



Acquisition of Mitchell Drilling Corporation

23 July 2008



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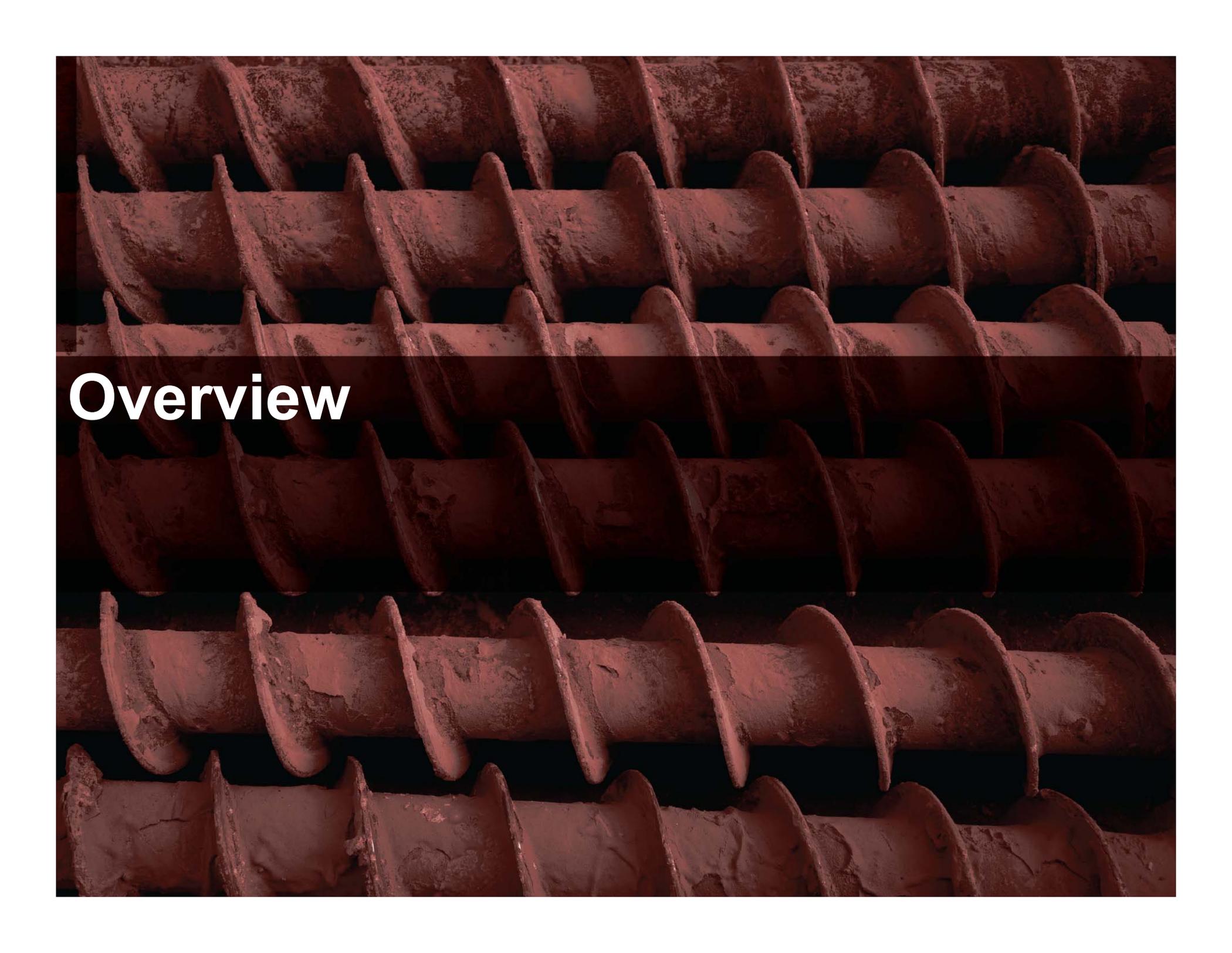
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Agenda



- Overview
- The Coal Seam Gas Industry
- Lucas Mitchell Drilling
- Lucas Energy
- Pipelines and Infrastructure
- Trading Update
- Acquisition Funding
- Investment Highlights



Overview

Overview



- Lucas to acquire Mitchell Drilling business for A\$150m (debt free)
 - A\$120m cash at closing
 - A\$15m vendor equity placement at closing (escrowed for 12 months)
 - A\$15m cash in 12 months

