

BRICKWORKS

LIMITED

MANAGING DIRECTOR'S REPORT AGM 2001

Thank You Chairman, Ladies and Gentlemen,

The Chairman has reported to you our overall results. I will cover the clay products operations and the progress we are making to increase the returns on shareholder funds.

CLAY PRODUCTS

For those of you who are new shareholders, Austral Bricks and Austral Tiles are the trading arms of Brickworks Limited. We have two plants in Queensland and six plants in New South Wales. At full capacity we can produce 440 million bricks and pavers and the new tile factory will produce, 1 million square metres of terracotta tiles.

We employ approximately 550 employees directly.

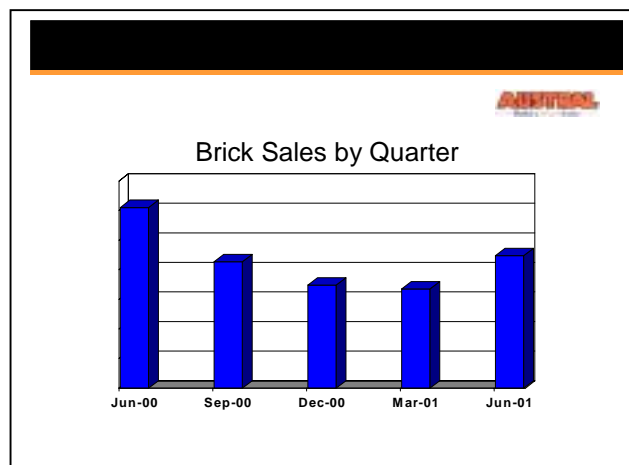
All our plants run on natural gas, are fully automated and have substantial on site clay reserves.

Bowral is still a manual plant as it has just been purchased.

We sell in our own right in the capital cities and major regional areas. We use resellers in country areas and overseas.

REPORT ON FINANCIAL YEAR 2000/01

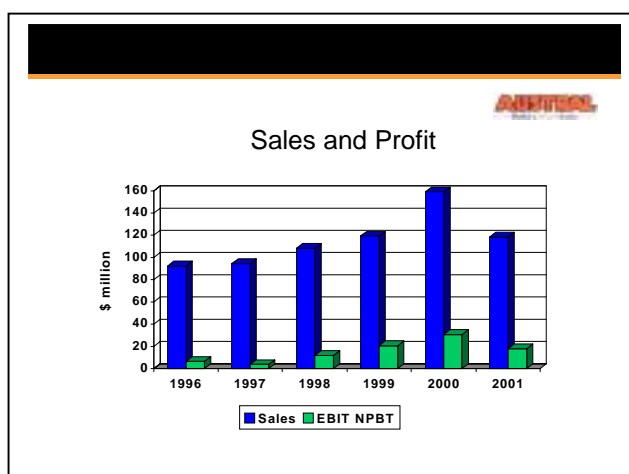
The housing industry suffered its worst downturn in thirty years, according to BIS Shrapnel, with commencements falling 34% to 114,000 nationally in 2000/01. The GST induced boom and preparation for the Sydney Olympics were the main and well-publicised causes of this unprecedented draw forward and subsequent collapse in demand.



Sales and profits deteriorated in each of the first three quarters of the year. The final quarter was the strongest of the year, showing some improvement.

The industry in New South Wales was impacted by the collapse of HIH Insurance. A number of long-term clients remained uninsured and unable to commence new work at 30 June. This situation has now rectified itself. Many builders have had to strengthen their balance sheets to obtain insurance and we see this as positive for the building industry in the future.

Brick and paver sales volumes fell by 29%, however unit selling prices continued to increase beyond unit production costs, cushioning the impact of the downturn. This was achieved despite aggressive discounting in the market by competitors, and numerous alternative products attacking traditional markets.



The reported clay products pre tax profit to sales ratio showed a reduction to 15% from 19.1% the previous year. The reduced contribution was caused by a number of one off charges including;

- The balance of the old tile plant was written off.
- A provision was created for environmental works on the filled portion of the Punchbowl site.
- Additional expenses were incurred for approvals and contracts associated with the property development and waste management.
- The stock value of Bowral was written down by \$590,000 to reflect current lower manufacturing costs.

