



ASX/MEDIA RELEASE

8 June 2007

Clough G1 update

Engineering and construction company Clough Limited (ASX:CLO) today provided an update on the G1 project in India.

The G1 project involves shallow water and deep water activities feeding an onshore gas plant on the East coast of India. The works commenced in November 2004 with overall completion due in April 2006, and this was subsequently revised by ONGC to April 2007. ONGC was responsible for drilling five deep water wells which Clough would then connect to the onshore gas plant. Despite repeated attempts, ONGC has failed to complete any of the deep water wells hence Clough has been unable to complete its contract works.

Payments for contract works completed by Clough were made on a milestone basis up to April 2006. The payment system was varied in 2006 to accommodate the supply of materials on the basis that milestones could not be achieved by Clough as ONGC's own scope of works had not been undertaken or completed.

At the instigation of Clough and with the concurrence of ONGC, Clough has indicated available solutions for completing the project and these have been the subject of discussion between the two parties for over twelve months. ONGC was provided with a number of alternatives including, at their request, a methodology for a mutually agreeable termination of the contract.

ONGC has now terminated the contract. ONGC has advised in its letter of termination that it will complete the works by itself. ONGC has called on Clough's bank guarantees but an injunction on this process was achieved by Clough in the Federal Court earlier this week. ONGC currently owes Clough in the order of USD80 million which would be substantially reduced by Clough transferring ownership of equipment to ONGC to enable ONGC to complete the works itself.

Clough Chief Executive Officer John Cooper said the company regards ONGC's attempt to draw the bonds as an aggressive effort to force Clough to accept a more disadvantageous solution in light of their continued failures on the project.

"We continue to believe that it's in the best interest of both parties to come to a mutually agreed position on the contract, particularly as Clough owns the key equipment required by ONGC to complete the project expeditiously," said Mr Cooper.

"As a consequence, further discussions between Clough and ONGC are scheduled for next week."

Ends

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About Clough

Clough is one of Australia's largest multi-disciplinary engineering, construction and asset management groups. The Company operates globally in industry sectors including onshore and offshore oil and gas, petrochemicals, minerals, infrastructure and property. Clough has significant capability in project management, engineering services, construction, installation, commissioning, operations and maintenance.

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