- Acquisition expected to be EPS accretive in FY09
 - Purchase price represents estimated 5.6x FY09 EBITDA

- Highly strategic acquisition
 - Consolidates Lucas' market position as a provider of drilling services to the rapidly expanding Coal Seam Gas ("CSG") and coal industry
 - Complementary businesses - limited overlap of customers and geography
 - Reinforces Lucas' ability to offer customers full range of CSG services

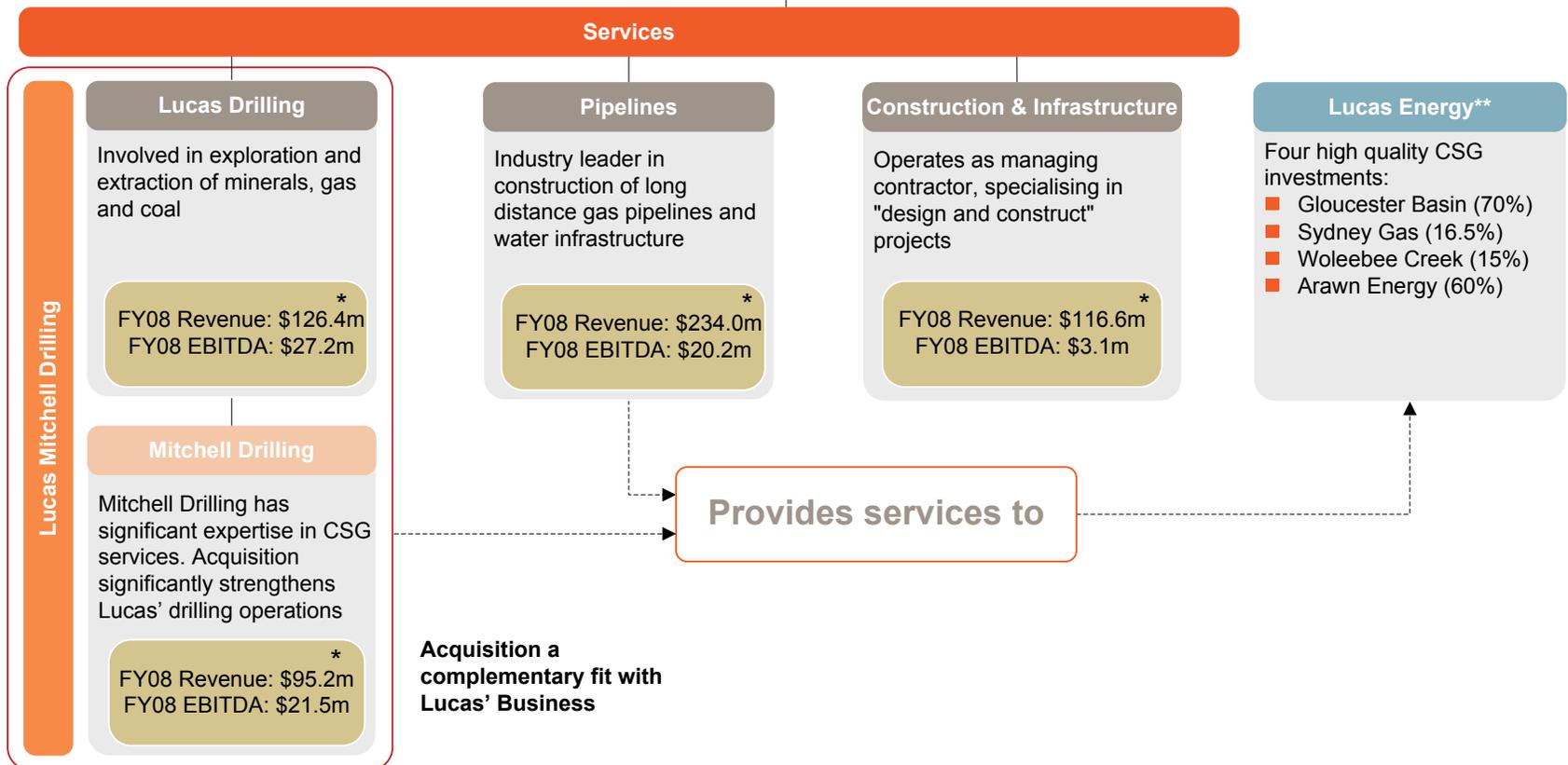
- Benefits from strong growth in CSG exploration and development drilling
 - Needed to meet expectations of major gas infrastructure expenditure
 - 4,400 development wells and 1,500 core hole wells expected to be required by 2015*
 - Lucas Mitchell Drilling will have 87 rigs

