



## **AJ Lucas Group Limited**

**Lucas Energy - *“an emerging CSG supplier”***

Paul Bilston - General Manager, Lucas Energy

18<sup>th</sup> March 2008



## AJ Lucas Group

### Two Separate Businesses

- Specialist infrastructure / mining services provider
- Investor in Coal Seam Gas (from early 2002 when industry undervalued).

### Key Metrics

- Established in 1957, & listed in 1999 (AJL)
- 54.7 M shares on issue, 12 month Trading range \$1.08 - \$4.90
- Market Cap \$187.0m (as at close 17<sup>th</sup> March 2008)

(A\$ Million)	05/06	06/07	6mth ended 31 Dec 2007
Revenue	171.2	216.4	205.3
EBITDA	8.4	14.9	18.8
Underlying EBITDA	10.6	19.0	22.1
EBIT	3.1	5.9	13.3
EPS	5.9¢	11.9¢	15.1¢
Order Book	221.7	234.0	472.5

Record financial performance  
for 6mths ended Dec 2007.

Revenue increased by 141% to \$205.3m

PBT increased by 571% to \$11.0m

EBITDA increased by 200% to \$18.8m

EPS increased by 557% to 15.1 cents

Record Order Book



## AJ Lucas Group

### Operating Business Divisions

- **Pipelines**
  - Major Gas & Water Pipelines
    - Western Corridor Water Project \$450m (Alliance with Transfield)
    - Brooklyn to Lara (\$43m) & Bonaparte (\$140m) gas pipelines
  - Very strong \$324m order book
- **Drilling**
  - Largest specialist Coal and Coal Seam Gas drilling provider (56 Rigs)
    - Very strong demand - Driven by growth in CSG in NSW/QLD as well as the strength of coal exports and global energy demand
    - 4 proposed LNG projects in Queensland, all require significant ramp up in drilling activity to deliver required reserves and production
  - Major Horizontal Directional Drilling contractor
- **Construction & Civil**
  - \$70m Ivy Entertainment Centre, \$40m Hyundai Group Headquarters



## Lucas Energy - Overview

- 100% owned by AJ Lucas Group
- Established to identify, develop and commercialise CSG & other unconventional gas assets
- New management team established in Melbourne Feb 2007
- Separate advisory board
- 4 major investments
- Initial reserves certification at Gloucester (2P 119.1 BCF) net to Lucas
- Intention to spin out of AJ Lucas within the next 12 months



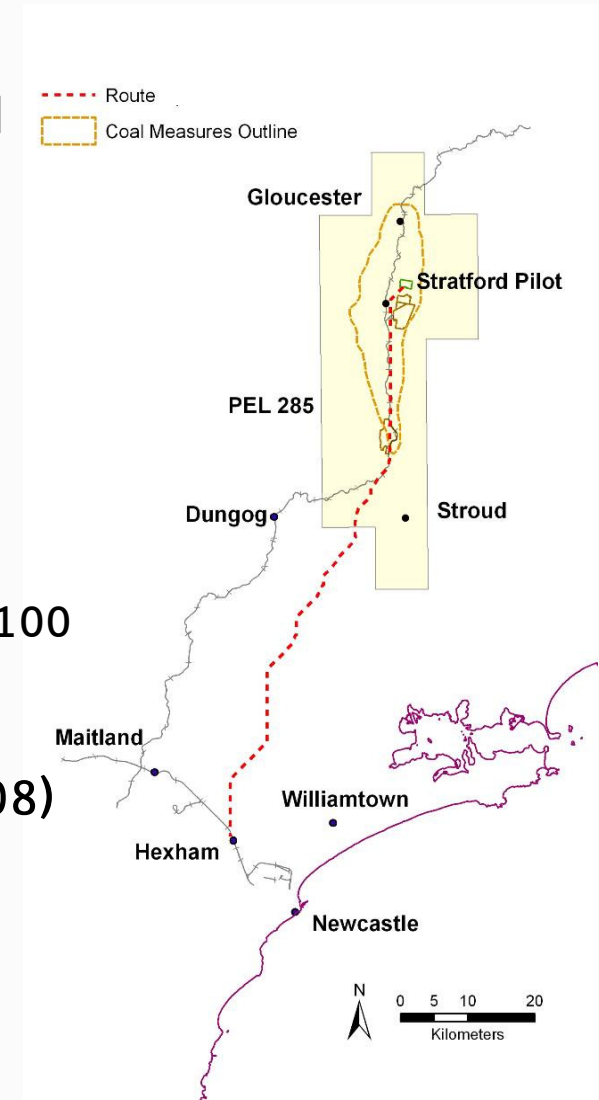
## Lucas Energy - Overview (2)

