

**ADACEL TECHNOLOGIES LIMITED**  
**2005 AGM, 28 NOVEMBER 2005**

**ADDRESS BY CHAIRMAN, JULIAN BEALE**

Welcome to the eighth Annual General Meeting of Adacel Technologies Limited.

2005 was another disappointing year for Adacel, with an after-tax loss of \$9.1 million. Although operating losses were reduced, the group performance was affected by several factors, most notably:

- Several contracts which were expected in the 2005 year were delayed into the current financial year – and have now been received,
- There were one-off accounting adjustments reflecting cost over-runs on historical projects, and
- We took up provisions for further restructuring in North America and for future contract costs.

Overall this result was quite unsatisfactory.

We have made progress to further focus Adacel on our international North American-based aviation and defence simulation and air traffic control operations.

As a key part of this strategy, we established the senior executive positions of Chief Executive Officer North America and Chief Financial Officer North America. Fred Sheldon was appointed as CEO North America and Seth Brown appointed as CFO North America. We also established the position of Senior Vice President, Business Development North America, and appointed Steve Piller in that position. Fred Sheldon and Seth Brown have joined us from their base in Orlando, Florida, for this meeting today.

These three executives bring a wealth of experience to Adacel from the North American aviation and defence sector, including from such companies as Rockwell Collins, Boeing, DRS Technologies, Smith's Aerospace, Matra Defense Company, Fairchild Space and Defense Corporation, General Electric Aircraft Engine Group and Avco Everett Research Laboratory.

Under the new team, the North American business units were restructured to improve operational focus, programme performance and reduce costs going forward. Fred will discuss these initiatives in a few minutes. In terms of working capital, the company is continuing to operate within existing banking facilities with the Royal Bank of Canada.

Earlier this year, Adacel's managing director, Silvio Salom, transferred executive responsibilities for the North American based operations of the Company to the Adacel CEO of North America, Fred Sheldon. The majority of the Company's operations are now based in, or managed from, North America. Since this time, Mr Sheldon has reported directly to the Board with respect to the matters within his responsibility.

Since the changes earlier this year, the Managing Director has focussed primarily on corporate development and strategic initiatives. Recently, as Chairman I commenced further discussions with Mr Salom about the strategic issues that he might focus on in the future. No new arrangements have yet been agreed and they will be reported if and when they have been agreed.

Earlier this year Errol Turner, the Company's CFO and Company Secretary returned to his home city of Perth. Errol kindly agreed to continue consulting to the Company until 31 December. As December fast approaches and Mr Turner's current arrangements end, we wish to thank Errol for his assistance and wish him all the best for the future.

His responsibilities will be assumed by Mike Smith, whom we congratulate on his appointment.

Going forward, the Adacel group is now in a stronger position.

Having regard to the outlook, we are confident that the steps we have taken will deliver an improved result compared to previous periods. In the first four months of the current year and on the basis of unaudited management accounts the company booked a small surplus and we are hopeful of continued improvement in the overall result for 2006. However the result will be dependent on:

- Timing of contracts and deliveries, which will still need to be closely monitored and managed; and
- Finalisation of the transition to the new Australian equivalents of the International Financial Reporting Standards