- \$25m equity placement

** Core Collaborative ("Core") 2008 estimates*

Lucas Corporate Structure

Mitchell Drilling is a Complementary Business



*Unaudited management accounts, before intercompany eliminations and unallocated SG&A expenses of \$7.7m

**Numbers in brackets indicate Lucas' percentage interest in each respective project

A close-up photograph of a large, industrial drill bit or auger. The metal is heavily rusted and coated with a dark, reddish-brown material, likely coal dust or mud. The drill bit features a series of sharp, curved cutting edges that spiral around a central shaft. The lighting is dramatic, highlighting the texture of the rust and the metallic surfaces.

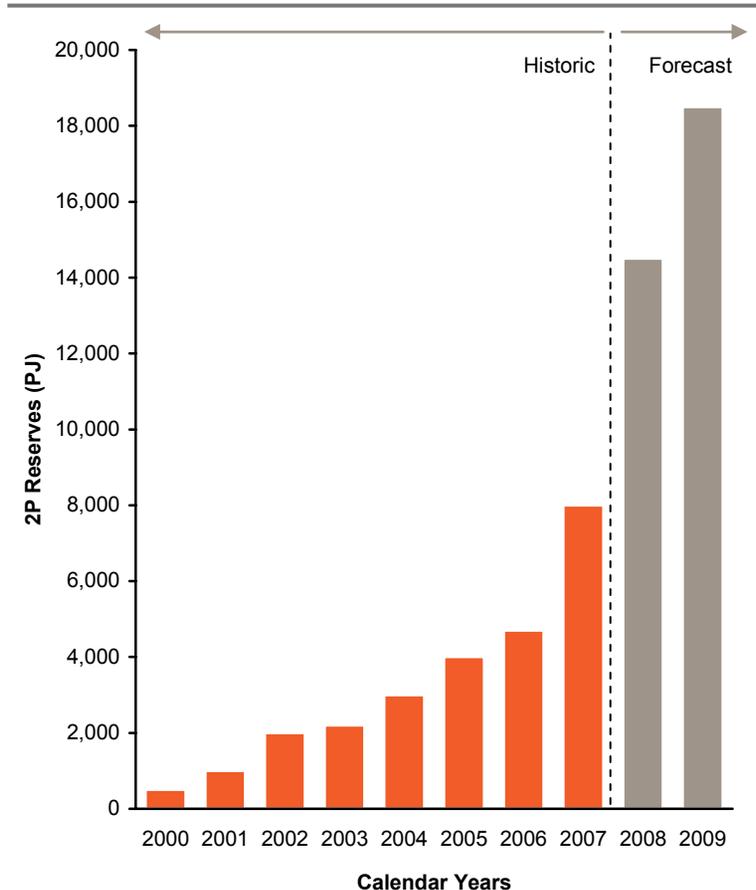
The Coal Seam Gas Industry

The Coal Seam Gas Industry



- Coal Seam Gas (“**CSG**”) is a growing energy source in Australia
 - Provides significant proportion of Queensland’s energy requirements
 - New drilling techniques have made CSG increasingly economic
- Strong growth in CSG industry underpinned by:
 - Increasing domestic and international demand for CSG as other energy sources such as oil and liquefied natural gas (“**LNG**”) continue to become more expensive
 - New South Wales needs CSG to meet energy requirements
 - CSG exports to China and Japan where gas prices currently up to 100% higher than Australian prices
 - Longer term Australian gas prices expected to move towards international levels
 - Emissions targets expected to promote capture of CSG