### Four initial investments:

- **PEL 285 - Gloucester Basin**
  - Key focus for Lucas Energy
  - 1,050 km<sup>2</sup> including approx 200 km<sup>2</sup> of coal measures
  - Lucas operator & 70% owner
- **ATP 651 - Woleebee Creek**
  - 375 km<sup>2</sup> in the Walloons Fairway
  - Lucas 15% owner (QGC 68%, BG 17%)
- **Arawn Energy (BC) Limited**
  - 60% of Canadian investment vehicle
  - Arawn earning 43,390 acres in Grizzly & Red Deer prospects in Eastern British Columbia (near Fort St John)
- **Sydney Gas (SGL)**
  - 15.35% shareholding
  - Technical & Drilling services agreements

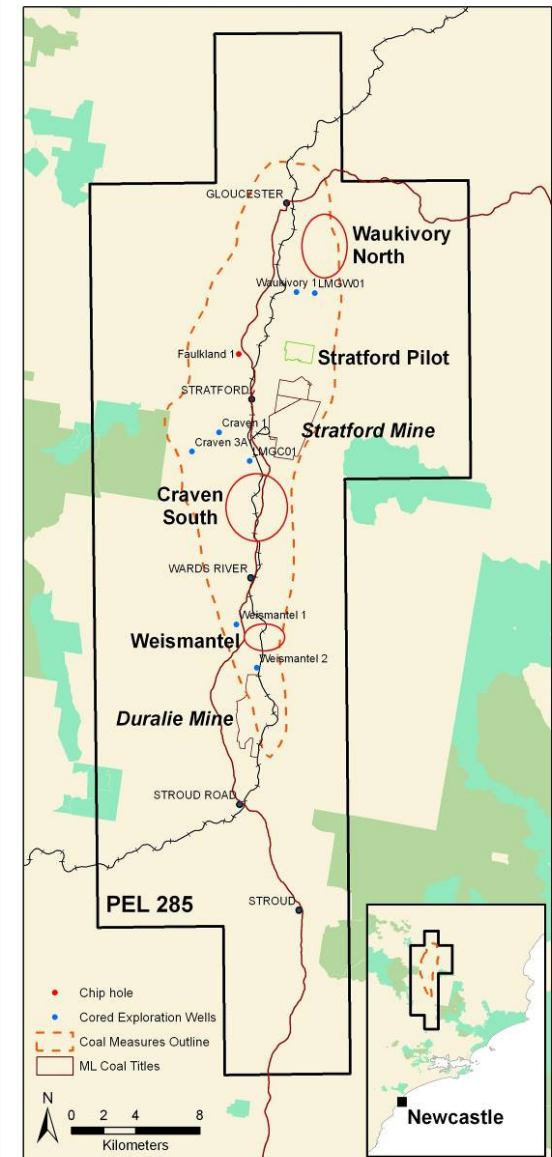
## Gloucester Basin - Overview

- Exciting new CSG field, close to highest gas priced market in eastern Australia
- Rural location 100 km north of Newcastle (NSW)
- Coal properties
  - 200 km<sup>2</sup> coal bearing sequence
  - 11 major seams >2.5m thick
  - Average total thickness 30-60m
  - Gas contents 12 - 25 m<sup>3</sup>/t (daf)
  - Permeability 300mD - 1mD in the depth window 100 - 500m
  - Proven production (LMG03 > 1,050mcf)
- Initial Reserves Certification 100% (NSAI Feb 2008)
  - 1P 14.9 BCF
  - 2P 170.2 BCF
  - 3P 359.2 BCF
  - Contingent Resource 166.2 BCF
- JV estimate OGIP 2.5 - 3.0 TCF



