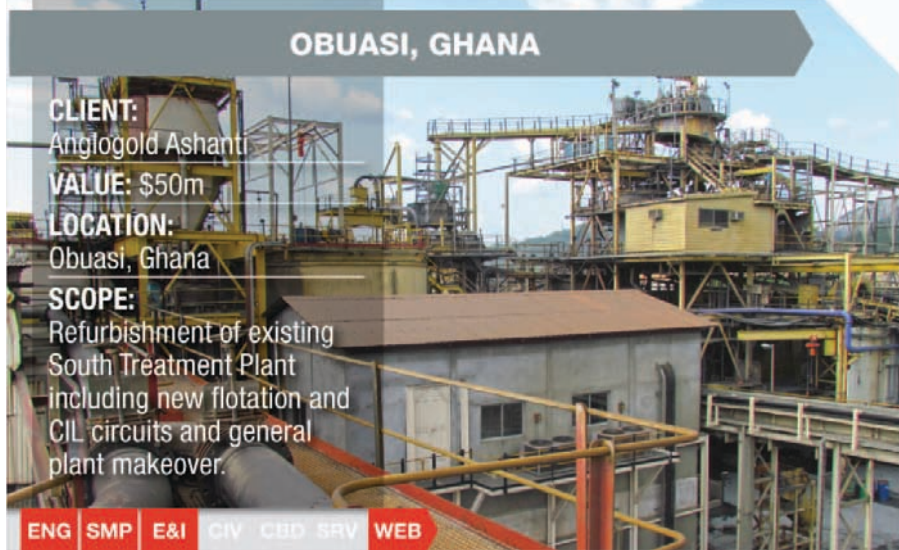
## MARAMPA, SIERRA LEONE



**CLIENT:** London Mining  
**VALUE:** \$8m  
**LOCATION:** Sierra Leone  
**SCOPE:** Construction of materials handling facilities including conveyors and crushing hubs.

ENG SMP E&I CIV CBD SRV WEB

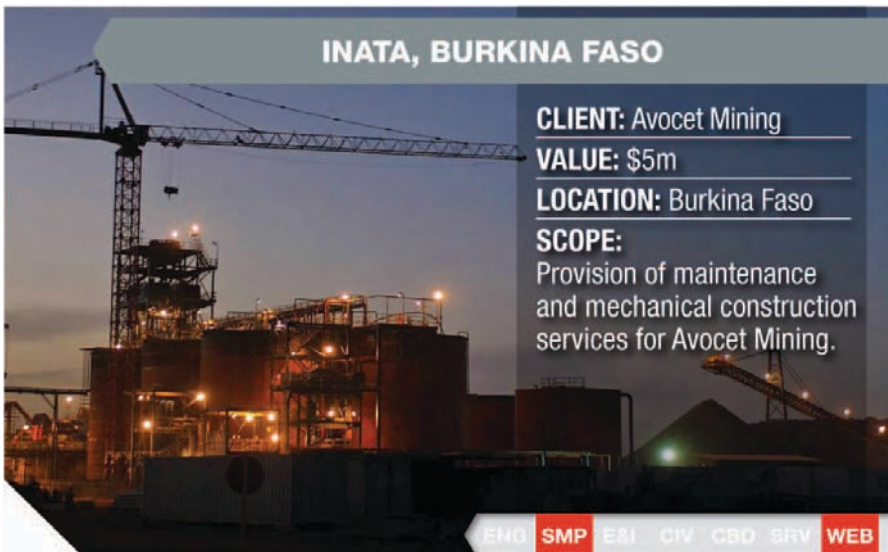
## OBUASI, GHANA



**CLIENT:** AngloGold Ashanti  
**VALUE:** \$50m  
**LOCATION:** Obuasi, Ghana  
**SCOPE:** Refurbishment of existing South Treatment Plant including new flotation and CIL circuits and general plant makeover.

ENG SMP E&I CIV CBD SRV WEB

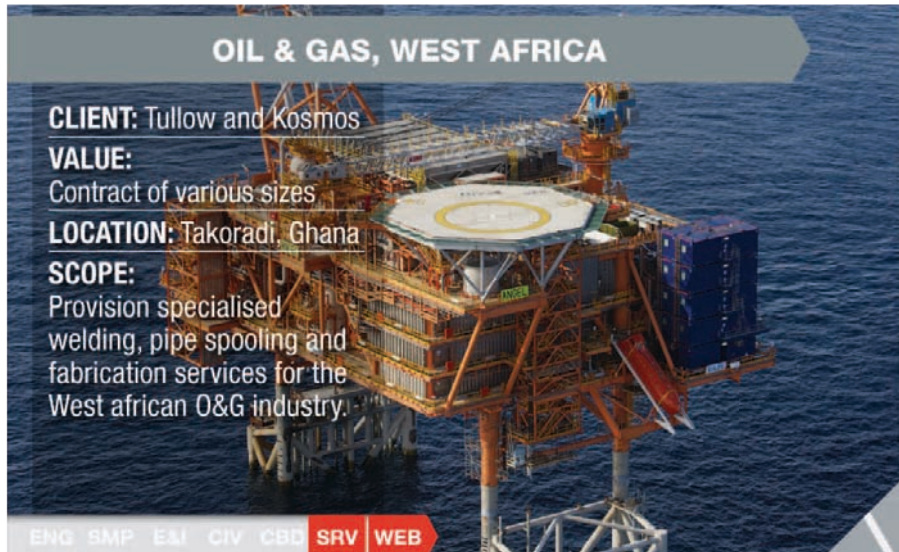
## INATA, BURKINA FASO



**CLIENT:** Avocet Mining  
**VALUE:** \$5m  
**LOCATION:** Burkina Faso  
**SCOPE:** Provision of maintenance and mechanical construction services for Avocet Mining.

ENG SMP E&I CIV CBD SRV WEB

## OIL & GAS, WEST AFRICA



**CLIENT:** Tullow and Kosmos  
**VALUE:** Contract of various sizes  
**LOCATION:** Takoradi, Ghana  
**SCOPE:** Provision specialised welding, pipe spooling and fabrication services for the West african O&G industry.

ENG SMP E&I CIV CBD SRV WEB



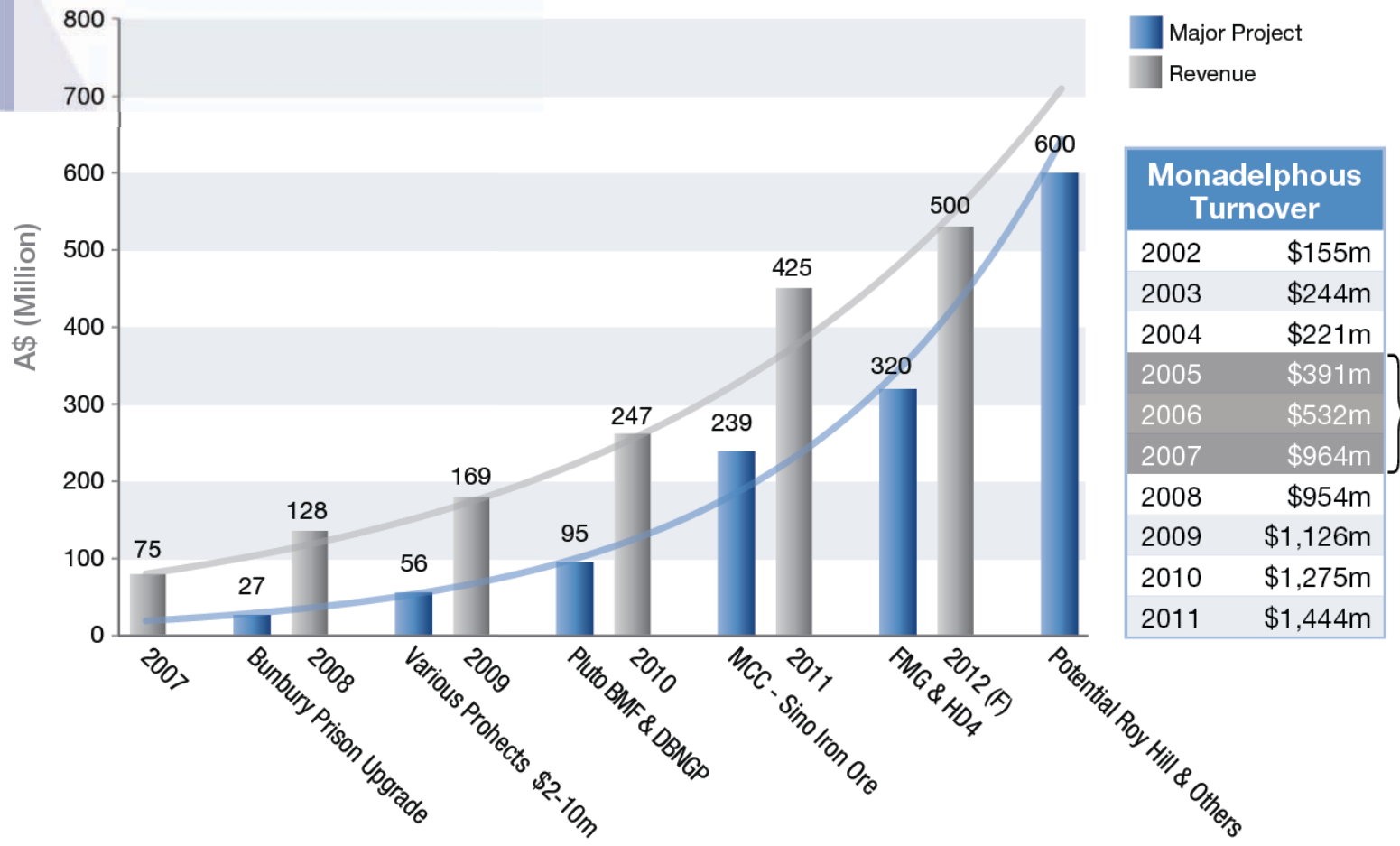


## Strategic Plans Update

- ◆ Contract Size
- ◆ West African Strategy
- ◆ Acquisition
- ◆ Management & Board Transition Plan