Australian CSG Reserves Growth

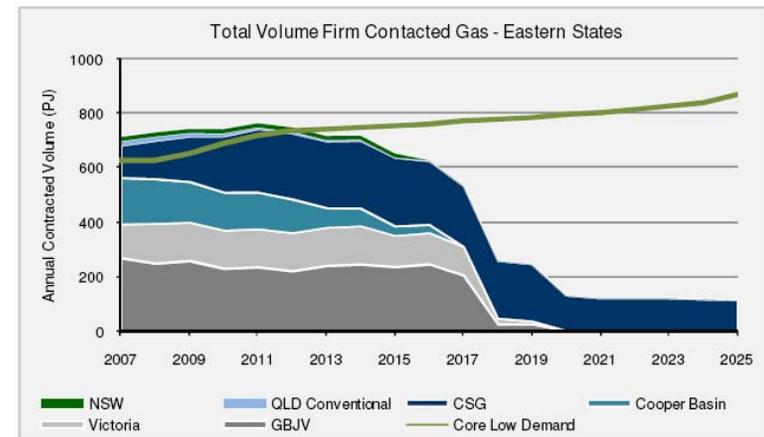


Source: Core 2008

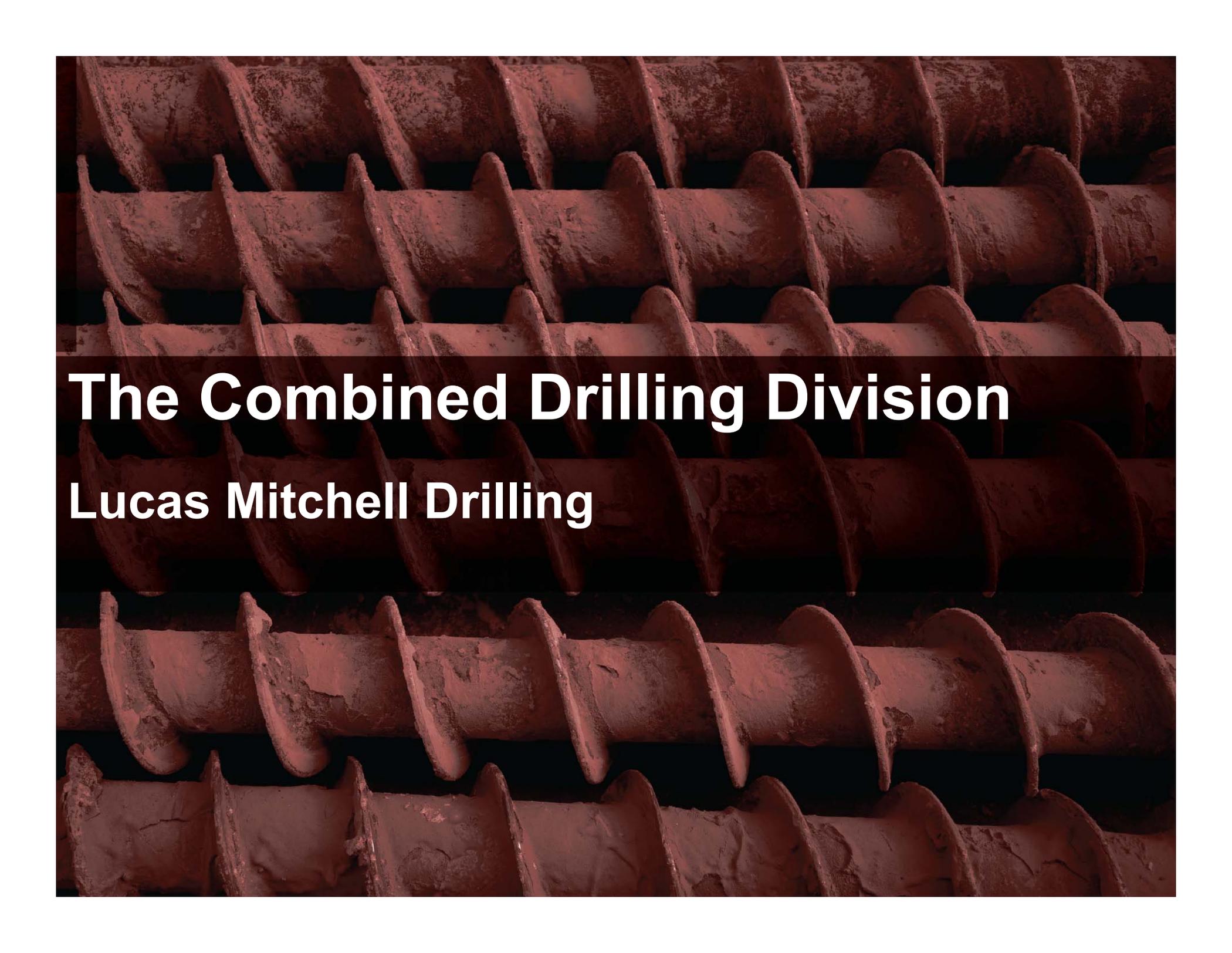
The Coal Seam Gas Industry (Cont.)



