

LUCAS



AJ LUCAS GROUP LIMITED

RESULTS PRESENTATION

Half-year ended 31 December 2006



Presentation Outline

- Highlights
- Group Financial Performance
- Business Unit Performance
- Issues
- CSM Assets
- Balance Sheet/Capital Requirements
- Strategy
- Outlook



Highlights

- Profit disappointing. EBITDA performance as expected – SIS & FM under performed
- EBITDA increased by 24% to \$6.8m
- Strong operating contribution from McDermott Drilling and Underground Drilling
- Results impacted by project delays (\$35m revenue; \$4.4m margin)
- Record order book of \$250m
- Gloucester Basin: Phase II development plan agreed; \$13m – \$15m expenditure over 18 months
- Excellent safety record – Goro award for nil LTI on 1,000,000 man hours

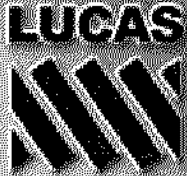


Group Financial Performance

Half year ended 31 December 2006

- Facilities management goodwill (\$1.0m) and Pipeline Rights (\$1.8m) written off
- Net profit of \$3.1m recognised from acquisition of McDermott Drilling
- Delays in the commencement of projects impacted on revenue (\$35m) and margin (\$4.4m); will be recovered in second half
- Plant under-recovery of \$2.5m (2005:\$2.2m)

	2006	2005
Revenue	\$85.0m	\$94.5m
EBITDA	\$6.8m	\$5.5m
EBIT	\$2.6m	\$3.2m
Net profit after tax	\$1.2m	\$1.9m
Net cash from operations	\$4.5m	\$5.9m
Assets acquired	\$13.1m	\$8.0m
Earnings per share	2.3¢	3.8¢
Order book	\$250m	\$111m



Divisional report – Pipelines and HDD

- Goro Project slowed by local conditions and previous unrest
- Conservative approach to profit recognition on Goro Project
- HDD performed well but plant under-recovery
- Planning complete on Western Corridor project; construction to commence shortly
- PSP Alliance Contract with Sydney Water

	Dec 2006		Dec 2005	
	Revenue \$m	EBIT \$m	Revenue \$m	EBIT \$m
Pipeline	19.2	0.2	21.2	1.8
HDD	7.8	0.6	17.5	0.5
	27.0	0.8	38.7	2.3

	Dec 2006	Dec 2005
Revenue	\$27.0m	\$38.7m
EBIT	\$0.8m	\$2.3m
Margin	3.0%	5.9%
Plant under-recovery	\$0.9m	\$1.5m
Write-off Pipeline rights	\$1.8m	-
Adjusted margin	13.0%	9.8%
Order book	\$113m	\$36m



Divisional report – Drilling Services

- McDermott Drilling acquired in July 2007
 - Operating profit of \$1.9m
 - Net profit of \$3.1 million recognised from acquisition
- Underground drilling
 - Operating profit of \$1.3m
- SIS drilling
 - Operating loss of \$0.5m

	Dec 2006		Dec 2005	
	Revenue \$m	EBIT \$m	Revenue \$m	EBIT \$m
Underground	5.8	1.3	3.4	0.6
SIS	6.2	(2.1)	7.4	0.4
Vertical	7.7	4.8	-	-
Wellhead	2.2	0.2	2.4	0.3
	21.9	4.2	13.2	1.3

	Dec 2006	Dec 2005
Revenue	\$21.9m	\$13.2m
EBIT	\$4.2m	\$1.3m
Margin	19.2%	9.8%
Plant under-recovery	\$1.6m	\$0.7m
Profit on acquisition of McDermott	\$(3.9)m	-
Amortisation of McDermott goodwill	\$0.8m	-
Adjusted margin	12.3%	15.2%
Order book	\$13.5m	\$7.4m



Divisional report – Construction and Civil

- Delays in project commencement (Ivy and Hyundai)
- Facilities Management continues to under-perform
- Strong order book with focus on negotiated work
- Margin reduction because of business mix

	Dec 2006		Dec 2005	
	Revenue \$m	EBIT \$m	Revenue \$m	EBIT \$m
Stuart	34.3	1.2	39.6	1.6
FM	1.8	(1.2)	3.0	(0.1)
	36.1	0	42.6	1.5

	Dec 2006	Dec 2005
Revenue	\$36.1m	\$42.6m
EBIT	-	\$1.5m
Margin	0.0%	3.5%
Write-off facilities management goodwill	\$1.0m	-
Facilities management operating loss	\$0.25m	\$0.14m
Adjusted margin	3.4%	3.8%
Order book	\$123m	\$68m



Issues

- Pressure on costs
- Availability of skilled personnel – all levels
- Recovery of plant investment in SIS and HDD
- Increased competition; new entrants in market



CSM Assets

- Recruited new management team, based in Melbourne
- Gloucester Basin Phase II development plan agreed
 - Expenditure of \$13m - \$15m over 18 months planned
 - 12 core wells, 3 production pilots, aeromagnetic programme and seismic reprocessing
- Gloucester Basin, although prospective, must be considered very high risk
- Strategy in place – well thought through – prospects very encouraging



Balance Sheet/Capital Requirements

- Strong operating cash flow but working capital requirements increasing
- Gloucester Basin development programme accelerated
- Additional plant required for pipeline activity
- Convertible notes (\$10million) mature in December 2007 (conversion price at least \$2.00 per share)



Strategy

- Balanced business mix – on track
- FM/O&M business needs a lot of senior executive time
- Risk mitigation through project alliances and partnerships eg. Western Corridor with Transfield, Cascades with PSP (Sydney Water)
- Diversify activities into Asia with local partners, commence activities in China
- Develop CSM business and prove up reserves at Gloucester Basin
- Consider bolt on acquisition opportunities



Outlook

- Order book of \$250 million – Projects commenced:
 - Western Corridor (Pipeline) \$85 million
 - Cascades (HDD) \$20 million
 - Ivy (Construction) \$68 million
 - Hyundai (Construction) \$45 million
 - Drilling (Vertical and underground) \$21 million
 - Slipways (Civil) \$24 million
- High demand for pipeline works (water and gas) over foreseeable future
- CSM gas sector plans significant capex
- Resources boom continuing
- Attractive prospects in China – HDD, coal drilling services, pipelines
- Rapid delivery mechanisms require ‘Lucas type’ skills – knowledge of work, hands-on, alliances and partnerships, reliable and competent
- Capital raising to be undertaken