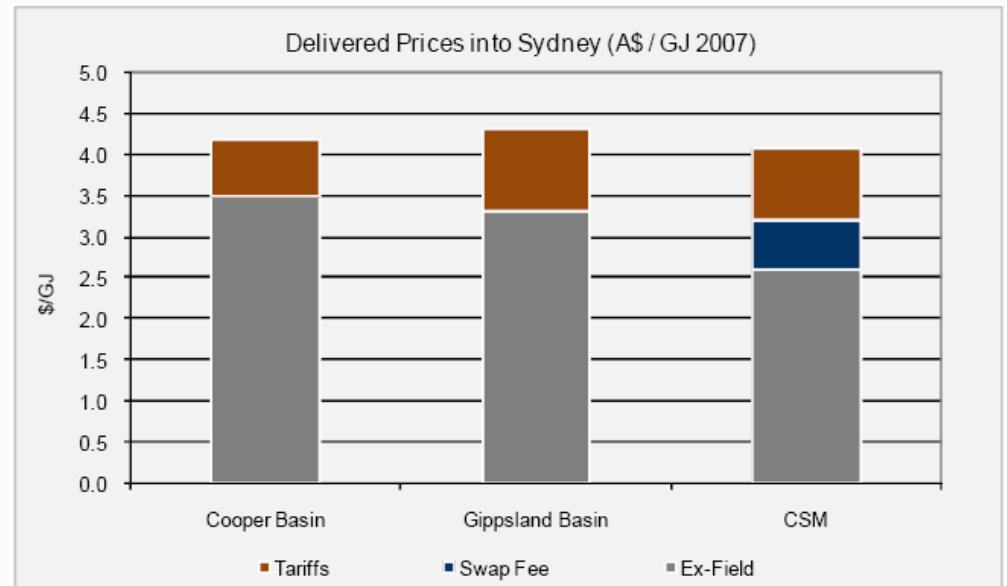
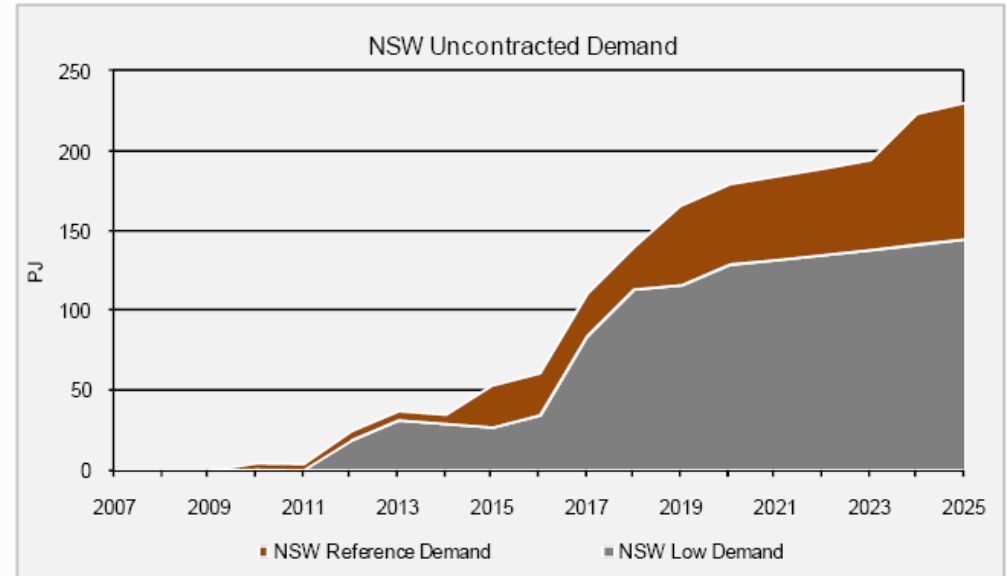
## Gloucester Basin –Activity

