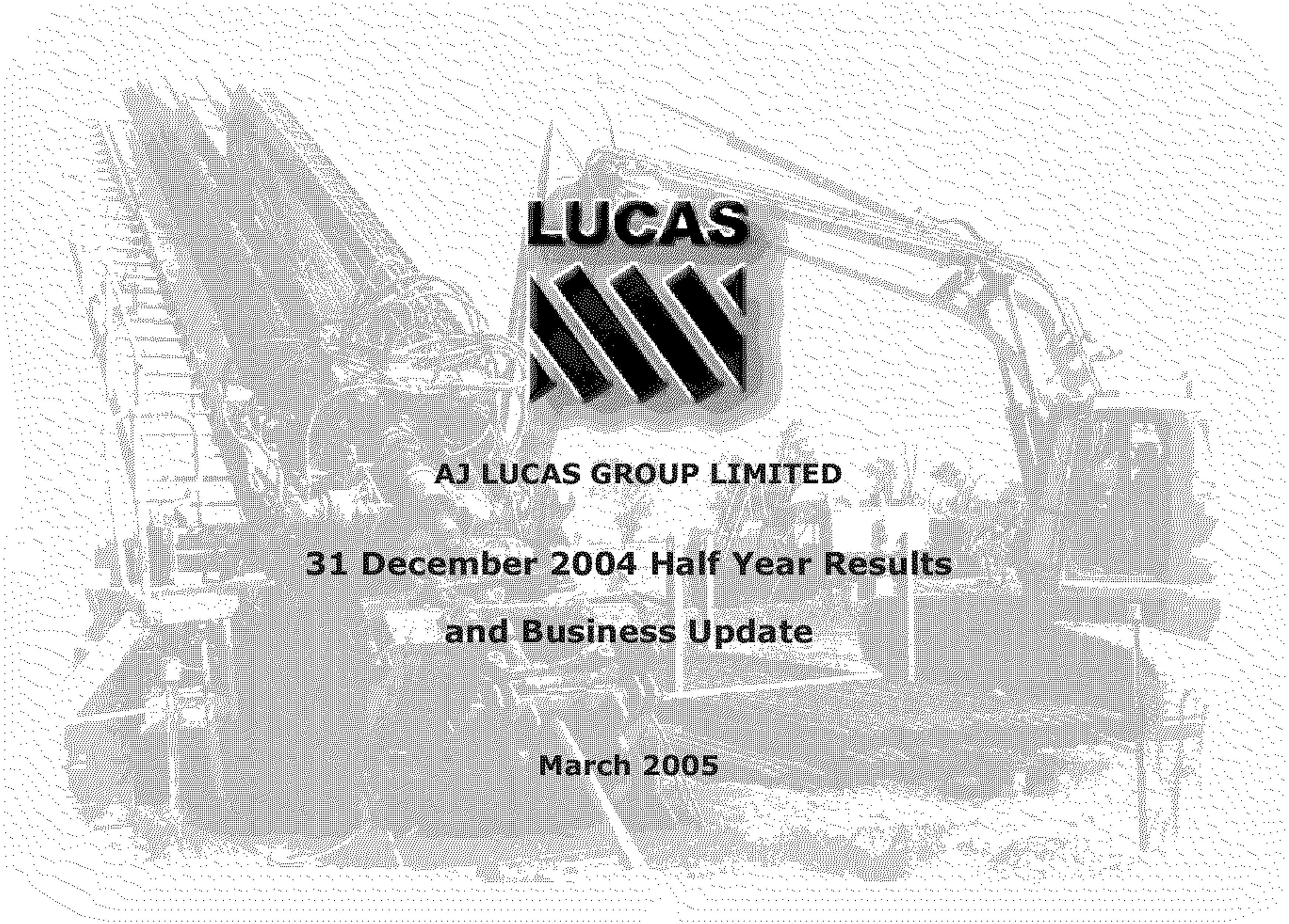

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AJ LUCAS GROUP LIMITED

31 December 2004 Half Year Results

and Business Update

March 2005

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Key Points

- Loss after tax of $2.4m for half year
- Loss includes non-operating expense of $1.7m
- Record order book $90m
- Pipelines increased activity: TTP, DBNGP, PNG, Gladstone
- HDD again at full capacity
- Gas Management 130% organic growth, improved margins
- Convertible note raising $10m
- Acquisition of Mace Facilities Management business

Half Year Results

Summary of Financial Results	Dec 2004 $'m	Dec 2003 $'m
Total Revenue	35.7	53.3
Depreciation & Amortisation	1.9	2.2
Operating EBIT	(0.8)	6.4
EBIT	(2.5)	4.2
PBT	(2.9)	3.8
Net Profit/(Loss) After Tax	(2.4)	2.4
Net Assets	40.0	41.1
Net Liquid Assets	24.2	26.2
Work In Hand	90.0	68.0
Earning per share	(4.6)¢	5.1¢
Dividend	3.5¢	3.5¢
NTA backing per share	71.5¢	75.2¢

Half Year - Divisional Performance

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Division	Revenue		Operating profit before tax	
	Dec 2004 $'m	Dec 2003 $'m	Dec 2003 $'m	Dec 2004 $'m
Pipelines	1.2	28.9	(0.6)	4.1
HDD	3.0	5.6	(0.5)	1.6
Gas Management	11.5	5.0	1.8	0.4
Lucas Stuart	20.7	12.1	0.1	-

Pipelines

- Focus on TTP tender
- Rectification work on SEA Gas
- Lack of in-fill smaller projects

HDD

- Project delays => revenue reduction $4m
- Revenue insufficient to absorb overhead
- New work focus => order book $28.1m

Gas Management

- Strong organic growth: 130%
- Margin improvement to 15.6%
- Record order book $20.6m

Lucas Stuart

- Focus on changing business mix
- Management strengthened; overhead increased
- $38.5m order book

Facilities Management

- Mace FM acquisition 1/12/04

Corporate Overhead

- Corporate overhead established for higher revenue base

Half Year - Commercial Issues Update

- **DrillTec**
  - **Downside fully provided $3.3m**
  - **Counter proceedings now lodged**
- **Minerva**
  - **BHPB & McConnell Dowell head contract dispute**
  - **Lucas to commence legal proceedings**
- **Nerdlihc Company Inc**
  - **Funding near completion: US$200m**
  - **Lucas to be repaid from funding**
  - **Major infrastructure & pipeline opportunity**

Full Year Forecast

	2004/05 Actual First Half $'m	2004/05 Forecast Second Half $'m	Forecast Total $'m	2003/04 Actual Total $'m
Revenue	35.7	64.3	100.0	116.8
EBIT	(2.5)	6.5 – 7.0	4.0 - 4.5	6.5
Net Interest	(0.4)	(0.7)	(1.1)	0.2
PBT	(2.9)	6.2 – 6.5	3.3 – 3.6	6.7

- **Revenue**
  - HDD/Pipelines targeted and secured project slippage (first half)
  - HDD strong second half $15m
  - Gas Management full year forecast $23m
  - Lucas Stuart full year forecast $45m
- **EBIT**
  - Insufficient work in HDD & Pipelines to absorb fixed overhead (first half)
  - Impact of SEA Gas in prior year
  - Repositioning of Lucas Stuart margin benefits to crystalise in 2006
  - Unfavourable foreign exchange losses $1m
- **PBT**
  - Forecasting net interest expense of $1.1m (2004: $0.2 income)

Outlook and Target KPI's

Business Unit Outlook	Target KPI's To Achieve Strategy
❑ **Pipelines** ➢ Major pipeline infrastructure activity in next three to five years ➢ Short listed for TTP	➢ Win targeted tender/proposals ➢ Secure small/medium projects to maintain recurring revenue
❑ **HDD** ➢ Record order book \$28.1m; division operating at full capacity ➢ Track record in China ➢ Technology alliance with BP London	➢ Establish a permanent presence in China ➢ Broaden application of HDD via technology
❑ **Gas Management** ➢ Record order book \$20.6m ➢ Strong organic growth in drilling (SIS & Underground) ➢ World class proprietary technology	➢ Expand services business both organically and by acquisition ➢ Extend application of SIS technology ➢ Accelerate Gloucester Basin

Outlook and Key KPI's continued

Business Unit Outlook	Target KPI's To Achieve Strategy
❑ **Lucas Stuart** ➢ Strong order book $38.5m; annualised revenue $50m ➢ Margins unsatisfactory	➢ Continue re-orientation of business mix ➢ Improve margins
❑ **Facilities Management** ➢ Acquired Mace FM business ➢ Establishing a niche FM business	➢ Expand existing FM business ➢ Identify new opportunities; i.e. high margin servicing time critical assets
❑ **Operations & Maintenance** ➢ Strategy to offer O&M capability for pipelines & other infrastructure	➢ Establish an O&M business via selected acquisition

Gloucester Basin

- Testing suggests a highly viable commercial prospect
  - High gas content and permeability
  - Close proximity to Newcastle and Sydney market
- Accelerate exploration & development program
  - April 05 target to complete Phase I
  - Phase II a 12-18 month program
- Capitalised in balance sheet at $2.7m
- Reviewing commercialisation alternatives
  - Restructure interests
  - Crystallise unrealised value

Summary

- First half disappointing, strong second half
- Record order book $90m
- Strategy on track
  - Increasing maturity
  - Diversified income streams
  - Margins maintained on infrastructure businesses
  - Addressing Lucas Stuart margins
  - Greater management depth
- Calendar year 2005 & 2006 good business prospects


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