CHAIR'S **ADDRESS**

Watpac Limited
Annual General Meeting – 13 November 2012

Let me say that I am delighted to stand before you today as Chair of Watpac, a role that I was appointed to earlier this year after having held the position of Non-Executive Director since May 2011.

Having worked in the property industry for many years, here and aboard, I have seen Watpac grow from its traditional home in Queensland down the east coast and across to the west by forming long-lasting client relationships, delivering successful projects and venturing into new markets.

This past year has been challenging and I do not intend to hide from the fact that our 2012 financial year results were unsatisfactory for Shareholders and as a result, major improvements must be delivered.

There is a significant amount of work ahead for the Board and Management to enhance the Company's profitability and raise our return on capital.

However, the difficulties that we face, both external and internal, are complex and time is needed to achieve our key objectives to deliver consistent and higher returns to our Shareholders.

I can assure Shareholders that the Board and Management are fully committed to driving the Company forward with the development of financially adept and responsible strategies. Our absolute emphasis is on increasing equity returns and ensuring all future investment is supported by a robust analysis.

Thorough assessment and mitigation of key risks must become a component of Watpac's DNA as we move forward in our chosen markets, and to this end, we have commissioned Deloitte Touche Tohmatsu Australia to work with us to develop a rigid internal audit and risk management system.

I will speak separately about the property write downs, let me repeat that our underlying operating profit after tax of $15.3M, being a return on equity of 5.6 per cent, is far from acceptable.

The Board is also cognisant of the distress caused to Shareholders in not delivering a final FY12 dividend.

As a result of last year's financial performance, the Board triggered a range of strategies that are designed to ultimately restore Watpac's underlying profitability and the return to Shareholders.

So we have not been idle. An external consultant has been engaged to review the operating performance of each business unit and report on future potential and viability, with a strong emphasis on the key metric of return on capital.

In effect, we are engaging in a total review of our short, medium and ultimately, long-term strategies.

Phase 1 of this review completed an analysis of all business units, with the results presented to the Board in August.

As a result of this review, it is our intention to better align our capital, our skills and our reputation to those activities that can produce the highest equity returns in the short and medium term, having regard to market conditions.

Phase 2 of this review has commenced and will comprise a thorough review of work practices to drive efficiency and reduce overheads.

On execution, the strategies from this work will see Watpac strengthen and grow our core Construction operations in Queensland, New South Wales, Victoria and South Australia. Our Mining operation in Western Australia will also remain as part of our core operations and opportunistically, we will consider Civil projects where they complement our main strategy.

I should add that there will be organisational and cultural change led by the Board and Senior Management, to ensure that optimal outcomes emerge within a plan period.

We are in very difficult market conditions, particularly in the construction and property sectors and these conditions are likely to continue for some time.

While these factors will impact our ability to fast track some objectives, I do not see them as being the ultimate determinate of our long-term strategies.

Watpac must become a contractor of first choice, an employer of choice and we must grow our skills and competencies to enable us to compete at the highest levels in our chosen fields of Construction and Contract Mining.

This strategy aligns with our best performing operations in 2012.

The Construction division performed exceptionally well in the 30 June 2012 financial year, delivering a profit after tax of $30M, demonstrating a strong after tax return on equity of 25 per cent.

In Contract Mining, our profit after tax for FY12 was $9.4M, resulting in an after tax return on equity of almost 15 per cent.

I must now speak to you about our property strategy and the matters that led to a pre-tax write down of $93.6M, or approximately 30 per cent of the total portfolio value.

In June 2012 we deliberately changed our strategy from holding and developing long-term underperforming property development assets.

The prevailing market conditions have not improved and we have come to the conclusion that it is in Shareholders' best interests to sell out as quickly as possible non-core property assets.

As a result, a sales program is underway and year to date we have disposed of $37M in property assets. In addition, we have a further $40 million in unconditional contracts, $37M of which relates to residential property sales at the Rue de Chapel development in Melbourne that are expected to settle next week.

Repatriated capital will be used to repay debt and invest in existing market segments that demonstrate an ability to meet our return on capital metrics.

The process we adopted to assess the property portfolio was robust and objective, but Queensland remains the most difficult market in Australia and I can give no certainty on the timing of asset sales.

Targets have been set and are subject to monthly review by the Board.