- Anticipated growth in demand for CSG will lead to substantially higher levels of CSG drilling and exploration
 - CSG producers will seek to prove up current reserves and identify new reserves
 - Gas distributors will continue to invest in the expansion of their infrastructure
 - New areas expected to become viable for exploration and production
- CSG drilling more intensive than conventional oil/natural gas drilling
 - Smaller rigs drilling many more holes
- CSG not economically viable at conventional oil/natural gas drilling cost levels
- Lucas and Mitchell have each developed a low cost model
- Lucas Mitchell Drilling has a strong client base, highly capable staff, necessary equipment and relationships with suppliers all of which contribute to running a successful drilling services operation



Source: Core; 2008.
Note: CBJV = Cooper Basin JV; GBJV = Gippsland Basin JV (Bass Strait); CSG/CMM = Coal Seam Gas/ Coal Mine Methane.

A close-up photograph of a large, industrial drill bit. The bit is made of metal and is heavily rusted, giving it a dark, reddish-brown appearance. It features a double-flute design with several sharp, curved cutting edges. The background is dark, making the metallic texture of the drill bit stand out.

The Combined Drilling Division

Lucas Mitchell Drilling

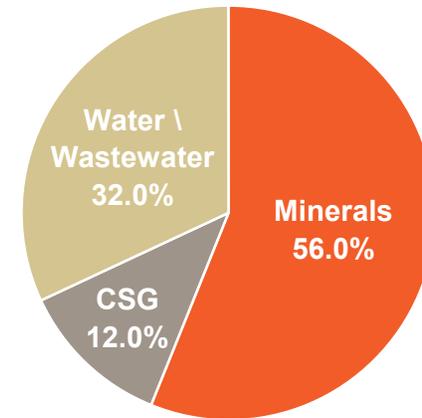
Lucas Drilling Division



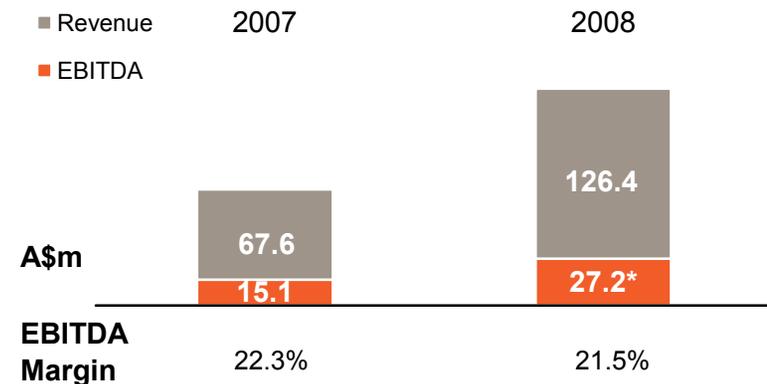
Overview

- Established drilling services provider for coal and CSG sectors in Australia
- Significant focus on technology and work practices to deliver superior results
 - Developed proven world class proprietary gas drainage and Horizontal Directional Drilling technology
 - Innovative drilling techniques
 - New trenchless technologies obtained
- Diversified and long term customer relationships
 - High quality clients and diverse geographic spread

FY08 Revenue Split by Segment



Division Financials



Source: 2008 financial data based on unaudited management accounts
 *Normalised, excludes impact of \$1.2m legal settlement charge

