



AusGroup's interview with Dow Jones

SINGAPORE, 07 August 2006 (Dow Jones)--Singapore-listed AusGroup Ltd. (5GJ.SG), an Australian company, which builds and maintains equipment for mining and energy companies, is considering listing on the main board of the Singapore Exchange, Managing Director Stuart Kenny said in a recent interview.

The company also expects its acquisition of Cactus Engineering & Trading Pte Ltd. to boost earnings immediately and Cactus to show "significant improvement" in profit for the fiscal year that began on July 1, Kenny told Dow Jones Newswires in an interview.

"We will have reached a milestone in terms of time and market cap and I think we'll appeal to a larger range of investors that are prevented from dealing with our stock at the moment," he said.

Many institutional investors avoid SESDAQ stocks because of insufficient liquidity, free-float and market capitalization.

AusGroup hasn't set a date for a change in listing but the earliest it could shift is April 2007 since a stock must be listed on the SESDAQ for two years before graduating to the mainboard.

AusGroup, which listed on the SESDAQ in April of 2005, engineers and services equipment for mining and oil exploration, with about 80% of total sales in fiscal year 2005 from its mining business.

Kenny feels under appreciated by the Singapore investment community as analysts and investors here are not very familiar with businesses such as mining, as well as the "full supply chain" for oil and gas.

The stock has gained 40% so far this year and Monday was flat at 30 Singapore cents.

"In Singapore, the local investors understand SembMarine and Keppel," said Kenny, waving a bullish Goldman Sachs report on the two oil rig builders for emphasis.

"Well, whatever is affecting the rig builders, which is a surge in oil prices and oil exploration, we're right behind them."

AusGroup manufactures and services equipment for various methods of oil extraction, including onshore facilities and offshore jackets.

AusGroup's acquisition of Cactus, completed just last week, is a way to expand not only into Asia, but also into the booming market for deep-sea oil exploration and extraction, said Kenny.

AusGroup paid S\$15.3 million for a 76.6% stake in Cactus Engineering.

Many of Cactus Engineering's operations overlap with AusGroup's, but others, such as sub-sea manifolds and sub-sea well equipment for deep-water oil exploration, are new to AusGroup.

Cactus also outfits Floating Production Storage and Offshore Loading vessels, with topside modules that separate water and impurities from oil.

The business had revenue of S\$20.5 million and a net profit of S\$3.4 million for fiscal year 2005. Its net profit margin of 16.6% is higher than Ausgroup's 4.8% for fiscal year 2005.

For the six months to December 31, AusGroup reported net profit of A\$3.5 million, a 40% increase over the same period a year earlier. Revenue surged 73.2% to A\$104.7 million on higher prices and growing demand for oil and raw materials.

But AusGroup's profits are being squeezed by higher costs, especially labor. For the six months to December, AusGroup's cost of sales was up 89.5%.

There is a shortage of skilled labor in Western Australia, analysts say, but Kenny predicts there will "definitely" be an improvement in AusGroup's cost of sales in the second half of the financial year.

AusGroup's expansion into Singapore with its Cactus acquisition is one way to improve margins.

"The cost of labor in Singapore is probably 25% of what it is in Australia," said Kenny.

AusGroup will announce results on August 21 for its full financial year ending June 30.

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ABOUT AUSGROUP LIMITED

SGX Sesdaq-listed AusGroup Limited is a leading player in Western Australia's booming oil and gas and mining-related industries. It provides integrated multi-disciplinary engineering services, specializing in supporting the global needs of oil and gas and mining related industries (including the extraction and processing of mineral ores).

For more information please visit our website at: www.ausclad.com.au

Issued for and on behalf of Ausgroup Limited
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