

ASX/MEDIA RELEASE

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2011 AGM - Chairman's Address

It is a great pleasure for me to be making my first address as your Chairman.

The past year has been one with many highlights and challenges. Operationally we have performed strongly, however the tumultuous global economy and subsequent soft vessel market has impacted our financial performance.

While total revenue grew by 25% to \$1.08 billion, a loss of \$7.5 million in our Marine Construction business drove total underlying earnings down by 26% to \$47.2 million. We realise this is not a satisfactory performance for our shareholders, which is why we made the necessary decision to sell our Marine Construction business, exiting a market in which Clough has operated for over 30 years. This business lacks the critical mass required to compete effectively in an oversupplied global vessel market.

On 8 August 2011, Clough entered into a conditional sale agreement with SapuraCrest of Malaysia for the sale of our Marine Construction business, for gross proceeds of \$127 million. Sale completion is anticipated in December 2011 and will provide funds required to strengthen Clough's EPC capability, and accelerate growth in our chosen markets.

We improved our industry leading safety record for the third consecutive year, buoyed by the performance of our people in Papua New Guinea who worked 7 million man hours without a lost time injury, proving that safety excellence can be achieved in the most challenging environments.

Our people worked nearly 19 million manhours on some of the most technically and logistically challenging projects in the region, including the EPCM contract for Chevron on Gorgon and our three work scopes on ExxonMobil's PNG LNG project.

Significant project wins boosted our order book to \$1.55 billion as ExxonMobil again put their trust in Clough, awarding a further \$209 million work order on the PNG LNG Upstream Infrastructure project, while Chiyoda JGC Joint Venture awarded BAM Clough the US\$311 million PNG LNG Jetty contract. Repeat work also came from Chevron through the award of the \$300 million Gorgon Domestic Gas project.

Since year end we have added a number of new contracts to an already healthy order book and have commenced work on new contracts for BHP on Macedon, INPEX on Ichthys, CSBP on NAAN3 and Hancock Prospecting on the Roy Hill Development, which signifies our re-entry into the booming minerals market.

In a breakthrough for our recently established coal seam gas division, the Clough Downer Joint Venture was awarded a \$600 million contract by Fluor for the upstream component of the Santos GLNG project in September. This is a significant contract for Clough and represents our entry into the burgeoning Queensland coal seam gas sector.

Our 33.4% investment in Forge Group continued to provide a significant return as the strong demand for Western Australia's minerals, particularly iron ore, provided straight line growth. Revenue for the group increased from \$247 million to over \$400 million, while the company continued to win engineering and construction contracts with blue chip clients.

In an organic initiative, the Clough Forge Joint Venture was incorporated in February 2011 to target projects where the combined skills of Clough and Forge would be better positioned to tender and win EPC or construct only projects. The company has identified and prequalified for several large projects and is currently working on the ECI contract for Hancock Prospecting's Roy Hill Project.

Our workforce grew by 12% during the year, to nearly 3700 people, as our recruitment team worked tirelessly to place 842 people into Clough's Australian operations. We will continue to invest in developing the capability and capacity of our people and have implemented a taskforce to improve the attraction, retention and progression of women, as the well publicised skills shortage threatens to take hold.

Leadership changes

After four years at the helm, John Smith will step down as Clough's CEO at the end of October 2011. John has achieved a remarkable turnaround in company fortunes since he joined August 2007. All legacy issues have been rectified, order book has been built and profitable operation has strengthened the balance sheet. John leaves the company poised for growth and on behalf of the Board I thank John for his contribution to Clough's success during the last 4 years.

After an extensive local and international search, Clough announced the appointment of Kevin Gallagher as CEO designate and John Smith's successor. Kevin will join Clough on the 3rd of November 2011 bringing 20 years experience in oil and gas operations, including 13 years experience with Woodside.

There were a number of Board changes throughout the year. In May 2011 David Crawford was appointed to the Clough Board, filling the vacancy created when Mike Harding stepped down at the AGM last year. Brian Bruce and Roger Rees retired from their positions as Non-Executive Directors on June 30 and have been replaced by Henry Laas and Cobus Bester. Clough is very fortunate to be working with these experienced industry leaders who have the leadership capabilities and board experience to lead the company to its next level of growth.

Outlook

There are abundant opportunities for Clough in Australia. Combined forecast CAPEX for the country's 94 committed energy and resource projects is estimated as \$173 billion. Add the 305 projects in the planning phase to this equation; and the total CAPEX spend could be as high as \$430 billion over the next decade.

We are financially and strategically well positioned to take advantage of these opportunities. The sale of our Marine Construction business will leave the company debt-free. At the end of the year Clough's net cash holdings stood at a healthy \$50 million, which will increase to over \$100 million as a result of the Marine Construction sale. This will equip Clough to take advantage of a wide range of opportunities for expansion.

Total order book at year end stood at \$1.55 billion, more than three times the value reported at the end of the 2009 year and a good 50% up on the order book at the end of 2010. Our tender pipeline is at record levels and a number of major prospects are at an advanced stage of pursuit.

Ladies and gentlemen, the coming year proves to be an exciting time for Clough. As an Australian EPC contractor serving the thriving energy and resource sectors in Australia, we have the capability and capacity to leverage the many opportunities on our doorstep. With a strong cash position, robust order book of world class projects and new industry leaders joining the management and Board teams, the future for Clough looks very bright.

I'd like to take this opportunity to thank you, our investors, for your continued support and for the honour of serving as your Chairman.

Ends

For further information, please contact:

John Smith, Chief Executive Officer	+61 8 9281 9407
Kristy McGrath, Marketing & Communications Manager	+61 8 9281 9344

About Clough

Established in 1919, Clough delivers an integrated Engineering, Procurement and Construction service to oil and gas and mineral resources projects primarily in Australia and South East Asia. The Group's services range from concept development through design, construction, installation, commissioning, operations and maintenance.

Backed by an experienced management team, over 3,500 personnel and sophisticated project management systems, we are recognised for our commitment to safety, sustainable development and the wellbeing of the people, communities and environments in which we operate.

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