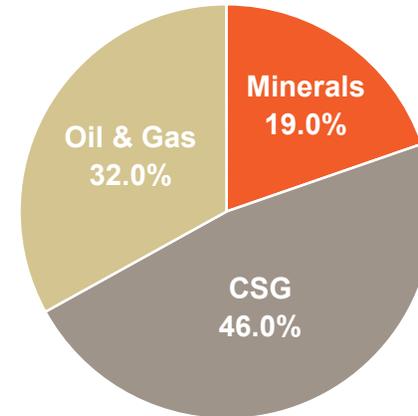
Mitchell Drilling



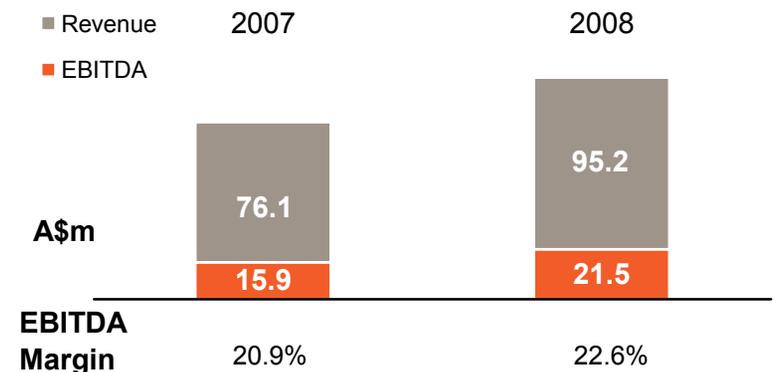
Overview

- One of the largest privately owned Australian drilling businesses
- Founded almost 4 decades ago in Queensland
- Led by 2nd generation of the Mitchell family - Nathan Mitchell (CEO) will remain involved in the business in a senior management position
- Integrated drilling contractor
- Expert in CSG drilling technology
 - Dymaxion Drilling Technology
- Diversified and long term customer relationships
 - High quality clients and diverse geographic spread
- Growing in well servicing & pipelines

FY08 Revenue Split by Segment*



Financials*



Source: Mitchell Drilling

*Financial data based on unaudited management accounts of Mitchell Drilling Corporation

Lucas Mitchell Drilling - Rigs



- The acquisition of Mitchell will give Lucas a meaningful presence in the major CSG and coal areas along Australia's east coast

Geographic Spread of Rigs*



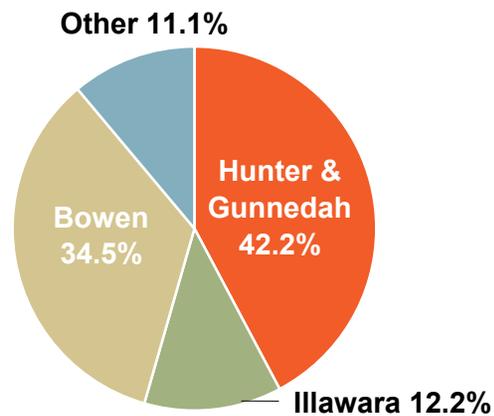
*Based on Lucas internal project analysis

Lucas Mitchell Drilling - Revenue

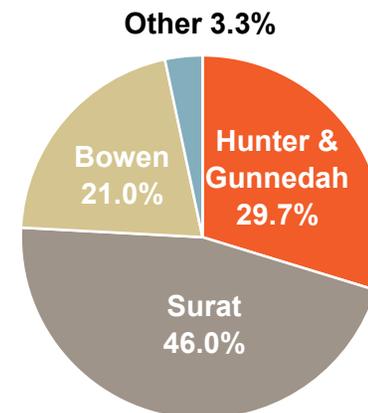


- The different geographic locations of Lucas and Mitchell's rigs translates into different key geographies for revenue for both companies
- Contributes to the complementary nature of the businesses
- Lucas Mitchell Drilling will have strong drilling expertise founded on decades of operational knowledge developed in each the major CSG and coal areas along Australia's east coast