As a consequence of the property impairment recognised in the 2012 financial year, the Company had no retained earnings at the 30th of June 2012.

As it currently stands the law did not permit us to distribute a final FY12 franked dividend to Shareholders. As such the non-payment of a final dividend was not a change in dividend policy, rather an outcome of the circumstances we found ourselves in following finalisation of the FY12 results.

We do however have available franking credits and while final decisions regarding dividend payments can only be made at the time of declaration, it is the current intention of the Board to pay dividends from profits earned in the future.

I would now like to discuss Watpac Limited's 2012 Remuneration Strategy.

As Shareholders will be aware, at last year's Annual General Meeting, approximately 34 per cent of the votes cast in respect of the resolution to adopt the Company's 2011 Remuneration Report were against that resolution. The 33 per cent no vote was generated from only eight per cent of the Company's members and accordingly, the Company received a first strike.

In response to feedback from Shareholders, we have commenced an immediate program of change in relation to Watpac's Senior Executive remuneration strategy. The program is intended to improve alignment between company performance and Senior Executive remuneration outcomes.

Professional remuneration advice has been received from Ernst & Young who have worked with the Board to realign Watpac's remuneration strategies with contemporary policies based upon performance criteria.

Specifically, we have instigated a range of proactive measures which have led to:

- The establishment of a new, market-based Long-Term Incentive Plan for Senior Executives;
- A commitment to restructuring the Group's Short-Term Incentive Plan for Senior Executives in the 2013 financial year; and
- A freeze in Senior Executive fixed remuneration for at least the 2013 financial year.

The establishment of the Long-Term Incentive Plan was our first step in linking the risks and rewards of Shareholders to those of Senior Executives.

This plan was developed in direct response to feedback that the mix of Senior Executive remuneration was too heavily weighted towards fixed remuneration.

The Long-Term Incentive Plan has been structured in a manner whereby performance rights, which are a right to acquire fully paid ordinary shares in the Company for nil consideration, are granted to Senior Executives subject to meeting certain pre-determined vesting conditions.

Performance rights awards will be made annually to Senior Executives of the Company at the sole discretion of the Board, with the first grant of awards made on 21 August 2012.

Long-Term Incentive Plan performance rights vest three years following the date of grant, subject to the achievement of two discrete performance measures, being:

- Earnings Per Share targets, which represent 60 per cent of the total grant; and
- relative Total Shareholder Return targets, which represent 40 per cent of the total grant.

Earnings Per Share will be measured on an absolute basis against Compound Annual Growth Rate targets set by the Board.

In respect of the performance rights granted on 21 August 2012, partial award vesting commences if a Compound Annual Growth Rate of 20 per cent is achieved over the next three years, with full vesting only occurring on achievement of a 30 per cent Compound Annual Earnings Per Share Growth Rate over this time.

Total Shareholder Return will be measured relative to a group of companies recommended by an external consultant and agreed by the Board as an appropriate comparator group for Watpac at the date of grant.

The current Total Shareholder Return comparator Group applicable to the 21 August 2012 award grant has been disclosed in the 2012 Remuneration Report.

The Company's existing Short-Term Incentive Plan, which provides participants with a cash incentive for achieving certain predetermined earnings targets, has ceased operation.

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While we had expected that plan to operate in the 2013 financial year, a newly developed Short-Term Incentive Plan will now be introduced in the current financial period.

Based on work already completed in consultation with remuneration advisor Ernst & Young, I am able to provide Shareholders with some definitive guidance around how this new Short-Term Incentive Plan will operate.

It will:

- Operate as a single plan for all of the Company's Senior Executives and some other selected plan participants.
- Be first subject to a Funding Gate, which will operate to ensure the Company has sufficient capacity to make payment.
- Then be subject to Performance Measures relevant to each participant, which will include both financial and non-financial measures.
- Be paid 75 per cent in cash following finalisation of the annual profit results.
- Be paid 25 per cent in performance rights, which will be subject to an 18 month time-based vesting period and which will include specific claw back provisions.

While the final design and documentation relating to this new Short-Term Incentive Plan is yet to be completed, the Board has recently resolved to adopt these principles.

As I mentioned, this plan will operate with effect from the 30 June 2013 financial year for all of the Group's Senior Executives.