These charges totalled \$2.6 million. Prior to these charges the pre tax margin was 17.2%, comparing favourably to the 18% achieved in the first half. In the first quarter of this year the margin has strengthened to 19.9%

Most factories were closed in January for long overdue maintenance and one kiln at Rochedale required closing again in April for unscheduled repairs to a failed section of the refractory roof. There was some disruption caused by the construction of the new tile factory.

Stock levels have been replenished and stood at \$25.2 million on 30th June 2001. It is our intention to close factories over the Christmas New Year period to ensure stock remains at the desired level. Demand between now and Christmas will determine the extent of any shutdown.

In the first quarter of this year sales were up 4% to \$33.1 million and the unaudited clay products profit before tax compared to the same period last year was up 15% to \$6.9 million.

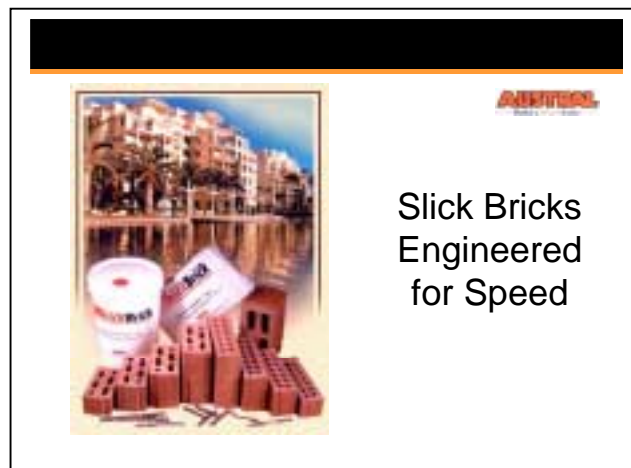
Performance First Quarter

	Sept Quarter 00 \$ million	Sept Quarter 01 \$ million
Sales	31.8	33.1
Clay Products NPBT	6.0	6.9

(Not Equity Accounted)

NEW PRODUCTS AND SERVICES

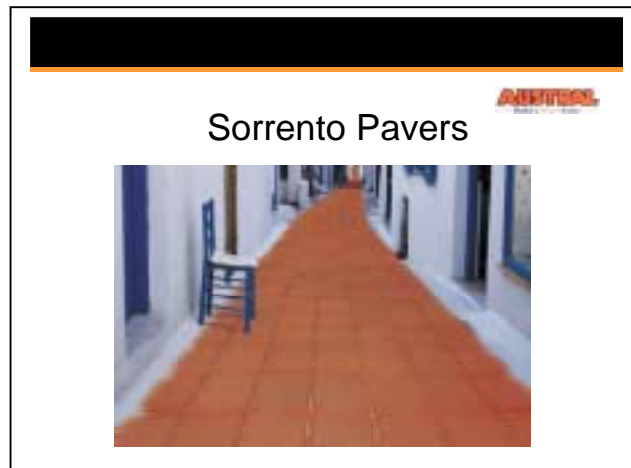
A significant amount of resources were applied to new products and services during the year to maintain Austral's leading position.



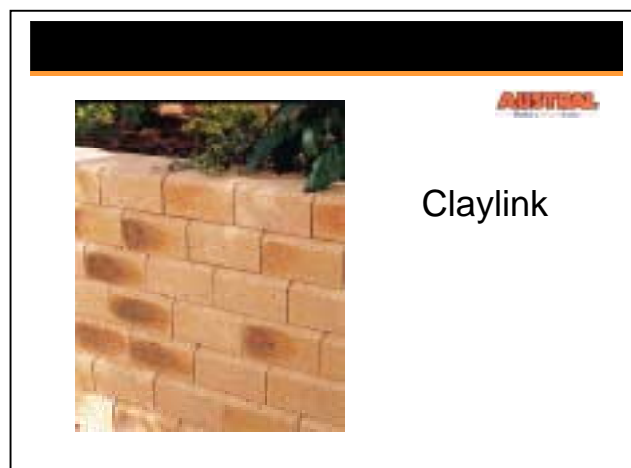
The marketing and product development of Slick Bricks continued with many successful jobs completed. Technical testing of the product is continuing to expand its uses and applications.



During the year Austral's e-brick™ system was released. The system allows customers to place orders, view account details and organise deliveries via the internet. The system is secure and allows our customers direct access 24 hours per day.



