41 Macedonia Street
NAVAL BASE WA 6165

Attention: ASX Company Announcements Platform
Lodgement of Market Briefing

17 August 2011

Market Briefing

SXE Managing Director on new contract wins and outlook

Interview with Simon High (Managing Director & CEO)

Market Briefing

Southern Cross Electrical Engineering (SXE) has announced the fourth contract win for work on the Sino Iron project. How material is this contract for SXE, when does the work commence and what is the duration of the contract?

Simon High

This contract represents in excess of 10 per cent of the current contracted revenue hence is material to SXE. Although the terms of the contract are commercially sensitive, it is work that we are very comfortable dealing with both technically and commercially.

We are already on site undertaking work on the first concentrator package. Work on the power line component of the project is due to start during August and work on the processing plant will commence shortly thereafter. We expect these contracts will mean SXE remains on site through FY12.

Market Briefing

Can you provide any further detail on the nature of the work being undertaken and the contract terms?

Simon High

There are two contracts covered by this award. The first is for the power line installation and is being undertaken on a lump sum basis by KJ Johnson, which is its normal commercial model.

The terms for the processing plant have been negotiated using a low risk model which benefits both parties.

Market Briefing

The latest Sino Iron project contract builds on previous work completed by SXE. Is there prospect for further contract work on this project in the future?

Simon High

One of the areas we are working on is the first concentrator. In total there are six concentrators planned for construction. If we perform well on the first concentrator, which we will do, that should position us well for further additional work.

There is still a substantial amount electrical work to be released for tender, which we believe we are well placed to be awarded, subject of course to our ongoing performance.

Market Briefing

The order book stands at more than $75 million with the inclusion of this project. Can you provide any further insight into the nature of the order book?

Simon High

This is a healthy start to FY12 given all this work will be completed in the current financial year. By way of comparison, this is almost three times greater than this time last year.

The composition of the order book includes three main projects, Sino Iron, Cadia East and Pueblo Viejo in the Dominican Republic. These projects contribute approximately $50 million of the $75 million. In addition SXE also has $10 million to $15 million in recurrent revenue from operational support and maintenance work for clients such as Rio Tinto Iron Ore, BP and Caltex on the east coast and on offshore exploration rigs.

Market Briefing

Can you provide an insight into the macro environment in terms of prospects for further contract wins for SXE? Where are your main areas of focus in terms of the potential pipeline?

Simon High

We are focused on winning work in three key areas, iron ore projects in the Pilbara, West Coast LNG projects and Coal Seam Methane projects on the east coast.

The prospects for iron ore project work extend out over five years on projects being developed by global corporations including Rio Tinto, BHP Billiton and Sino Iron / MCC and local corporations including Fortescue Metals Group and Atlas Iron.

Similarly, there are a number of mega LNG projects on the West Coast being developed by large global businesses, including Chevron’s Gorgon and Wheatstone projects, Woodside’s Browse projects, Inpex’s Ichthys project and potentially Woodside’s expansion of Pluto.

Businesses including Queensland Gas Corporation (a division of the global BG Group), Atlantic Pacific, Shell and Arrow are developing large coal seam gas projects on the east coast.

We will be bidding for contracts on this pipeline of work and have the right credentials and experience to maximise our ability to win and successfully execute work.

Market Briefing

What is the outlook for contract pricing? SXE recently announced it was unable to reach an agreement with Leightons on the Gorgon project and profit on the Pluto project was lowered in December. Can you comment on these developments?

Simon High

We have a disciplined framework that we apply to estimating the costs to deliver a project and the appropriate pricing considering the risks associated with a project. In relation to the Gorgon project, we were unable to reach agreement with Leightons on the price and terms and conditions of the contract, which was regrettable, but we wish them well with executing this exciting but challenging project.

We were on site on the Pluto project for 18 months and all commercial aspects of this project were accomplished to our and Woodside's satisfaction. From a financial perspective, we were pleased with the outcome of the project. Across the duration of the project our performance, especially for safety, received a number of client and industry awards. Importantly, SXE's success on this project has reinforced our reputation as a tier 1 electrical contractor in the oil and gas market. This puts us in a good position for future work in this sector.

Market Briefing

SXE is a late stage contractor in the project cycle. When will the project pipeline start to deliver tangible signs of revenue and profit growth for SXE?

Simon High

On a typical project the electrical and instrumentation contractor becomes involved towards the end of the construction process. There is a number of large scale projects that have already been announced where the electrical work is yet to be awarded. These projects represent a scale of work that is larger than the industry has historically seen and we are very well placed to win a significant amount of this work.

It is possible that continuing volatility in the US and Europe could impact future demand, although once projects have commenced they are very rarely cancelled.

Market Briefing

Thank you Simon.

For further information, please contact Southern Cross Electrical Engineering Limited on
+61-8 9410 1833 or visit www.scee.com.au

***DISCLAIMER**: Market Eye Pty Ltd (Market Eye) has taken reasonable care in publishing the information contained in this Market Briefing. The information is provided in summary form, does not purport to be complete, and is not intended to be used as the basis for any investment decision. The reader of this Market Briefing is solely responsible for how they use the information, and Market Eye strongly advises that independent professional advice be sought prior to making any investment decision. Market Eye is not responsible for any consequence as a result of the use of this Market Briefing, including any loss or damage a reader or third party might suffer as a result of that use.*

Some of the information contained in this Market Briefing contains "forward-looking statements" which may not directly or exclusively relate to historical facts. These forward-looking statements reflect Southern Cross Electrical Engineering Limited's (SXE) current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside the control of SXE.

Actual results could differ materially from SXE's current intentions, plans, expectations, assumptions and beliefs about the future. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks.