AJ LUCAS GROUP LIMITED

Full Year Results & Business Update

September 2004

Contents

Highlights

- **Net profit to members up 29.9% to $10.0m**
  - Operating EBIT increase 12.1% to $13.0m
  - Margin improvement in all Divisions
  - Coal Technologies maiden profit $1.2m
  - Income Tax Expense 4.6% (2003: 28%)
- **Strong Balance Sheet and Liquidity**
  - Net Assets $47.6m (2003: $30.7m)
  - Net Liquid Assets $29.5m (2003: $16.0m)
  - NTA Backing 96.6¢ (2003: 73.4 ¢)
- **Dividend of 4.5¢ - 50% Franked**
- **SEA Gas Pipeline successfully completed on time**
- **Strong organic growth – Coal Technologies (58%)**
- **Stuart, excellent acquisition**
- **Excellent Safety, IR and Environmental record**

Full Year Results

Full Year Results
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Summary

Summary of Financial Results	June 2004 $'m	June 2003 $'m	Change %
Operating Revenue	116.8	151.2	(22.7)
Total Revenue	121.8	154.9	(21.4)
EBITDA	17.1	16.8	1.8
Operating EBIT	13.0	11.6	12.1
Net EBIT	10.1	10.4	(2.9)
Profit before Tax (PBT)	10.2	10.8	(5.6)
Net Profit attributable to Members	10.0	7.7	29.9
Total Assets	84.1	85.6	(1.8)
Net Assets	47.6	30.7	55.1
Earning per share	20.8¢	18.9¢	10.1
Dividend	8.0¢	8.0¢	-
NTA backing per share	96.6¢	73.4¢	31.6

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Divisional Performance

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Division	Revenue 2004 $'m	Revenue 2003 $'m	Profit before tax 2004 $'m	Profit before tax 2003 $'m	Margin 2004 %	Margin 2003 %
Pipelines	55.8	123.3	7.1	12.8	12.7	10.4
HDD	12.9	19.1	2.8	2.1	21.7	11.0
Coal Technologies	13.8	8.7	1.2	(0.5)	8.7	(5.8)
Stuart	34.2	-	0.8	-	2.3	n/a

Pipeline

- Successful completion of SEA Gas & Bass Gas Pipelines
- Margin improvement 13.8%

HDD

- Margin Strengthened to 21.7%
- Projects executed well in Asia

Coal Technologies

- Revenue increased to $13.8m (58.6%)
- Maiden Profit $1.2m
- SIS Technology benefit

Stuart

- Revenue of $34.2
- PBT $0.8m
- Successful integration

Balance Sheet Analysis

Cash and Payables Reduced

- Completion of SEA Gas Project
- Minerva

Other Non Current Assets – increase by $1.4m

Gloucester Basin	$1.3m
Queensland Gas	$0.3m
Research and Development	($0.2m)

Increase in Work In Progress of $13.9m

Stuart	$6.7m
Coal Technologies	$2.6m
HDD	$4.3m

Strategy - Update

Achieved This Year

- Stuart integrated
- Management restructured and strengthened
- System and procedures enhanced
- Surface to seam technology working
- Thinking done, well positioned re strategy

Ongoing

- More consistent cash flow from core business
- Annuity income streams
- Move higher up the "food chain"
- Broaden geographical spread of activities
- Commercialise/Exploit proprietary technology

Big Projects – Timing Slipped

	Approximately
TTP: Now November/December	$650m
Sai Noi: Looks Like October/November	$55m
Hawaii: Start September	$5m
China/Hong Kong: Under negotiation	$31m
Australia: Tenders submitted, negotiating	$26m

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Strategic Initiatives - Ongoing

Coal Technologies

- Fully integrated business now offered
- New software acquired
- Underground and surface businesses fully utilised
- Market rapidly moving

Gloucester Basin

- Gas production qualities better, geology complicated
- Very prospective
- Accelerated programme

Facilities Management

- Plan developed, being implemented
- Opportunities under discussion

Financial Impact?

- **Level of profit first 6 months**
  - Coal Technologies and Stuart strong contribution
  - No material pipeline revenue
  - Dependent on timing of HDD projects
- **Capex funded from operations or existing facilities**
- **Adequate bonding lines**
- **Gloucester Basin**
  - Phase 2 $1.50 million (est.)
- **2005 looks very busy**

Prospects

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- **Macro drivers positive**
  - Demand for energy
  - Trend to outsourcing
  - New infrastructure
  - Coal Seam Methane, now an acceptable energy source
- **Infrastructure ownership**
  - Trend to financial, non-operating owners
  - Alliance opportunities for Lucas
- **Lucas well positioned**
  - Prospects good, macro and micro
  - Strategy implementation on track
  - Order book at 30 June 04 - $65m
  - Strong risk management systems

Summary

- **Implementing next phase of strategy**
  - Improve quality and maintainability of earning streams
  - Focused strategy
  - 24 to 36 month target

- **All company business sectors have high growth prospects**

- **Strong capital base**

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