Lifting Solutions for Australia

2014 ANNUAL GENERAL MEETING
OF BOOM LOGISTICS LIMITED

Addresses by Chairman and Managing Director

Chairman's AGM Address

The 2014 financial year has presented similar challenges to the prior year and there is no indication that conditions will ease, at least in the near term. As I noted in the Annual Report to shareholders we have again faced the twin pressures of downward price movements and lower activity levels across our traditional client base. Current difficulties across the services industry are in large part a consequence of excess service capacity being built up over the boom years of the resources sector and this has resulted in cutthroat tendering as operators seek to utilise surplus equipment. We have maintained a competitive stance but in some instances where contract terms would generate a loss we have abandoned the prospect to others. Another factor is that significant cost escalation across our customers during the boom years included flow-on wage costs to those companies servicing the industry. This has left a painful legacy in the post boom aftermath and managing these and other cost across our business has been a key management focus.

I am pleased to report that we have continued to adapt to the changing economic environment. We have progressively lowered our cost structure in both fixed and variable categories. Our labour force has been reduced to match increased efficiency and changing customer demand. We have continued to invest in new systems and processes to streamline administration and improve the timeliness of business control data and we have progressed restructuring the business to integrate our Boom Sherrin travel tower division with the crane business. These changes have been made without compromising the level of service we offer or the internal disciplines of the business, particularly our focus on occupational health and safety. We have also continued to make adjustments to our crane fleet, selling off redundant equipment and older assets, with the result that the average age of our fleet at year end was 9 years. The Managing Director Brenden Mitchell will provide more detail on the above matters in his report to the meeting.

Turning to the financial results that we released to the market in mid-August: We announced that restructuring of the business had resulted in a provision of $6.5 million and a further $9.3 million was brought to account in asset impairments. In combination these adjustments resulted in a net tangible asset backing at 30 June of 49 cents per share compared with 51 cents at the same time last year. We also announced that in view of market volatility we would take a deliberately conservative approach to goodwill by impairing the total carrying value of $70.8 million. In consequence this removed all goodwill from the Company's balance sheet as at 30 June 2014. Taking account of these impairments, which are non-cash accounting adjustments, the statutory net loss for the year ended 30 June 2014 was $79.5 million. Our trading result for the same period, after backing out all non-trading items was a net profit after tax of $3.9 million. This compares with the FY13 trading profit of $10.7 million. Given the circumstances Directors did not declare a dividend for FY14.

I would like to draw attention at this point to an error in my section of the Annual report where in the text in comparing FY14 Trading Profit with the prior year, I referred to an FY13 Trading Profit of $2.5 million rather than the actual $10.7 million. I apologise for any confusion that this may have caused.

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I noted in the Annual Report that despite challenging business conditions, the Company continues to generate substantial free cashflows and these have been primarily applied to debt reduction. Net debt at 30 June had reduced by $26.3 million from the same period last year to $89.5 million. We have maintained this discipline in the first quarter of FY15 reducing net debt by a further $2.4 million whilst also funding modest capital equipment additions from cashflow. We expect to be able to continue this trend, assisted by planned redundant asset sales of $15 million during the current year and a continuation of modest new capital requirements.

In the period ahead we will continue to keep downward pressure on costs and progress business restructuring wherever efficiency gains are identified. We will also continue to diversify our revenue base following the new business generated towards the end of FY14 and we look forward to competing for a share of the promised infrastructure projects along the East coast.

In concluding I would like to make mention of management and Board matters. Iona MacPherson who has been Company Secretary and CFO for over 7 years has left the Company to pursue new opportunities. She has been a substantial contributor in both roles over the years and I have particularly valued working with her on Board matters. Her departure has been covered by Paul Martinez combining the CFO role with his CIO and Director of Strategy roles. The changeover has been greatly assisted by the experienced financial team assembled during Iona's tenure. Malcolm Ross the Company's general counsel has taken over the Company Secretary role. There have also been changes to the management structure in both East and West coast operations and the Managing Director will cover this in his address. I should add that the challenging operating conditions have increased work pressures across the business and the Managing Director and his team have carried much of this increased load. I would like to express the Board's appreciation for their sustained effort.

At Board level, Howard Critchley resigned as a non-executive director earlier in the year to take up a role in a larger organisation. As I indicated in the Annual Report we have deferred filling this vacancy to assist in reducing business overheads and fellow directors have shared the additional work at Board Committee level.

That concludes my report to shareholders and I will now hand over to Brenden Mitchell to present the Managing Director's report.

Managing Director's AGM Address

The 2014 financial year followed on from the difficult market conditions of 2013 with further commodity price degradation impacting on our customers and therefore our business.