The Board considers effective governance and clear reporting on remuneration essential to building support from our Shareholders for the Company's remuneration reports.

We have demonstrated enhancements to our remuneration practices in FY12 and will continue to do so in the 2013 financial year and beyond.

Finally, I would like to thank Shareholders for their continued support of the Company and take this opportunity to thank our Board, staff, contractors and clients for their ongoing commitment.

CHIEF EXECUTIVE OFFICER'S ADDRESS

Watpac Limited

Annual General Meeting – 13 November 2012

Thank you very much for the introduction, Mr Chairman and good morning everyone. Thank you for being in attendance today at what is an important Annual General Meeting for the Watpac Group.

I would like to start by saying how pleased I am to be in front of you today for the first time as CEO. I am acutely aware of the history of Watpac in Queensland and take very seriously the responsibility of leading the Group during this next phase of its evolution, growth and performance.

Firstly this morning I'd like to echo the Chairman's sentiments with regards to our 2012 financial performance, and to be very clear about the range of issues we currently face to return the company to acceptable levels of profit. My role in this is to ensure Watpac's operations align with Company strategy and return maximum value for our shareholders.

This will not necessarily be a simple task – particularly in the early stages as CEO – however it is my clear intention during the 2013 financial year to build strong foundations from which Watpac can build future prosperity.

This will involve organisational change, including a cultural shift across the Company to ensure all Watpac employees – from every level in every location – are aware of, and aligned to, our Company values and organisational goals.

Today I'd like to share the plans I am putting in place over the coming year to ensure that we are organisationally fit and financially robust, and to strengthen our future position as a leading national contractor in a way that improves shareholder returns.

To deliver this result, our future growth and business development strategies will be tailored to achieve success within our areas of strength and market potential.

We will be focused on winning new work across the construction and mining sectors, achieving our stated objectives with the property asset sales strategy, and ensuring maximum efficiency in our corporate services.

This morning I would also like to provide you with an overview of some of the successful projects we have delivered in the 2012 financial year and the way in which we will position ourselves in the future to ensure we remain competitive, credible and profitable in our targeted sectors.

With these objectives firmly in mind, I'd like to start on some of the remedial activities underway, which are the result of an external review initiated by the Board earlier this year.

For a business that has seen significant growth, both organic and acquisitive over a sustained period, what the review found was not altogether surprising.

Among other things, significant cost reduction practices and the streamlining of business processes were recommended as part of a first phase of implementation in the review.

The work I have been recently tasked by the Board to implement in this area will require significant organisational and cultural change – and as I've said, this will take time – however my leadership team and I have started the process to shift the company's focus from growth and unrestrained diversification to that of consolidation and profitability.

Our progress to date includes the following:

- Firstly, I have established a flatter, more efficient leadership team with enhanced focus on risk management, and financial and operational accountability.

  The Group Senior Executive Team comprises senior leaders from across our four business units – contracting, mining, property and corporate services. These leaders are responsible for driving financial performance, Company culture, and the safe and high-quality delivery of projects. Many members of the Group Senior Executive Team are in attendance today and I encourage you to seek them out for a discussion after the formal part of this morning's proceedings.

- The second key organisational change I have made over the past few months is the restructure of Watpac Civil; primarily in Queensland and Victoria.

  It is no secret that our civil operations, particularly in Queensland, performed poorly in the 2012 financial year. In response to this, and with the support of the Board, we have recently made a decision to close the civil division that was operating from Townsville and to reduce the Brisbane Civil office back to an appropriate level from where we can assess our ongoing civil business strategy in a more controlled and cost effective way.

  In Victoria, due to a changing market and our ability to compete successfully in it, we have made the decision to close Watpac Civil Landscaping.

  In both the Queensland and Victorian cases, Watpac will continue to honour all of its existing client commitments, and as the Chairman mentioned, we will consider future Civil projects only where they complement our main strategy of improved Shareholder returns.

- The third and very important organisational change that I have made recently is around enhancing our risk assessment management procedures and commercial practices, and consolidated a number of risk management functions within the newly created role of Risk Manager, under the leadership of our CFO, Mark Baker.

This enhanced risk management approach is particularly needed within our civil and mining operations where we invest heavily – not only in people, plant and equipment – but in client relationships where contract durations are often over a much longer timeframe than those in the contracting business.

Under the direction of the Audit and Risk Committee, the CFO and I are currently introducing further heightened risk assessment and performance procedures into the business with the assistance of a specialist Deloitte risk assessment team. This is something we have begun to implement and will conclude over the remainder of this financial year.

- Finally, the business review recommended and the Board directed that I undertake a significant operational 'overhead' rationalisation exercise.

  My senior team and I completed a comprehensive review of the costs of doing business as part of finalising the Company's operational budget for the 2013 financial year. During this process it became abundantly clear that we needed to reduce non-essential spending across all Watpac business units.

  This resulted in a raft of changes to internal policies, enhanced governance on the use of discretionary expenditure and an immediate restructure of our corporate services to reduce overheads.

  To date, the overall overhead personnel number has been reduced by in excess of 10 per cent and year-on-year savings of approximately $8.5 million have been achieved.

While some of these changes have been challenging to implement, particularly where people's employment is involved, it has been another necessary step in bringing the Company's financial performance back in line with Shareholder expectations.

I think it is important that the process of reviewing our business operations be a continual one and this is something my senior team and I are committed to undertaking as we enforce greater governance practices.

I would now like to highlight some of our current projects and to discuss the markets in which we see our immediate and medium-term future.

I'll turn first to contracting.

Watpac's contracting arm – that is, our Construction and Specialty Services businesses – delivered sound financial results in the 2012 financial year. Non-residential construction activity has remained subdued, so this result being achieved in such a challenging construction market is testament to our skilled and dedicated teams in these areas.

While results in FY12 for the contracting business still differed based on the maturity of each business and the markets in which they operate, it is interesting and pleasing to note that, looking forward, a greater balance of contribution from across the States is now appearing.

After considered business planning, this year we have continued to develop our South Australian construction business by winning our second and third projects in that State. We have also won significant new projects in New South Wales and Victoria, and I am also pleased to report that just recently, we were appointed our first construction contract in the Northern Territory – the redevelopment of Darwin's International Airport.

Despite the tough market conditions across the country in this sector, we continue to demonstrate that our brand and reputation is growing at a steady rate outside our traditional home in Queensland, where of course, we continue to deliver some outstanding projects.

An example of this is the Translational Research Institute in Brisbane, which you might have seen mentioned in the media over the last few days as an example of construction excellence in Queensland.

Elsewhere around the country we have completed some of the nation's newest, notable buildings. This includes the Museum of Contemporary Art in Sydney and the RMIT design hub project in Melbourne. These projects were not without their challenges however they are both projects that we are immensely proud to have delivered.

In Victoria, the Eastern Plaza project will shortly be handed over to our client ahead of time. This outstanding sporting facility has achieved tremendous accolades throughout the tennis community and will be the main training facility at the Australian Open in 2013 – a year ahead of what was originally planned to be 2014.

Another major project we are delighted to be working on is the One Central Park / Park Lane development on Broadway – one of the most significant and complex construction projects currently underway in Sydney.

The $600 million contract, supported by a construction team of more than 800, also means the project is the largest ever contract undertaken in Watpac's almost 30 year history.

While the construction industry is predicted to face a sluggish or even downward trend in 2013, our contracting business remains relatively strong as we maintain healthy work-in-hand levels of approximately $900 million and, importantly, grow long-lasting client relationships. It is the latter where I think Watpac excels and is a point of difference in our approach to winning new projects as we continue to enjoy above-industry-average levels of repeat client work.

Despite federal cuts to the Commonwealth Defence budget we also see our involvement in building a range of critical infrastructure projects for the Department of Defence continuing; underpinned by our success on the second stage of a large Defence housing project known as the Single LEAP Project currently underway across five sites in three States across Australia.

Our second key area of future growth is in mining.

In contrast to the non-residential construction sector, mining and related engineering activity has remained solid, and over the past 12 months we have developed extremely strong credentials in the iron ore, gold and mineral sands space.

We have commenced several major projects across our mining portfolio and our involvement has been a critical factor in the success of many of our clients' projects.

Examples of our recent achievements include the Nullagine Iron Ore project where we are contracted by BC Iron to deliver surface mining services. I am pleased to report during the past 12 months the team on this project has regularly exceeded monthly production targets, which has ensured the client achieved its own operational guidance for FY12.