## **Adacel North America & International Overview**



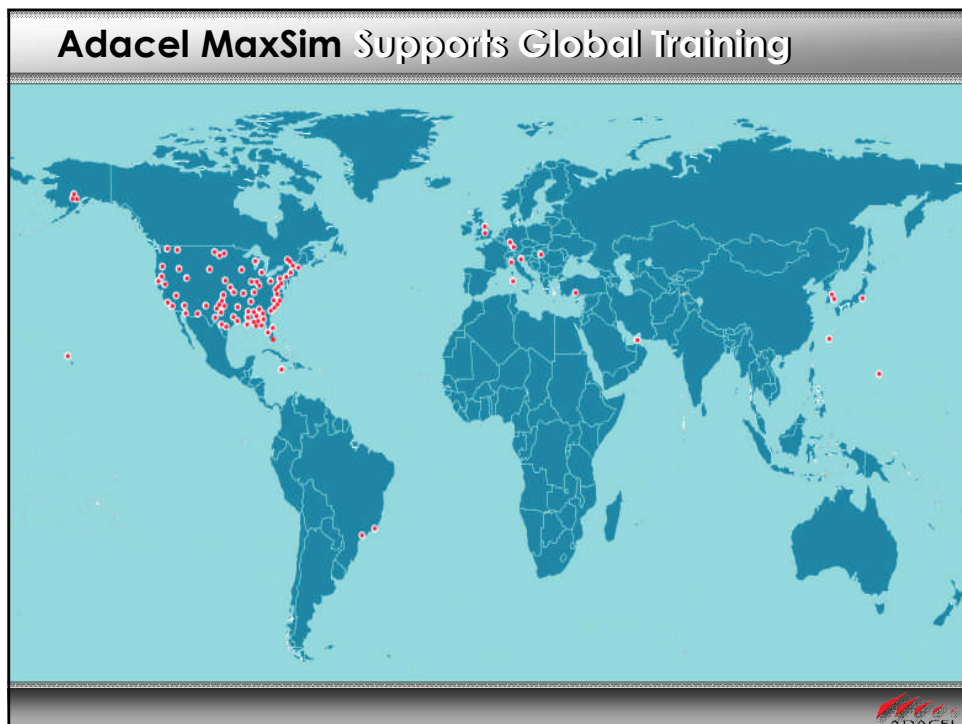
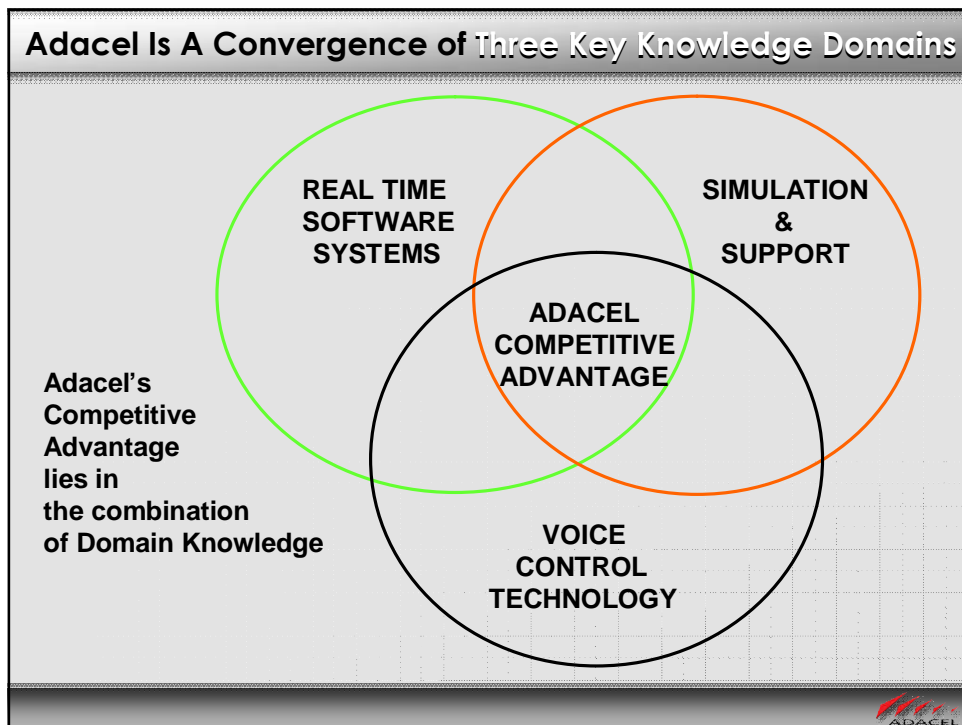
**Fred Sheldon**  
CEO, Adacel North America

### **FY05 WAS "A YEAR OF CHANGE"**

- **Strengthened and restructured management**
  - Established accountable Business Units
- **Strengthened financial controls**
  - Established North American bank facility
- **Restructured Program Management**
  - Addressed and resolved program issues


