

Managing Director's Report

Industrea is strongly leveraged to the global economic recovery, with over \$100M new contracts secured in FY 2009.

Overview

2009 proved a year in which Industrea further enhanced our sector leading product range, grew our customer base domestically and internationally, and successfully expanded into new geographic markets both in Australia and overseas.

With over \$100 million in new contract wins, the company posted its fourth consecutive record revenue and adjusted net profit after tax, despite what can only be described as challenging market conditions for a good part of the year.

Despite our focus on building Industrea's new business pipeline, it was also a year in which we significantly strengthened our internal capabilities to provide a platform for sustained forward growth. This included adding key experienced people to our senior executive team and board, implementing a new integrated accounting and MRP system to drive cost efficiencies, tripling our Diesel Equipment manufacturing capacity and establishing new product support centres in the highly prospective China and Latin America markets.

Pleasingly, over the past six months or so, we have seen a significant re-evaluation of our growth strategy by equity markets, with Industrea's share price increasing from the "lows" of January 2009 to be in the range from 42 cents to 45 cents in September this year.

This was reinforced by the positive market reaction to our results announcement in August 2009, and the spate of new Chinese contracts announced in the first two and a half months of the financial year.

Record Result

Buoyed by a sustained run of new business wins, the successful diversification of our businesses into new geographic markets, and a first full year contribution from Huddy's Mining Services, Industrea's revenue increased 35% to \$259.5 million.

Despite revenue being at the lower end of the guidance issued in February 2009, adjusted net profit after tax (NPAT) of \$45.4 million was at the upper end of our earnings guidance. Adjusted net profit after tax represents underlying profit after tax prior to the non-cash amortisation and impairment of intangible assets recognised on acquisitions, and unrealised movements on interest rate hedging investments. EBITDA of \$100.6 million was 30% higher than the previous year.

Reported net profit attributable to members was \$15.3 million. Reported profit after tax was significantly impacted by non-cash impairment and unrealised IFRS adjustments. The directors believe the inclusion of an adjusted net profit after tax result (\$45.4 million) for the year provides a clearer indication of the underlying earnings derived during the year.



The result represented adjusted basic earnings per share of 5.38 cents per share, compared to 5.64 cents the prior year.

Full year cash flow from operating activities remained at healthy levels, at \$43 million.

In light of the year's strong cash flow, directors declared a final dividend of 1 cent per share fully franked, which lifted the full year dividend to 1.25 cents per share fully franked (2008: 1 cent per share fully franked). The record date for dividend entitlement is 19 October 2009 with the dividend due to be paid on 3 November 2009.



As announced at the end of August 2009, Industrea has introduced a Dividend Reinvestment Plan (DRP) for shareholders.

Under the DRP, details of which were released in September 2009, shares allotted for the 2009 dividend will be issued at a discount of 5% to the volume weighted average price of Industrea shares over the 5 trading days commencing 2 trading days after the dividend record date. The initial allotment of shares under the DRP will be issued in early November 2009 and are expected to be available for trading on ASX on 12 November 2009.

During the year Industrea successfully diversified its funding arrangements with National Australia Bank, syndicating part of the company's existing borrowing facility between two other senior financiers, the Commonwealth Bank and Caterpillar Finance.

In addition to this facility, Industrea has a \$50m standby equity line of credit with leading US investment fund Yorkville LLP. Under this arrangement, which remains undrawn, Industrea can place up to \$50m of company shares at the prevailing market price with Yorkville over a defined period. This facility remains available until June 2011.

Share Purchase Plan

On 31 August 2009 Industrea announced a Share Purchase Plan (SPP) to raise up to \$20 million to fund identified growth opportunities in FY 2010.

Proceeds from the SPP will be used to fund the acquisition of mining services equipment associated with the expansion of an existing long term, secure contract held by Huddy's and to facilitate the continued growth and diversification of our mining services business.

Proceeds will also be used to sustain our expanding sales growth into China, where opportunities for the acquisition of additional product lines for sale have been identified. All shareholders registered on 1 September 2009 were eligible to

subscribe for up to \$15,000 of Industrea shares, at a maximum price of \$0.42 per share. All shares allotted under the SPP qualify for the 2009 final dividend, with the offer expected to close on 9 October 2009.

