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The Manager
Company Announcements Office
ASX Limited
20 Bridge Street
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22 June 2009

Dear Sir

WDS MARKET UPDATE

Following on from our previous market update of 25 March 2009, WDS Limited (WDS) provides the following market update in accordance with ASX Listing Rule 3.1;

- Outlook
- Preferred Supplier Agreement with Arrow Energy Limited
- Remobilisation at Santos Limited Fairview Project
- Acquisition of outstanding stake in Ackroyd Engineering Services Pty Ltd
- Integration of Delco completed and resignation of Delco Managing Director
- Interim Payment received from Tenix Alliance

Outlook:

WDS advises that it anticipates full year FY2009 results will be in line with previous guidance provided to the market on 25 March 2009, which forecast EBITDA of \$55-\$60 million (FY2008 EBITDA \$45.5 million) and NPAT of \$21-\$23 million (FY2008 NPAT \$18 million). Management believe the final result will be at the lower end of the guidance range and it is dependent upon the outcome of negotiations on a number of ongoing &/or completed projects as is typical in the contracting sector.

The FY2010 outlook remains encouraging based on current discussions with clients in the Coal Seam Gas (CSG) sector, major pipeline construction opportunities and a reconfirmation of several contracts in the Mining Division. We are currently forecasting an improved performance in the first half of FY2010 following the lower than expected performance in the second half of FY2009, with further improvement expected in the second half of FY2010, as CSG activities pick up.

As to the FY2009 results we foreshadowed in the 25 March 2009 Market Update, WDS has seen a decline in CSG field activities whilst our clients plan their contracting and development approach to these fields to support their longer term LNG export plans. This reduced activity was expected to continue into the first quarter of FY2010 and then return to traditional levels in advance of anticipated field development activities to service the proposed LNG projects. However, we are now seeing signs of an earlier than expected improvement in this regard and these events underpin our confidence in the long term growth prospects for WDS.

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Other activities in the Oil & Gas Division have also experienced a slowdown associated with the reduced oil price in the third quarter of FY2009. This work has commenced to return to normal levels now that the oil price has improved and should further improve throughout 2010.

The Infrastructure & Services Division has seen profit deterioration in micro tunnelling contracts as a consequence of abnormal weather conditions, machinery breakdowns and a further minor upwards estimation of costs to complete the Tenix Alliance Contract. A refurbishment program has been undertaken in respect of the equipment following the completion of the Tenix Alliance.

In the Mining Division, the effects of the downturn have been generally muted, and we are still forecasting a strong performance from the Division in FY2009.

Preferred Supplier Agreement with Arrow Energy Limited:

Arrow Energy Limited ("Arrow") has selected WDS as a preferred supplier and is negotiating a contract for full FEED for the Upstream Surface Infrastructure for its Fisherman's Landing project in addition to Arrow's scheduled expansion work for domestic projects in the Bowen and Surat Basins.

Remobilisation of crews at Santos Fairview Project:

WDS has been instructed by Santos Limited ("Santos") to remobilise our crews to the Santos Fairview site.

Acquisition of outstanding equity in Subsidiary:

Effective 1 May 2009 WDS exercised its right to acquire the remaining 20% outstanding equity in its subsidiary Ackroyd Engineering Services Pty Limited (AES). The subsidiary was initially 80% acquired on 28 February 2008 and continues to trade in accordance with the valuation fundamentals established at the time of purchase. The cash consideration in respect of the 20% acquired amounted to \$2.17 million.

Senior Management Change:

Following the restructure of the WDS Group as detailed to the market on 26 March 2009 and the successful integration of the Delco business which was 100% acquired in August 2008, WDS and Mr Mel Whyte, the current Managing Director of Delco, have agreed his employment with WDS will cease at the end of August 2009. Delco is now fully integrated into the Oil & Gas Division of WDS. The Oil & Gas Division is to be managed by Mr Robin Bailey CEO, WDS Infrastructure & Services Division on a temporary basis.

Interim Payment received in respect of Tenix Dispute:

WDS has previously informed the market in respect of the status of the dispute between its subsidiary, MacCormick Civil and Tunnelling Pty Ltd, and Tenix Alliance Pty Ltd. The contract in question was acquired when the business and assets of DJ & MB MacCormick Civil Engineering were purchased by WDS on 31 August 2007. The contract was subsequently determined by WDS to be an onerous contract and accordingly the initial

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accounting for the acquisition was adjusted to reflect the balance sheet impact of the onerous contract.

The resolution of the dispute is ongoing, however WDS advises that it has received from Tenix Alliance an interim payment pursuant to Part 3 of the Building and Construction Industry Payments Act (QLD) 2004 of \$14.7 million in relation to the dispute. Tenix Alliance has indicated that it disputes the validity of the interim payment and as such WDS does not expect the payment to be booked to revenue for FY2009. WDS maintains it is entitled to the interim payment and has stated its intention is to vigorously pursue its rights in relation to this project.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Mann', with a long horizontal flourish extending to the right.

Gareth Mann
Group Managing Director and Chief Executive Officer
WDS Limited

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