# Increased Contract Size Driving Growth

## Contract Sizes



Monadelphous Turnover	
2002	\$155m
2003	\$244m
2004	\$221m
2005	\$391m
2006	\$532m
2007	\$964m
2008	\$954m
2009	\$1,126m
2010	\$1,275m
2011	\$1,444m

Step Change Years: 2005, 2006, 2007

Apart from Forge's diversified strategy of providing a full range of engineering and constructions services, the other major growth driver is the size of contracts undertaken by the company. Blue chip clients include FMG, BHP, Rio Tinto, Chevron and Woodside.



# West African Strategy

## Curriculum Vitae

**Name:** Richard van den Barg  
**Current discipline:** Mechanical  
**Title:** Business Development/Estimating Director  
**Qualification:** NTC 4 - Q.S.  
 Unisa SBL - Financial Management  
 F.A.C.T. - Planning & Budgeting  
 Deloitte - Management Training Programme  
 University of Stellenbosch  
 - Construction Management Programme 1995  
 Contract Law - FIDIC  
**Date of Employment:** 1 June 1982  
**Date of Birth:** 18 May 1962



## Key performance areas

Richard has been in the construction industry since 1980 with extensive Industrial/SMEIP experience. Richard has been with Group Five since 1982. In his most recent position as Business Development/Estimating Director his key performance areas are:

- Effective bid selection
- Effective bid submission and winning
- Effective marketing and business development
- Effective staff management
- Effective self management
- Effective implementation of Group Strategy
- General business management
- Operational support

## History

- ◆ Been in Ghana since early 80's
- ◆ Highly experienced operator
- ◆ Reasonable capital investment
- ◆ Know how to manage risk
- ◆ Employer of choice, large tax payer
- ◆ Close to Aust. EPCM's (e.g Lyco) who are active in West Africa

## Current Issues



- ◆ Becoming uncompetitive due to High AUD\$
- ◆ Eastern European and South African competitors becoming aggressive
- ◆ Very busy in Aust. leading to difficulty in sourcing people to go and difficult to manage expats abroad.
- ◆ Change in ATO tax rules eliminate tax incentives for expats working abroad
- ◆ Ghana office expensive and difficult to maintain



## Strategy – Open Johannesburg Office

- ◆ Employ senior experienced manager
- ◆ Access broader and cheaper labour pool
- ◆ Establish new markets in other West African countries e.g DRC, Guinea, Tanzania
- ◆ Capitalise on our history, position and opportunities in gold, oil & gas and iron ore
- ◆ Closer flights, same time zone

### Clearwater Estate Office Park

**NEWLY BUILT AAA GRADE OFFICE PARK SITUATED AT CLEARWATER ESTATE ON THE CORNER OF ATLAS AND PARK ROAD ADJACENT TO "O.R. TAMBO" AIRPORT.**









**THE OFFICE PARK CONSISTS OF:**

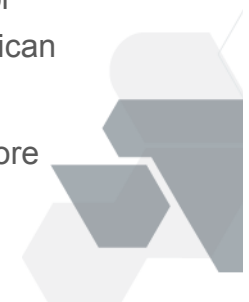
- 7 buildings each with a GLA of 1013m<sup>2</sup> = 7091 m<sup>2</sup>
- Each building can be divided into four leaseable sections of 253.25m<sup>2</sup>
- Total parking bays: 5 per 100m<sup>2</sup>
- Close to major transport nodes, including the Gautrain terminal
- State of the art security
- Access to proposed residential estate amenities:
  - Restaurant and Lounge
  - Gymnasium, Squash and Tennis Court
  - Hotel with Conference centre
  - Daycare centre for children