New Business Pipeline Swells

Reflecting Industrea's continued global expansion and diversification into new mining services markets in Australia, the company's new business pipeline reached record levels in 2009, up almost three-fold on the level set the prior year.

All up just over \$100 million in new contracts were won by the company's Mining Services, Diesel Equipment, Technology and International divisions in the 12 months to June 30, 2009.

The new contracts were for a range of major mining projects located in Australia, South Africa and China involving BHP Billiton Mitsubishi Alliance, Rio Tinto Coal and Shenhua Energy Company amongst numerous other leading mining groups.


In particular, demand from the rapidly expanding Chinese underground coal industry for Industrea's "best of breed" mine safety and productivity equipment continued to escalate throughout the year. Full year revenue from Industrea's gas drainage directional drilling systems, collision avoidance systems and specialist underground longwall equipment increased 78% to \$125m.

Boosting Our Capacity

Investments were made in key areas of Industrea's operations in 2009, to ensure our longer-term manufacturing and servicing capacity keeps pace with the company's future growth targets.

In March 2009 Industrea acquired the specialist metal fabrication business, Kade Engineering for \$1.8 million to supplement our expanding mining equipment manufacturing operations in the Hunter Valley. The consideration for Kade Engineering was an upfront payment of \$1 million, comprising \$0.8



 Industrea's growing reputation as a world leader in mine safety and productivity equipment helped swell our FY 2009 new business pipeline to a record \$100 million.





million cash and \$0.2 million in Industrea shares. The remaining \$0.8 million in cash had been paid by this report's publication, as the agreed profit targets were successfully met.

The rationale behind the acquisition was the ability to leverage greater production efficiencies and margin capture of work traditionally outsourced by our existing Hunter Valley Diesel Equipment manufacturing business.

Decided synergies have already been achieved since Kade's acquisition, with the business undertaking increasing volumes of fabrication work for Industrea Mining Equipment and P.J. Berriman, which were previously outsourced with resultant cost savings integrated into the wider business.

In July 2009 Industrea Mining Equipment's manufacturing capacity in the Hunter Valley was tripled with the consolidation of separate manufacturing and servicing operations into new and much larger premises.

In an initiative designed to spearhead the next phase of our Chinese growth strategy, in June 2009 Industrea established a new product support centre in Beijing to service a range of equipment across our key products and to ensure the required technical expertise is available on the ground for our customers in the region.

With China forecasting to nearly triple coal-fired electricity generating capacity by 2030 from 2006 levels, this strengthened

company beachhead will significantly enhance our already strong position in the Chinese domestic coal mining safety and productivity sector.

In August 2009, Industrea's presence in the Latin America mining market was strengthened with the opening of a wholly owned distribution and service support centre in Santiago, Chile. This representation, which replaces a previous agency agreement, will also facilitate opening identified future opportunities for Industrea in the Southern USA market.

During the year, a New South Wales depot for Huddy's Mining Services was opened in the Hunter Valley to support this business's successful expansion drive into the New South Wales contract mining market.

Listing on US Market

Industrea's listing on the international OTCQX market based in New York in January 2009, has widened the company's exposure to US investors. The OTCQX listing represents a low cost and highly effective step towards creating an international shareholder base for Industrea.

Only leading companies that have substantial operating businesses and provide credible disclosure are eligible for listing on the premium tier international OTCQX.

There are currently five full time US-based market makers in the stock and global turnover in Industrea's shares

on a monthly basis has increased by approximately 20% since the OTCQX listing.

To help heighten US investors' awareness of Industrea's capabilities and growth strategy, a presentation on the company was made to the ASX Small to Mid Caps Conference held in New York in February 2009, with another New York presentation scheduled for September 2009. Industrea has also been invited to present at an ASX Small to Mid Caps Conference in Hong Kong in October 2009.

Senior Management Bolstered

Industrea has evolved significantly over the past 12 months. Given the pace of our growth, ever increasing global markets and the diversification of our business streams over this period, it is critical to ensure our internal systems and controls are maintained at a level to ensure the company's forward growth and profitability are maximised.

In line with this need, Industrea bolstered the depth and expertise of the company's head office executive team in 2009 with the appointment of three new senior managers.

In August 2008, Kieran Wallis was appointed Industrea's Chief Financial Officer. Mr Wallis was formerly Chief Financial Officer of ASX-listed GBST, where he took a leading role in the historical listing process and several multi-million dollar acquisitions.



