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
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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