Revenue by Region – Lucas Drilling



Revenue by Region – Mitchell Drilling



Source: Based on Lucas internal project analysis

Combined Drilling Division - Customers



Lucas – Key Customers



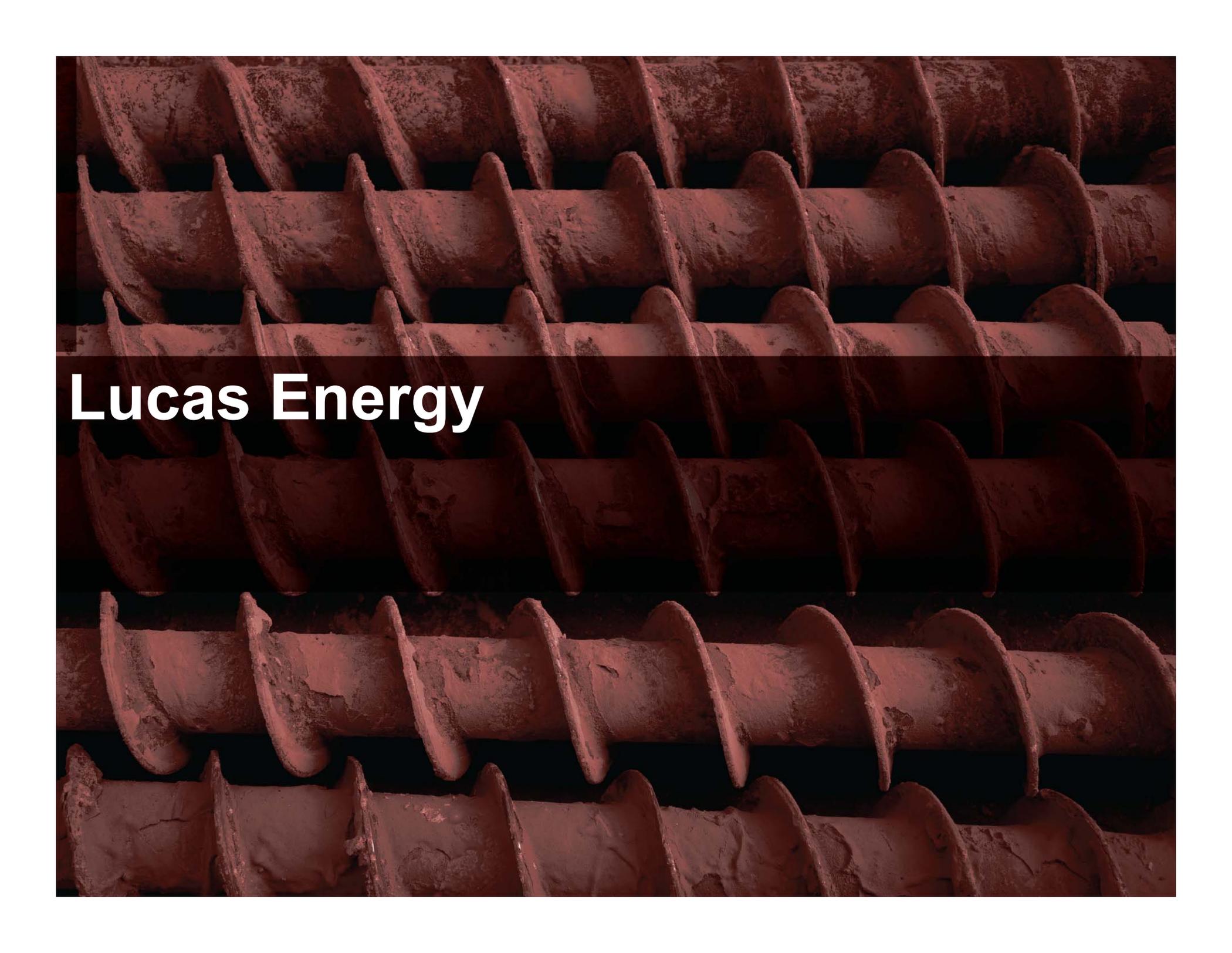
Mitchell Drilling – Key Customers



Combined Group – Industry Trends



Industry Trend	Comments	Opportunity for Combined Group
Demand for Drill Rigs	<ul style="list-style-type: none"> Strong global demand for drill rigs and associated equipment Significant lead time from order to delivery of equipment 	<ul style="list-style-type: none"> Greater purchasing power Established relationships with a broader range of suppliers Better access to capital
Employees	<ul style="list-style-type: none"> Industry requires qualified employees 	<ul style="list-style-type: none"> Improved career path Greater job security
Safety Standards	<ul style="list-style-type: none"> Increased safety standards in Australia, create challenges in the drilling industry 	<ul style="list-style-type: none"> Established safety procedures and standards accepted by blue chip clients
Commodity Prices	<ul style="list-style-type: none"> Higher prices for crude oil, natural gas, coal and LPG continue to encourage exploration and development 	<ul style="list-style-type: none"> Scale and strong reputation in Australia will be attractive to customers trying to secure drilling services
Growth in CSG	<ul style="list-style-type: none"> Expected significant growth in the CSG industry 	<ul style="list-style-type: none"> The combined technical skills and increased drilling fleet will leave it well positioned to respond to this growth

A close-up photograph of a rusty, spiral drill bit. The metal is heavily corroded, showing a reddish-brown patina. The spiral flutes are clearly visible, and the overall appearance is that of an old, worn tool. The text "Lucas Energy" is overlaid in white on a dark horizontal band across the middle of the image.