The market for pavers has shifted over the last few years from traditional brick size to large format pavers. Austral released two paving ranges to lead this trend in clay pavers, launching the Portobello range from Queensland and more recently the Sorrento range from New South Wales. These are up to 300 x 300 mm in size and feature exciting colours and finishes.

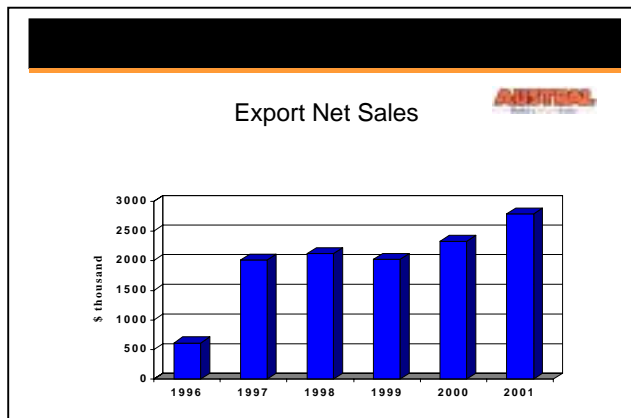


The market for landscape products continues to grow strongly. To capitalise on this Austral has relaunched the Claylink retaining wall system in an updated format. The new format has greater performance parameters and comes in a range of colours with all necessary accessories.

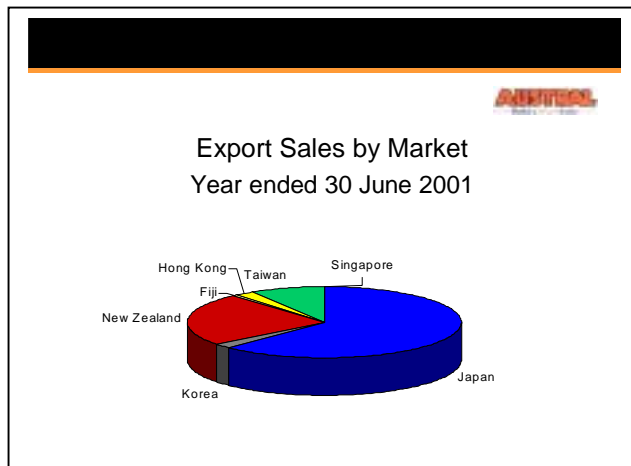


Austral has opened a new display centre at Tuggerah. Conveniently located for local builders and homeowners, the new display centre is designed to service the expanding region of the Central Coast.

EXPORT



Record export sales were achieved after increasing a further 20% over the previous year.



Sales into the Japanese market were substantially increased, even though trading conditions, particularly in the DIY market have deteriorated. Pavers and brick facings are mainly sold to the Japanese and are produced and exported from the Queensland operations.



Sales to New Zealand decreased due to lower housing starts in that market as did sales to Hong Kong and Taiwan.



Austral will continue developing new products for the export market in an effort to sustain this strong and profitable growth in sales revenue.

The new Terracotta Floor Tile Plant, with its anticipated high level of efficiency, should allow Austral to compete effectively in international markets.

CAPITAL EXPENDITURE

Capital expenditure during the period totalled \$11.5 million, including the expenditure on the new tile factory at Punchbowl and excluding the purchase of Bowral Brickworks for \$6.7 million.

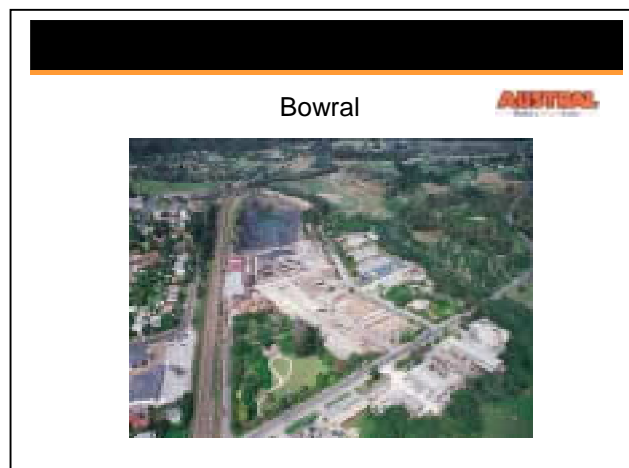


The approval process delayed the commencement of construction of the tile plant, but we are now able to report that the plant is scheduled to commence operation in January 2002. On completion this plant will be the most efficient tile plant in Australia and will give Austral a competitive cost advantage in floor tiles and large format paving.