**Focused Strategy For Growth**






## Aurora - Providing Global Oceanic Air Traffic Management

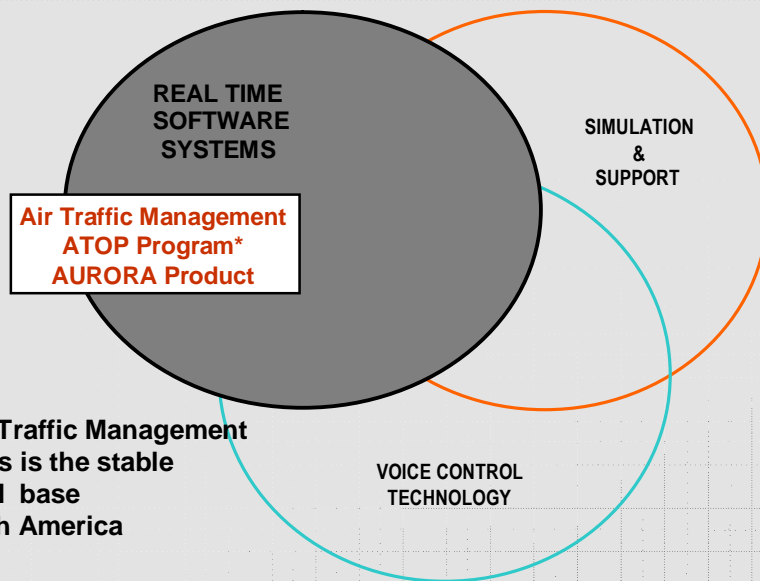


 Aurora Systems  
Operational Now

 Operational 2006



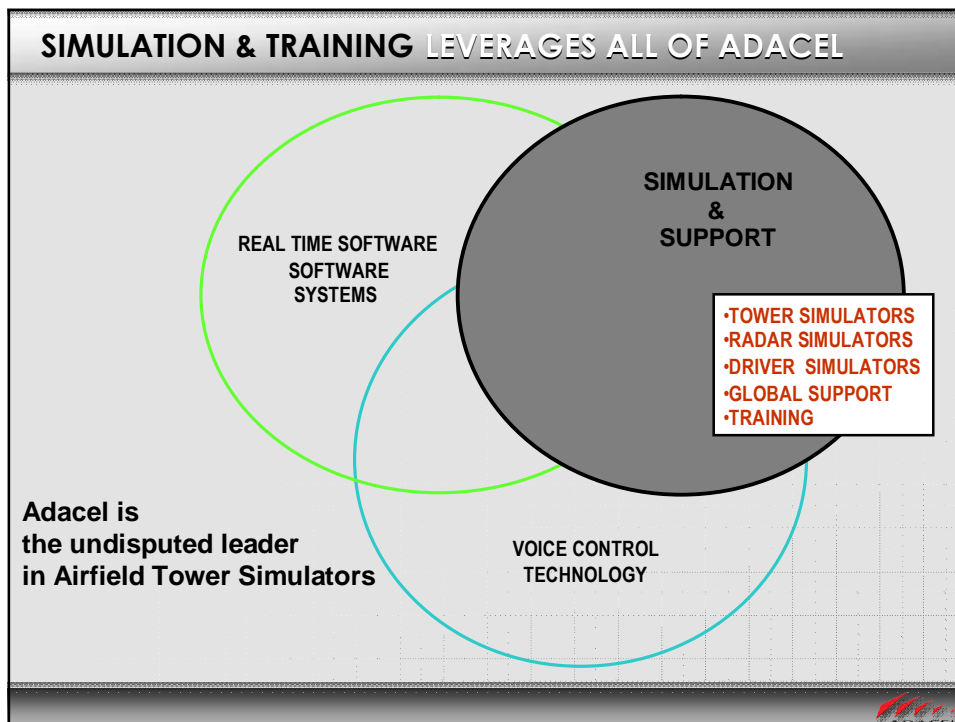
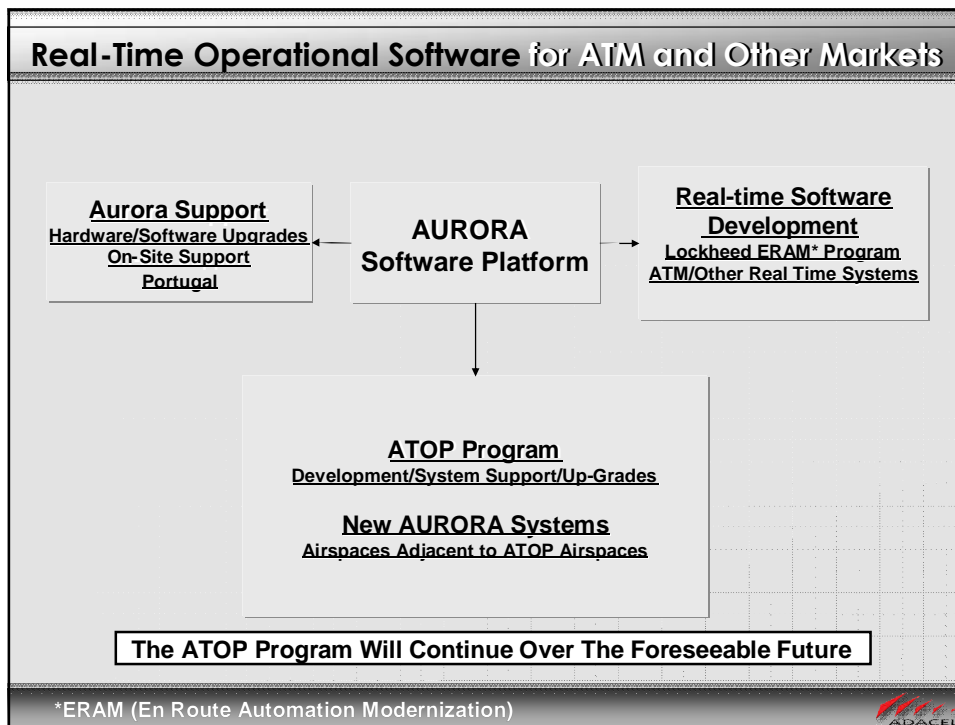
## Air Traffic Management REALTIME OPERATIONAL SOFTWARE

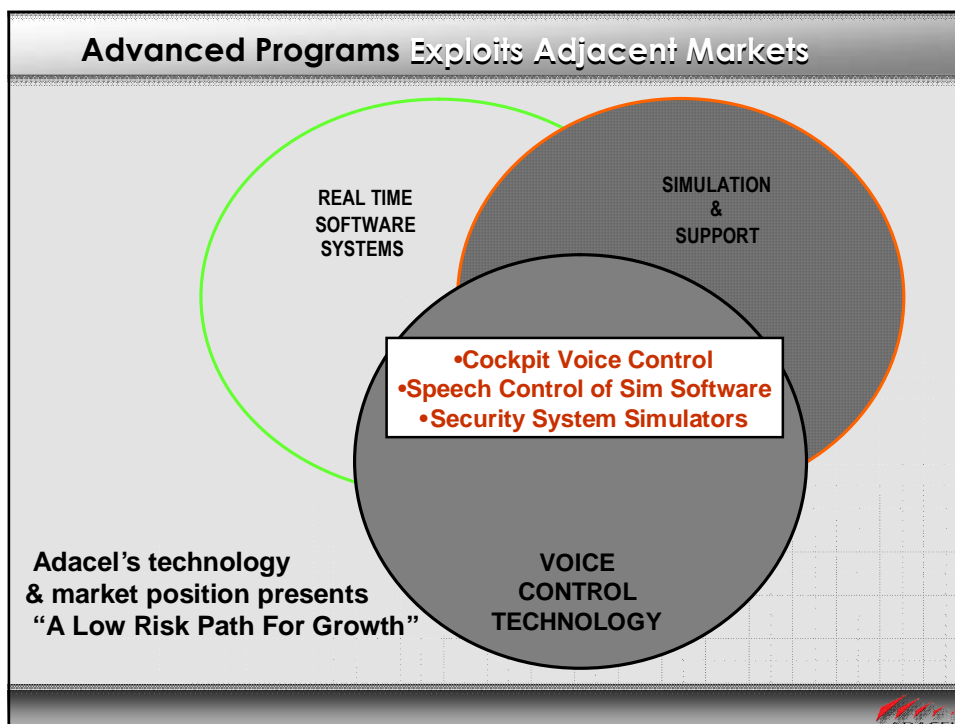
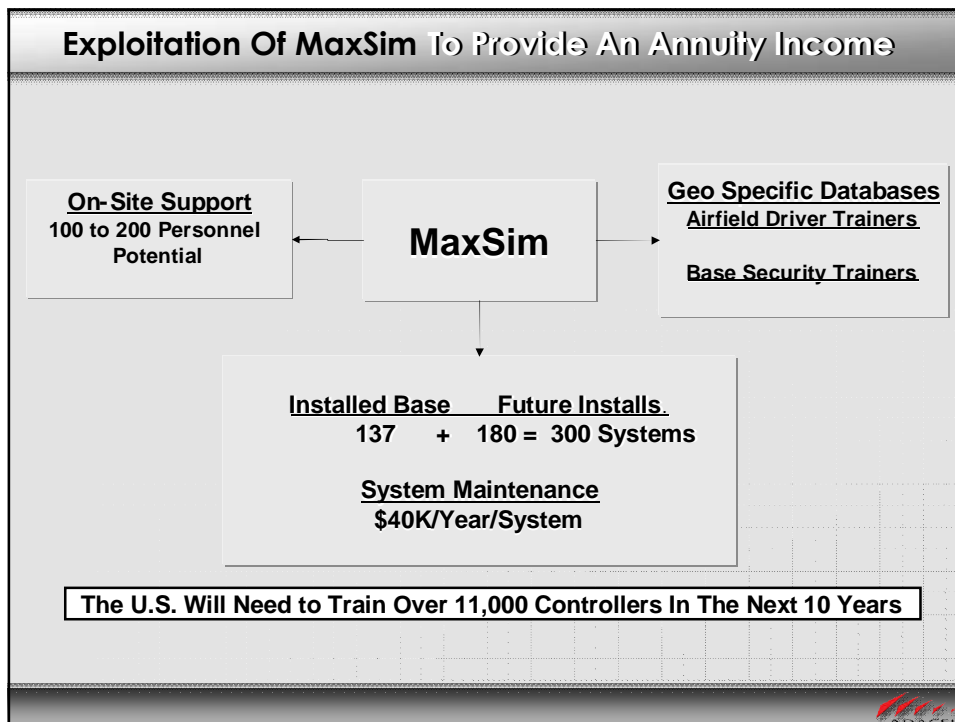


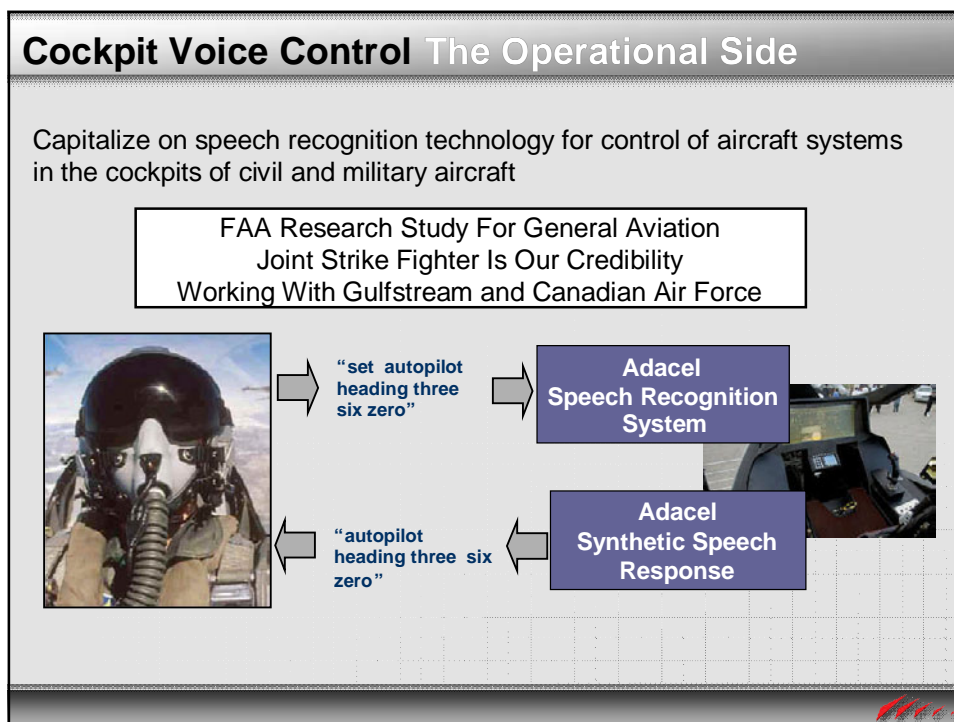
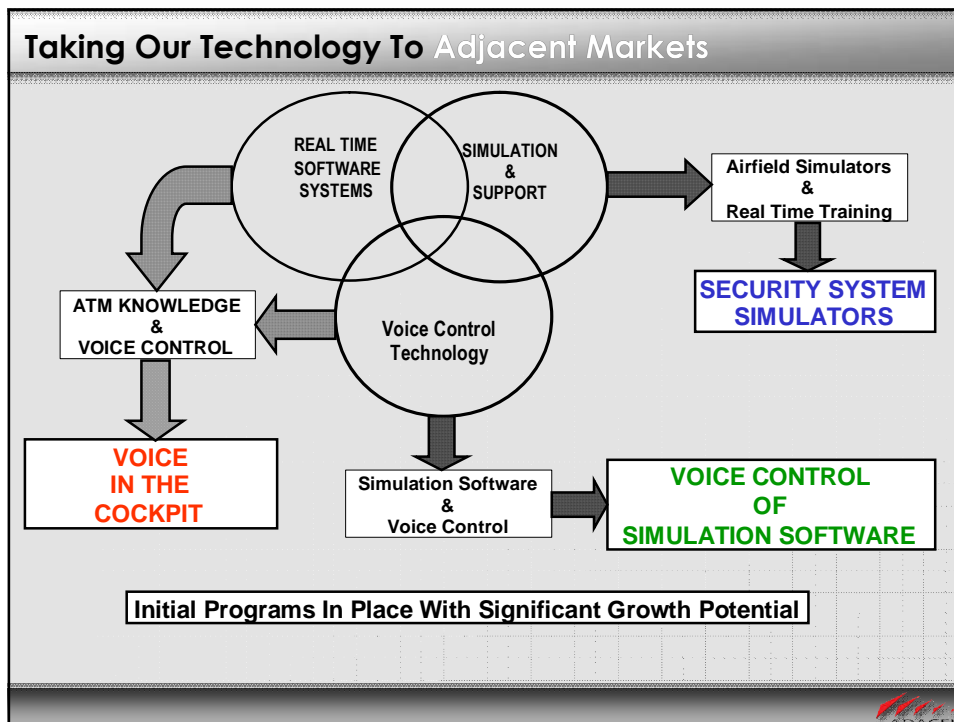
The Air Traffic Management business is the stable financial base for North America

•ATOP (Advanced Technologies and Oceanic Procedures)





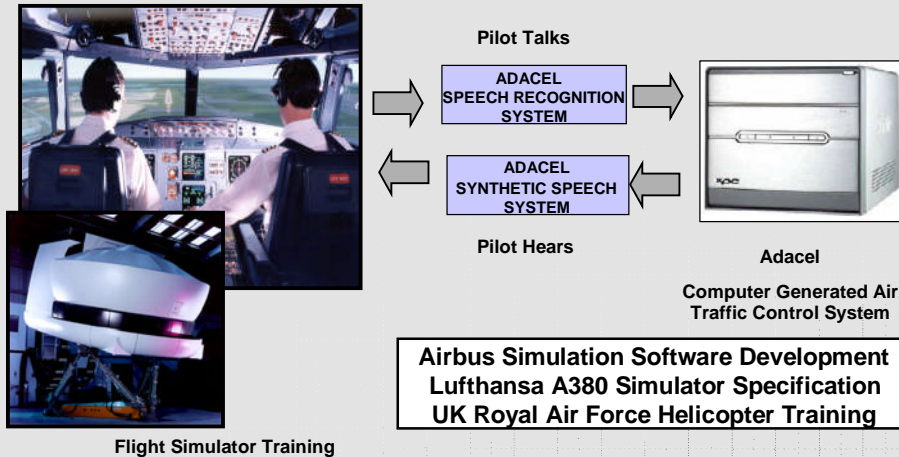






## Speech Recognition For Simulation And Training Of Air Crews

Exploit the success and growing reputation of the speech recognition system developed for Air Traffic Control Simulation



## Security Simulation Addresses An Emerging Market

Adaptation of Air Traffic Control Simulator Technology for use in the developing Security Systems Simulation market.

1<sup>st</sup> System Delivered to  
Sandia National  
Laboratories

Follow-on Contract In  
Negotiation



## **BUSINESS SUCCESES** In The Global Markets We Serve

- **Air Traffic Management**
  - FAA ATOP Program operational
  - Under contract to upgrade Nav Portugal's AURORA System
- **Simulation & Training**
  - Under contract for FAA Field Systems
  - Under contract for U.S. Marines
  - Two significant Italian Simulator Programs
  - Under contract for FAA/DoD On-Site Support
- **Advanced Programs**
  - Under contract to Airbus
  - First Security System sale
  - Joint Strike Fighter Program continues on track



## **Adacel** **A**chievable **G**rowth

- **Significant changes completed in FY05**
  - Infrastructure in place to execute the plan
- **Markets favourable over foreseeable future**
  - Global Air Traffic growth and training
- **Products have a leadership position**
  - Simulation and ATM Software leadership
- **New products have our leading edge technology**
  - No invention required

**Adacel North America Is Ready To Address The  
Future**