Industrea's outlook for FY 2010 remains strong, with the company well poised to capitalise on our established infrastructure in the Bowen Basin and Hunter Valley and our expanding presence in the key Chinese market.



This appointment was followed by the subsequent signings of David Cahill as Chief International Officer and Phillip Hourigan as General Counsel and Company Secretary.

Mr Cahill, whose primary responsibility is to drive the company's export growth, joined Industrea after a 20-year career with BP in Australia, Japan and China.

Formerly a commercial partner with the leading law firm Deacons, Mr Hourigan has 20 years experience in contract law and negotiation, corporate compliance, technology procurement and intellectual property.

In another fillip for Industrea, Dale McNamara, the head of the company's subsidiary Wadam Industries and Special Advisor to the CEO, agreed late in 2008 to commit to the company until at least 2011.

Wadam Industries has played a pivotal role in Industrea's continued success in China, and his re-appointment further boosts our forward growth prospects in this critical market.

Finally, Graham Huddy, the founder of Huddy's Mining Services, continues to play a key role in the further expansion of the Huddy's business, with Mr Huddy being pivotal in winning the \$30 million per annum contract with Cockatoo Coal in July 2009.

Outlook

Reflecting the continued involvement of Industrea, in 2009 we witnessed an increasing consistency in the timing of new contracts and associated revenue streams, with new business wins being announced at regular, ever decreasing intervals.

Industrea has started the 2010 financial year buoyantly, with the new business momentum built in 2009 escalating. From 1 July 2009 up until this report's finalisation, the company had announced new contracts worth over \$63 million. These included the further successful diversification of Huddy's into the Bowen Basin coal market with a \$30 million contract with Cockatoo Coal

and \$33.1 million in new contracts with Chinese customers for longwall roof support carriers and methane gas drainage systems.

We are confident that the pace of new business can be sustained throughout FY 2010 and expect very strong free cash flow to be generated as a result.

Domestically, the opening of Newcastle's third export coal terminal in 2010 is expected to open additional growth windows for our expanding mining services and manufacturing presence in the Hunter Valley.

Over the past two years in particular, Industrea has carved a reputation as a legitimate world leader for safety and productivity mining technology and equipment. This segment of the market will continue to grow exponentially given that it is a priority, non-discretionary area of capital investment by global mining groups, and particularly those in China, where a concerted drive by the government to lift the country's underground coal mining safety record will continue in 2010 and beyond.

New, recurring revenue streams from equipment sales, spares, service and support provision are expected to arise in China in FY 2010 following the groundwork laid in 2009 in strengthening our servicing and product support capability.

We are continuing to identify other global original equipment manufacture (OEM) suppliers which lack proven sales and distribution channels in China, to augment what is already our world class product offer in that market, as there are no doubts this market will remain a major growth engine for Industrea well into the future.

In Australia, the capital shortage now impacting on much of the mining sector is expected to provide a continuing catalyst for ongoing growth opportunities for Huddy's throughout 2010.

Increasingly, mining companies, including many existing Industrea clients, are looking to outsource their vehicle and equipment supply and maintenance

needs, rather than committing scarce capital to equipment acquisitions.

As we commence the new financial year there are early signs that macro conditions for the resources sector both world-wide and in Australia, are taking a turn for the better.

There are no doubts that a majority of the markets to which Industrea has a significant exposure are poised to sustain growth in 2010 and beyond.

Industrea now has in place diversified, recurring income streams from many of the world's largest mining producers. Through the efficiencies afforded by our vertically integrated design, manufacture and distribution model, we can produce world-leading products and technology that can legitimately compete globally on price, performance and productivity.

Importantly, Industrea has a proven ability to sustain margins through fully integrating all facets of the development process from designing, manufacturing, certifying, and exporting through to providing critical on-ground servicing and support.

While our focus in 2010 will remain squarely on accelerating organic growth across all Industrea's businesses, we will continue to investigate opportunities where supplementary bolt-on acquisitions in the products and technology areas can add immediate gains to shareholder value.

The board is confident that the company is ideally positioned to capitalise on improving business environment, and that barring any unforeseen downturn in trading conditions, is confident of again increasing profitability in FY 2010.



ROBIN LEVISON

*Managing Director and
Chief Executive Officer*