We have continued to focus on our core crane logistics and travel tower businesses in the mining & resources, energy, utilities and infrastructure sectors, having exited in large part our non-core businesses, improved our fleet mix and expanded into new contracts in new areas.

The reality of the last twelve months is that maintenance services to our crane logistics customers have reduced further and infrastructure spend has not yet increased on the East Coast. There have been continued delays in projects in the utilities segment of the market which is important for our travel tower business. Overall this has led to further significant price degradation in our core businesses as our customers drive for lower cost on a reduced demand profile.

The year saw a 19% reduction in revenue over the previous year which reflects the ending of the BHPB Ports contract in Port Hedland and severe reductions in revenues from the coal regions of the Bowen Basin and Hunter Valley.

As the Chairman highlighted in his address, the statutory result for financial year 2014 was a net loss after tax of $79.5 million and an Earnings Before Interest and Tax loss of $74.7 million. Removing one-off adjustments Boom's FY14 net trading profit was $3.9 million, down on the FY13 outcome of $10.7 million.

Importantly whilst conditions were tough we continued to generate good operating cash flows which were supplemented by the sale of surplus assets enabling us to reduce our net debt by $26.3 million over the last twelve months moving from $115.8 million to $89.5 million at 30 June 2014.

In response to difficult market conditions we took a number of actions:

- We reduced headcount with a further 103 redundancies during 2014 and provided for a further 44 redundancies in the first quarter of 2015 predominately associated with the Queensland restructuring.
- Deciding not to tender at a loss for the BMA contract.
- Commenced the "One Boom" integration project where the Travel Tower business and the Crane Logistics business will be integrated to generate cost savings and facilitate cross selling of services.
- Continued to hold firm in EBA negotiations and continued with the freeze in executive salaries through FY15.
- Heightened the focus on the sale of surplus older crane and travel tower stock and non core access equipment
- Reduced capital expenditure in light of subdued demand.
- Focused on increased revenue outside of the commodity sectors as evidenced by the signing of contracts with Aurizon and Vestas and winning the Bald Hills Wind farm construction in Victoria which has commenced and should be complete in the coming months.

There are a number of other critical areas I would like to comment on:

Safety

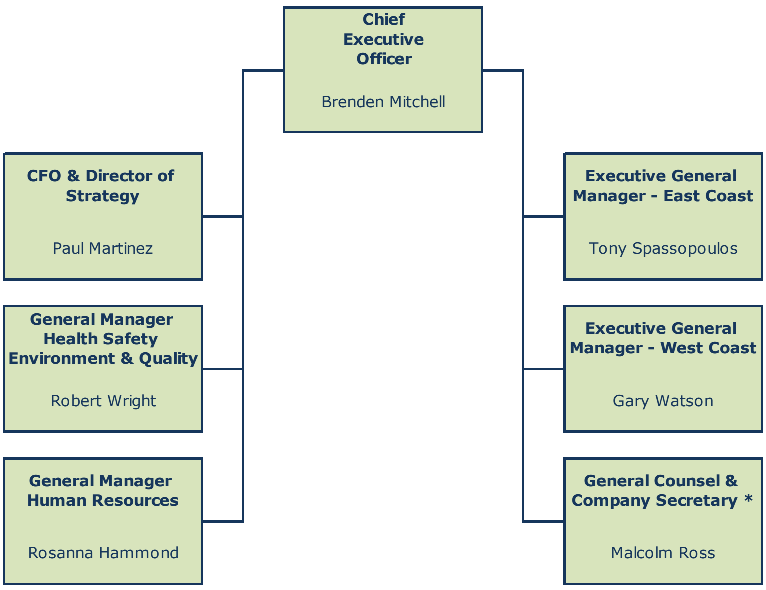
Our safety focus has been sustained during 2014 with our Total Recordable Injury Frequency Rate (TRIFR) continuing its downward trend, improving 20% over the course of the year. This is a continuation of a trend over several years and we will strive to achieve a TRIFR below 10 during FY15. The challenge of our managers and people during these trying trading conditions is to stay focused on safety and increase interactions to further improve our performance. It is pleasing then that our Safe Act Observations of Managers and Supervisors have increased 63% year on year to the highest level in 5 years.

Our Customers

Whilst we have not continued with a number of contracts due to extreme pricing pressures we have continued to focus on serving our customers well and have delivered some significant wins including the Bald Hills Wind farm currently under construction and the Sydney Rail Corp project at Lidcombe. This was a complex project involving skilled engineering expertise, strong quality and safety systems and excellent supervision and coordination between various parties. I would like to thank Stewart Lawson, Peter Rice and Kurt Coquibus in particular for their contribution to that project. The time-lapse photography of this project can be found on our website at the following link: http://www.boomlogistics.com.au/sydney-trains-railcorp-olympic-drive-bridge-replacement. Boom continues to deliver a strong value proposition especially to customers facing significant time, quality and safety pressures.

Organisational Structure

With the integration of the travel tower and crane logistics businesses we have reviewed our organisation structure, with the resulting outcome of an East / West structure to facilitate faster decision making and movement of assets and people in response to customer requirements. Gary Watson has been appointed Executive General Manager West Coast and Tony Spassopoulos has been appointed Executive General Manager East Coast. Tony and Gary will each take the lead on specific functional activity and report to me along with Paul Martinez, Rosanna Hammond, Robert Wright and Malcolm Ross in his capacity as General Counsel.



* Mr Ross reports to the the Chairman in his capacity as Company Secretary.

The effect of these changes is to deliver speed in decision making with a lower overhead cost burden on the business.

The Cost Base

I have referred to the challenges of price and demand reductions. During the year the redundancies and focus on labour price and usage has lead to a 17% drop in head count in direct labour and a 14% drop in headcount for indirect labour. Focus in this area has led to our labour cost as a percentage to revenue reducing slightly which is a very difficult to do when utilisation and price decreases.

The Asset Base

During the year we disposed of 51 cranes for proceeds of $17.8 million, with capital expenditure being limited to $16.8 million, to maintain an average age of our crane fleet at 9 years, down from 13 five years ago. We also impaired some assets bought in FY09 when the Australian dollar was at its lowest. Our Net Tangible Asset backing is now at 49 cents per share compared to 51 cents at the same time last year.

Our asset values are underpinned by over $196 million of capital expenditure over the last 5 years, the refurbishment of 78 Glove and Barrier Travel Towers which still have a conservative value in the order of $20 million. The independent valuation carried our in the refinancing process which was done at a time when the Australia dollar was higher against the currencies we purchase in further supports our asset values.

Balance Sheet Management

Last year at this time I said we would expend less than depreciation on new equipment, deliver $10 million in asset sales and reduce debt. We expended $10.2 million less than depreciation during the year, sold $17.8 million of assets and reduced net debt by $26.3 million. The disappointing aspect was that our trade receivables were at the same level as last year on a lower revenue base, reflecting the challenges in getting paid on time by some of our larger customers.

We will continue to maintain a disciplined approach to capital management in FY15 ensuring further strong cash flow.

Our focus this financial year will be to:

1. Continue to serve our customers well and safely, concentrating on:
    - Opportunities for profitable revenue growth to maximise equipment utilisation and secure cash flows in areas we currently operate in
    - Delivering on current contracts and projects to secure ongoing project and contract revenue streams
    - Expanding our opportunities with recently gained customers
2. Continue our cost focus in:
    - Queensland and NSW where the coal areas are suffering badly and where our EBIT performance is currently negative. This sector is under enormous pressure and the operating model is not likely to be remedied in the short term.
    - The North West of WA where there is opportunity but also significant cost pressures with volatile revenue streams
    - Labour recoverability generally as the market pressure continues
    - Further streamlining our administration and overhead costs building on the work done in centralising some administration projects and integration of the crane logistics and travel tower businesses.

3. Be disciplined in capital management ensuring capital expenditure is well under depreciation and that debt is further reduced with an improvement in overall trade receivables and asset sales in the order of $15 million. In the first quarter we have reduced net debt by $2.4 million and have achieved $3.5 million of asset sales including the sale of the non-core access and general hire equipment business in Gippsland for $950,000, whilst cash funding $4.3 million of capital expenditure.

It is clear that there is still significant pressure in the market and our first quarter trading whilst profitable is far from where we would like to be. We anticipated this period to be difficult with the winding up of the BMA contract and continued pressure in coal. The continued pressure on commodity prices including the very significant drop in iron ore is of real concern to our business which is why we will continue to take a prudent approach to our balance sheet metrics and have a strong focus on cash generation.

I am grateful for the continued support of my executive and the managers in the business who have to make the hard day to day decisions whilst focusing on a myriad of issues.

I would particularly like to pay tribute to Iona Macpherson who has been the CFO of Boom Logistics for over 7 years. Iona has delivered strong governance, shown great resilience and focus and has ensured a strong team is in place to support Paul Martinez who, after six years as CIO and Director of Strategy, takes on the CFO role in addition to his current responsibilities.

In times of high market volatility and competition with lower demand you need good people with the persistence and resilience to respond to the circumstances with energy and rigour. I thank again our people and particularly the Executive and management teams who have and are working to improve the position of the business.

Finally I thank the Board and our shareholders for their continuing support.

Thank you.