We are also currently working with Iluka Resources in Ouyen in Victoria where we have developed innovative mining solutions; and with Remelius Resources where we assisted in the reestablishment of operations at the Mt Magnet Gold Mine in Western Australia.

Over the past month we have secured or are preferred on new engineering construction and mining services contracts in Western Australia and elsewhere, which if converted, will be worth more than $140 million. These include:

- a preferred contractor position on a significant new contract with Pluton Resources for the Cockatoo Island Iron Ore Project; and
- extensions to contracts with existing gold mining clients.

While we continue to pursue mining contracts in Queensland and the Murray Basin, it is clear that we are fast becoming a key player in the Western Australian resources sector in particular.

The WA team's ability to deliver on set objectives, to innovate, to help clients achieve their operational targets - combined with our asset investment and ability to mobilise quickly to remote sites - is making the business a desirable one for many of the State's emerging exploration companies.

This is why we have decided to consolidate our mining business into national operations – managed from Western Australia – which will allow for greater agility in resource-rich markets and geographies.

Over the next year, we plan to leverage our experience in the West and develop a stronger presence in Queensland, Victoria and South Australia where we see potential opportunities in mineral sands and in coal seam gas as Queensland's upstream gas infrastructure is developed.

We have also significantly increased our investment in plant and equipment over the last five years. Our investment has led to competitive advantage, especially in the West, by winning and extending long-term mining services contracts as evidenced by the Nullagine and Tropicana projects.

By adopting a national approach to our mining operations, we will have the ability to quickly and efficiently transport equipment to projects where it is required – wherever that may be across the country.

While further work on the development of Watpac's renewed long-term business plan will commence shortly, it is clear – for the reasons I have just outlined – that the success of the Company's future lays in these two businesses: Construction and Contract Mining services.

Our plans with regards to our future business development strategies in these markets will be refined and enhanced over the course of 2013 and I look forward to updating Shareholders on our progress over the coming months.

I'd now like to discuss our property asset strategy.

As Shareholders are aware, the Company is currently undertaking a program to divest non-core property assets. We envisage this program will substantially reduce our property debt over the course of FY13 and beyond, and return equity back to the balance sheet for future redeployment.

We are implementing this strategy in a very deliberate manner by undertaking specific sales campaigns in targeted markets.

Despite an incredibly challenging environment, first sales have been achieved including Newstead Circle for $16 million and Kingston Industrial Park for $20 million, and we currently have several marketing campaigns underway for additional properties which we expect to sell over FY13 and FY14.

Although we experienced difficult market conditions in FY12, and expect similar challenges this year, there were some very solid achievements that we believe will contribute positively to future years' results including the Rue de Chapel project in Melbourne which has just reached practical completion and is due to settle with residential purchasers early next week.

Pending pre-sales targets, we also anticipate commencing two further development projects in 2013 including Addison Quays in Bulimba, Brisbane and The Luxton in Prahran, Melbourne.

CHIEF EXECUTIVE OFFICER'S **ADDRESS**

Both these projects have been the subject of robust pre-sales campaigns and will only be recommended to the Board for commencement once revenues of unconditional sales exceed construction costs.

The final area I would like to touch on this morning is that of the future.

There is no question that the genuine process of recalibration throughout our Group has now commenced and will continue during the 2013 financial year. Shareholders have my absolute commitment and that of my management team to developing strong foundations for the future.

As a Group, we intend to continue pursuing opportunities with vigour and optimism and we will reject the pursuit of growth for growth's sake.

And while there are clearly some immediate issues that need to be addressed, I am determined that our considered approach to our future and the deployment of effort, energy, people and process will result in improved returns to Shareholders.

I am confident that we will continue to make significant headway and increase our market share across the Australian construction sector, and our national approach to delivering mining services will see us become a contractor of choice in resource-rich States.

I am personally very committed to this next period for Watpac, and to lead the Company through the challenges and opportunities it will present.

Having recently purchased a home in Brisbane and begun the process of relocating my family, Shareholders can be assured of my complete focus and dedication to the task ahead.

Along with the Board and the support of our equally determined CFO Mark Baker, my approach will be an open one towards keeping Shareholders informed of progress as we successfully implement the plans I have articulated today.

Over the remainder of the morning, I welcome any questions you may have and to meeting as many of you as I can.

Thank you for your time today and, more broadly, your support over the coming years.