- Exploration (past 12 months)
  - Collated and interpreted existing data set, including existing log and seismic data
  - Drilled 5 new core holes & 1 new stratigraphic hole
  - Confirmed potential for southern extents of the Basin
  - Planning further exploration and production testing during 2008 (Circled)
- Production
  - Achieved 1,050 mcf/d from LMG03 well
  - Drilling 5 new production test holes (4 of 5 complete) at Stratford pilot
  - Constructed infrastructure for new pilot
  - Civil works delayed by unseasonal rain, but pilot wells expected to be on test in April 2008
  - Additional single well pilots planned late 2008
- Approx \$11m spend since Jan 07



# Gloucester Basin - NSW Gas Market

- Substantial uncontracted demand for gas in NSW
- Demand growth driven by supply of gas into new power generation
- Proposed LNG projects in QLD limit potential for gas to supply NSW
- Proposed LNG & carbon environment are increasing gas prices
- Newcastle prices approx \$0.65/GJ higher than Sydney prices

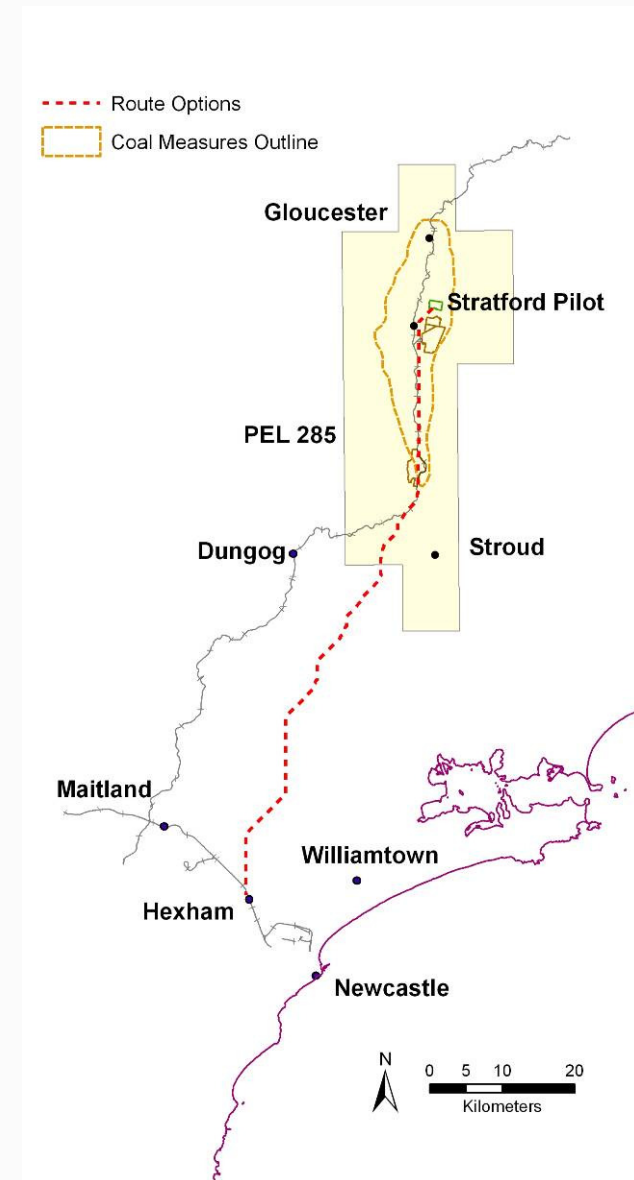


Source: Core Collaborative



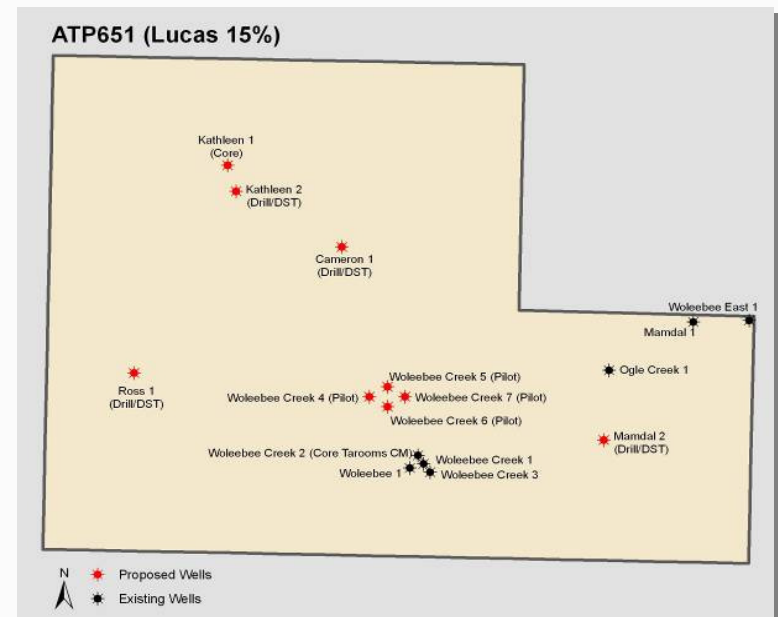
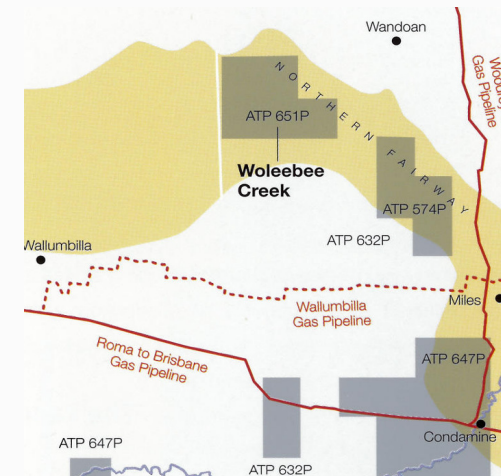
# Gloucester Basin - Commercialisation

- Pipeline to Hexham
  - Route selection & refinement underway
  - Consultants for approvals engaged
- Gas sales agreements
  - Reviewing potential for small to medium scale power generation at Stratford
  - In discussion with a number of potential gas customers
  - Key focus for 2008
- Target first gas to Hexham 2010