**GPS Co-ordinates:**  
 Corner of Atlas and Park Road, East Rand.  
 S: 26 08 57+03 E: 28 16 19+50



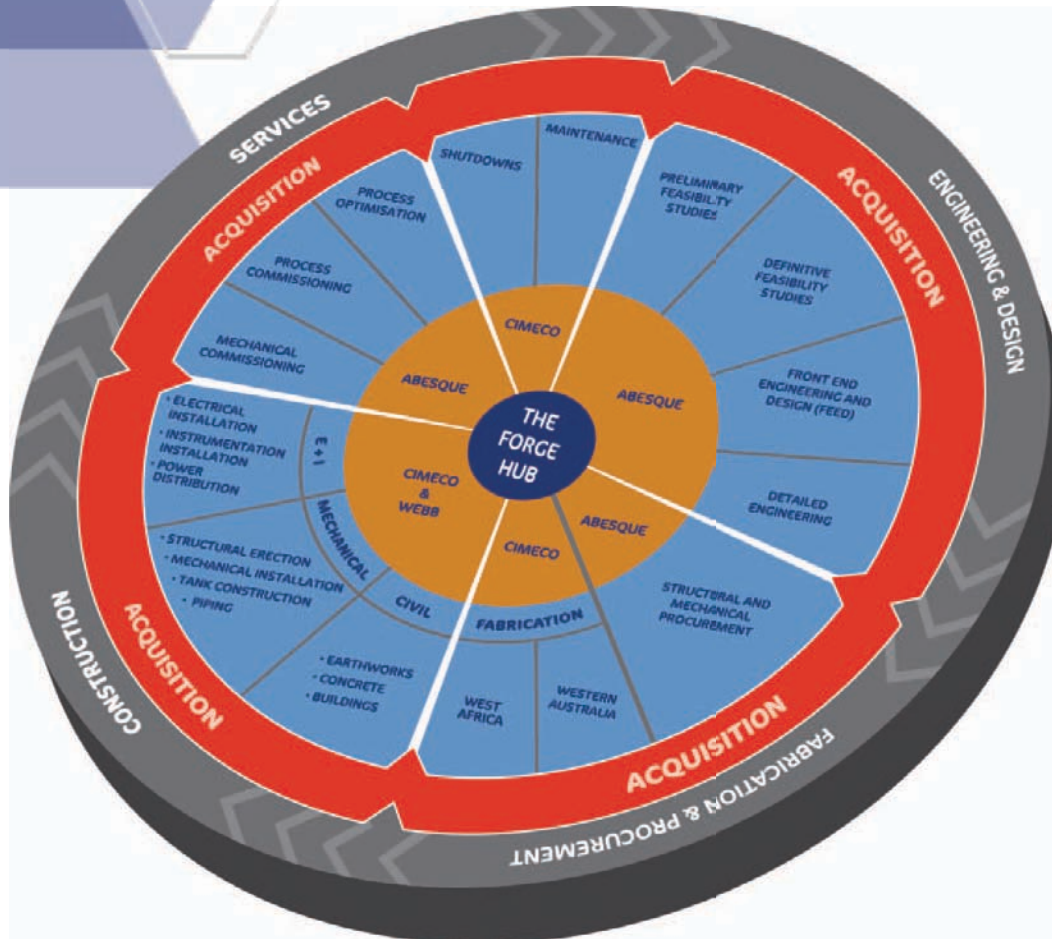


**SITE LAYOUT**





## Acquisitions



- ◆ Identified Several Targets
- ◆ Comprehensive work carried out on one and commenced DD on another.
- ◆ Walked from one target due to price differences
- ◆ DD commenced on new target, non binding MOU entered into.
- ◆ Target requisites:
  - ◆ Good fit not make fit.
  - ◆ Fair price & affordable.
  - ◆ Good management.
  - ◆ Same culture.
  - ◆ Open new markets.
  - ◆ Ability for organic growth.
  - ◆ *Utopia* - able to use all Forge divisions.
  - ◆ Otherwise – able to use sectional Forge divisions.



# Management & Board Transition Plan

## ◆ Board of Directors

- ◆ Chairman – Peter Hutchinson
  - ◆ Interim Chair pending appointment of new MD/CEO
- ◆ Independent Non Executive Directors – David Craig & Marcello Cardaci
  - ◆ Members of Audit Committee
  - ◆ Members of Nomination Committee
  - ◆ Members of Remuneration Committee
- ◆ Non Executive Directors (Members of Audit, remuneration and nomination committees)
  - ◆ Neil Siford (Clough CFO) appointed
  - ◆ John Smith (retiring Clough CEO) resignation pending (date to be advised)
  - ◆ Kevin Gallagher (new Clough CEO) appointment pending (date to be advised)
- ◆ Executive Directors – Hutchinson, Ellison & McRostie
  - ◆ Resigned from audit and remuneration committees in line with listing rules
  - ◆ McRostie and Ellison's resignation from the board pending successful roll out of the MTP



John Smith

## ◆ Management Transition Plan (MTP)

- ◆ Search continues via recruitment specialist for new CEO/COO
- ◆ Sub Committee of Nomination Committee formed to manage and review the process and candidates presented to date
- ◆ Sub Committee charged with performance reviews and negotiating new contract arrangements for executive directors



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