Depreciation for the year increased 3.0% to \$9.5 million.

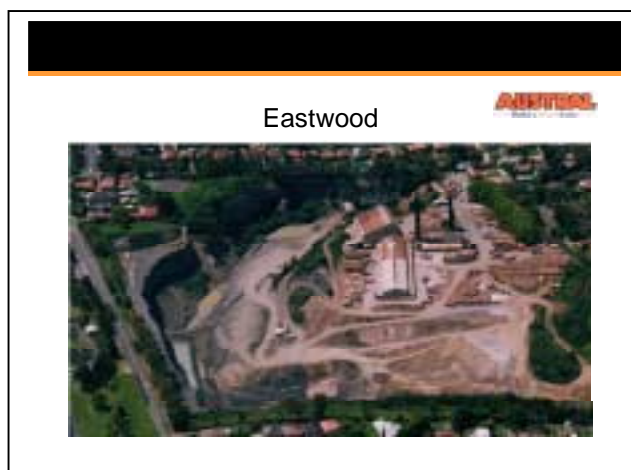
LAND AND PROPERTY REALISATION

Our goal is to realise the value of our land holding to improve the return on shareholder assets.



In March Bowral Brickworks Pty Ltd, located in Bowral, New South Wales, was purchased. The company was bought for \$6.7 million, including \$2.1 million in finished goods inventories. In addition to the 27-hectare factory site, there are two clay and shale properties totalling approximately 130 hectares with reserves in excess of 40 years. The company assets also include an approved landfill site at Bowral. Bowral Bricks has a very strong brand presence, particularly in the architectural market. Since acquisition, an adjoining property of 1.14 hectares has been purchased allowing for plant expansion and additional

storage. It is the company's intention to sustain dry press production at Bowral after the closure of Eastwood.



Since the end of the financial year contracts have been signed with Clarendon Apartments and Boulderstone Hornibrook for a residential development on the Eastwood brick factory site. Austral will receive a guaranteed payment of \$41 million over four years under the arrangement, plus a share of any additional sales once a minimum sales level is achieved.

It is estimated up to 212 dwellings may be built providing approval of the development application for development and rehabilitation of the site is granted by Parramatta Council. Redevelopment of the site will require filling of the void, which is in excess of 1 million cubic metres of space.

The agreement will enable Brickworks to realise the value of the Eastwood site, in keeping with the company's strategy of seeking better returns from its valuable property holdings. By transferring production from Eastwood to Bowral, the combined production will operate more efficiently from a site which has ample clay reserves.

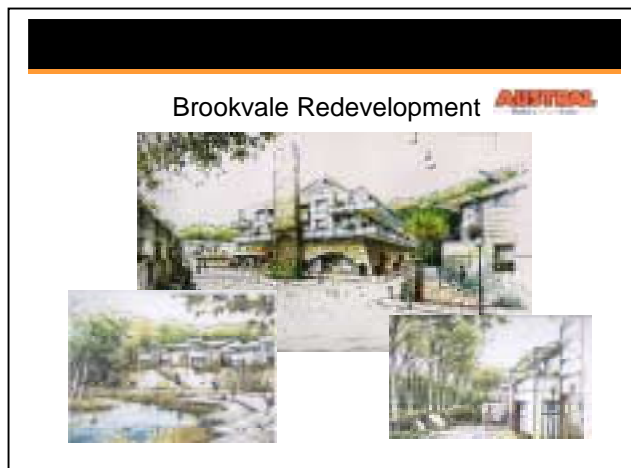


Contracts have been signed since the end of the financial year to commence a waste recycling and landfill operation on the site at Plant 1, Wallgrove Road, Horsley Park. The contracts involve Collex, a wholly owned subsidiary of Vivendi Universal of France, which will pay Austral \$7.2 million to purchase a 34 hectare site at Horsley Park. The agreement is subject to Foreign Investment Review Board approval and the issue of an EPA licence.

Austral will share in profit from the recycling and landfill operations. However, Collex will guarantee a minimum \$1 million annual payment to Austral over the estimated 25-year life of the site.