# ATP 651

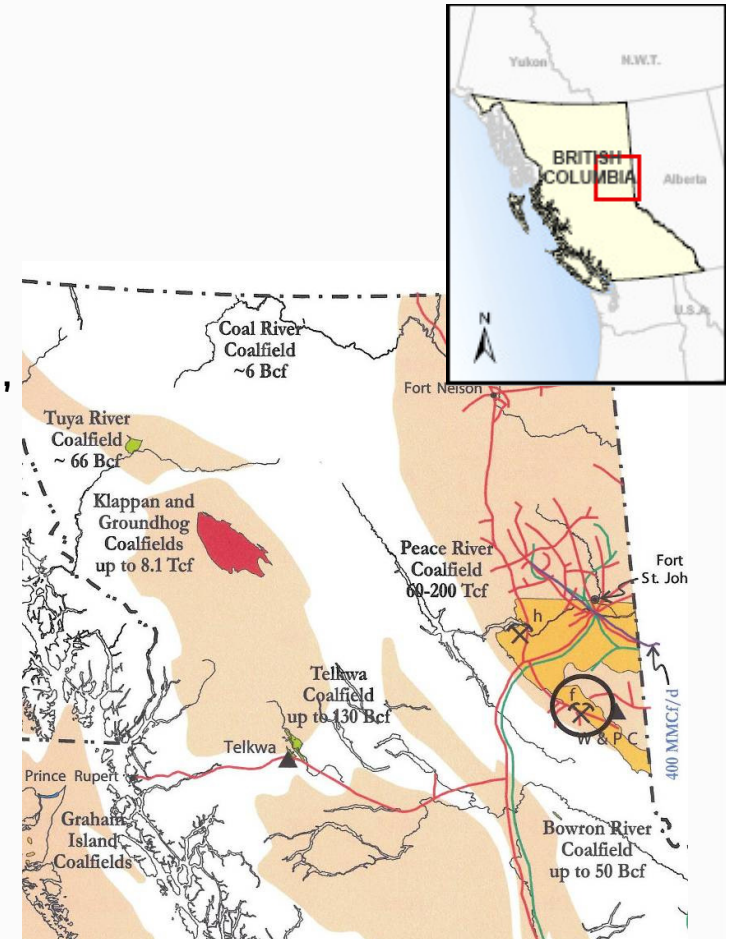
- Lucas Energy 15% (QGC 68% & Operator, BG 17%)
  - QGC ownership recently reduced with BG taking a 17% stake in the permit as part of the QGC/BG Alliance
  - Key focus of QGC exploration effort to support proposed LNG at Gladstone
  - Previously 6 wells drilled
- Recently commenced new drilling program
  - 2 core wells
  - 4 test holes
  - 4 Well Pilot at Woleebee Creek
- OGIP approx 3 TCF (Lucas - 450 BCF)
- Plan to book reserves by 3<sup>rd</sup> Qtr 2008
- Very significant potential



# Arawn Energy

- Arawn Energy (BC) Limited
  - Lucas - 60%
- Rationale
  - Investment vehicle for Lucas in North America, and access to Chris Cornelius & Marc Bustin (Well regarded CSG experts) for technical support
- Foundation Investment
  - Farmout from Encana & Burlington Resources
  - Arawn earning 43,390 acres in Grizzly & Red Deer prospects in Eastern British Columbia (near Fort St John), for 2 wells\*
  - Coal thickness in the range 15 - 35m. Gas content is in the range 7 -12m<sup>3</sup>/ton
  - Recently completed first farmout well with more that 40m of coal identified

\* Subject to ongoing obligations to develop if successful





## Sydney Gas Investment

- Strategic investment (15.35%). Options over further 10% subject to milestones and shareholder approval
- Andy Lukas CEO
- 3 year Technical Services and 2 year Drilling Services Agreements under negotiation
  - Accelerate exploration and development of Sydney Basin
  - Strengthen AGL/SGL joint venture resources
  - Identify additional reserves
- Backing Lucas knowledge of Sydney Basin and proven gas extraction capabilities
- Demand rapidly increasing in NSW gas market
- Huge potential, complements other CSM assets
- Completions suit Lucas drilling expertise (SIS)



# Summary

## AJ Lucas Group

Listed entity with two underlying business propositions

### AJ Lucas Group

- Specialist infrastructure / mining service provider
- Strongly positioned in growth sectors
- Record financial results
  - Revenue Guidance \$430 - \$450M (FY 2008)
  - Underlying EBITDA 6mths to end Dec 2007 of \$22.1M

### Lucas Energy

- Portfolio of CSG investments
- Planning to spin off within next 12 months
- Booked reserves
  - 2P 119.1 BCF (Net to Lucas)
- Significant Upside
  - Gloucester
  - Queensland
  - Arawn
  - SGL



# **Lucas Energy**

**Paul Bilston - General Manager**  
**18<sup>th</sup> March 2008**