The site is already approved for Category II waste and the void size when fully excavated will be approximately 6.8 million cubic metres. On completion of filling and restoration, Austral will share in the sale proceeds of the site.

The agreement provides an ideal solution to making better use of surplus land assets.

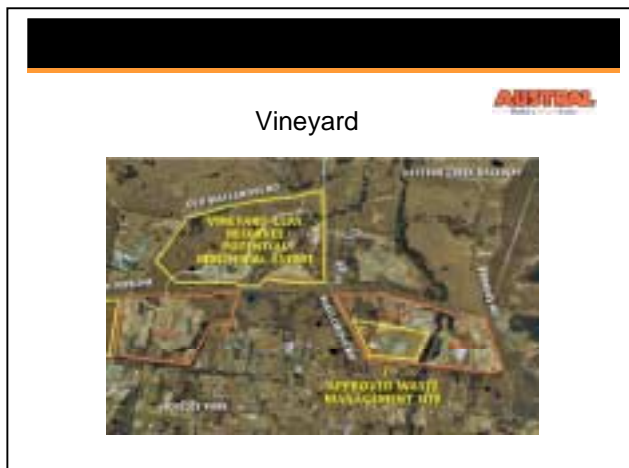


At Brookvale, where the company entered into an agreement with Clarendon Apartments for the development of the decommissioned Brookvale brick factory, the new Warringah Shire Council Local Environmental Plan (LEP) has been gazetted by State Government, which has effectively rezoned the Brookvale site for redevelopment with residential units. The development application has been exhibited and approval is now being sought. The total number of units on the site and the likely development conditions will not be known until this approval is received.



At Mamre Road, St Marys, the company has some 65 hectares of land. This is zoned employment under Penrith Council's Local Development Plan. The company has submitted

a development application to subdivide this into commercial lots. The company continues to work with the council officers towards a successful approval for this property.



The property known as The Vineyard at Eastern Creek, which is approximately 150 hectares bound by Wallgrove Road, Old Wallgrove Road and Warragamba Dam to Prospect Reservoir pipeline, is a major quarry for the company. This property has been zoned under SEPP 59 as an employment zone. The company has commenced working on the precinct plans with some of the adjoining landowners and Blacktown Council. It will take possibly three to five years for the Development Application to be lodged and approved.

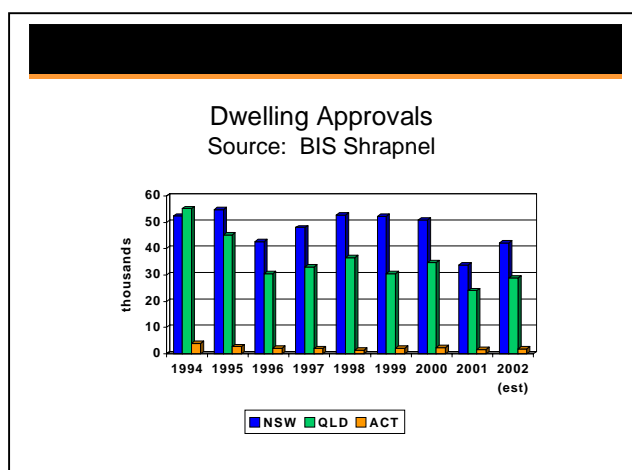
COMPLIANCE PROGRAMS

The company is subject to substantial legislation including health and safety, environmental, trade practices, discrimination and sexual harassment. An extensive compliance program is undertaken to ensure our operations meet these requirements.

The group safety effort has been substantially increased in response to higher workers compensation insurance rates. Additional training and capital works are in progress to further reduce accident frequency rates.

The community and legislation are requiring higher standards of environmental performance. Austral is meeting this challenge with various environmental projects, additional training through all levels of the organisation, continued independent audits and by working closely with the EPA.

FUTURE



There has been much publicity regarding the current "building boom". Demand from the underlying factors such as immigration, both external and internal, household formation rates and interest rates, usually have run a five year cycle over the last fifty years.

It is unrealistic to think that the first homebuyers grant will create anything more than six or twelve months of a draw forward of business. It is for these reasons we believe the current year will remain steady overall. As can be seen from the graph the estimated approvals for 2002 are at approximately 1996 levels.

CONCLUSION

In conclusion, I would like to confirm the Chairman's sentiments and thank all our employees and staff for their outstanding effort and contribution over the last year.

THANK YOU