Lucas Energy

Lucas Energy - Overview



Overview

- Established to identify, develop and commercialise CSG and other unconventional gas assets
- NSW assets very strategic
- New management team established in Feb 2007
- 4 major investments
- Separate advisory board
- Intention to restructure the ownership of these assets within the next 6-12 months

Lucas share of total reserves (BCF*)

Reserve Type	SGL	ATP 651	PEL 285	Total Lucas
1P or proved volumes	0.4	3.7	10.4	14.5
2P or proved + probable	6.6	39.6	119.1	165.3
3P or proved + probable + possible	8.7	120.8	251.4	380.9
Contingent reserves	NA	31.9	116.3	148.2

Investments

In Australia

PEL 285 Gloucester Basin, NSW

- Key focus for Lucas Energy
- AJ Lucas operates the basin and has a 70% ownership
- Estimated GIP 2.5-3.0 TCF
- 32 coal seams: high perm, high gas content

ATP 651 Woleebee Creek, QLD

- 375 km² in the Walloons Fairway
- AJ Lucas 15% owner (QGC 68%, BG 17%)
- Close to existing infrastructure
- High gas content - very prospective

Sydney Gas Limited, NSW

- 16.5% shareholding, 24,000 sq. kms
- Options to acquire further 10% (approval 22 August)
- Technical & Drilling services agreements

In Canada

Arawn Energy Limited, British Columbia

- 43,390 acres Grizzly & Red Deer prospects Eastern British Columbia (near Fort St John)
- AJ Lucas 60% owner
- Further tests over US summer

*BCF refers to billion cubic feet. (1 BCF approx. 1.035PJ). See page 31 for information on reserve certification.

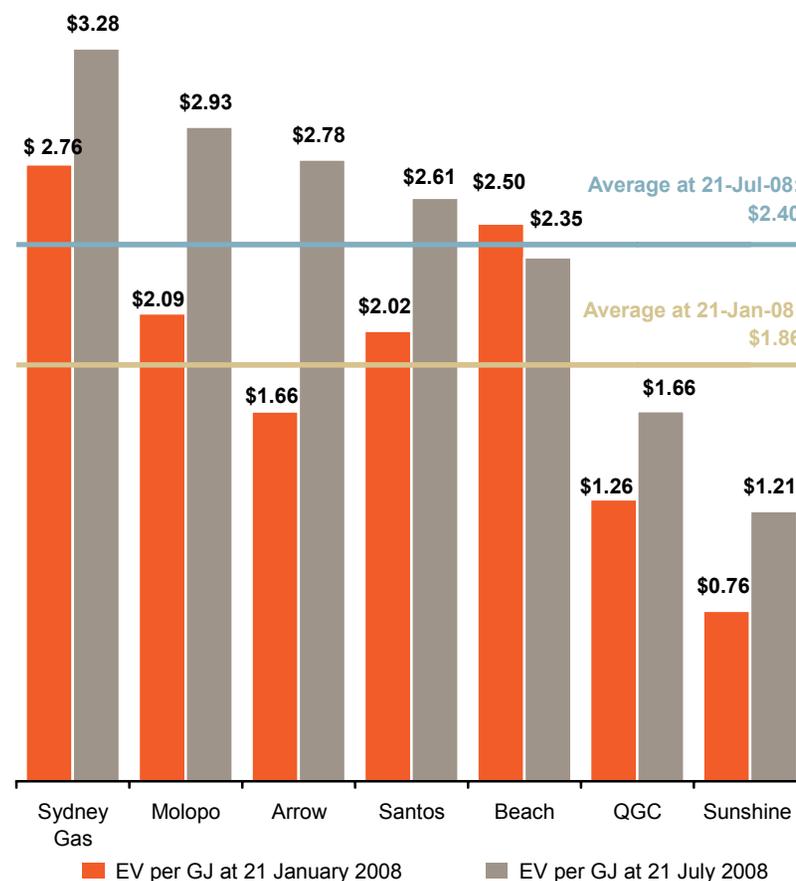
Asset Value Re-Rating



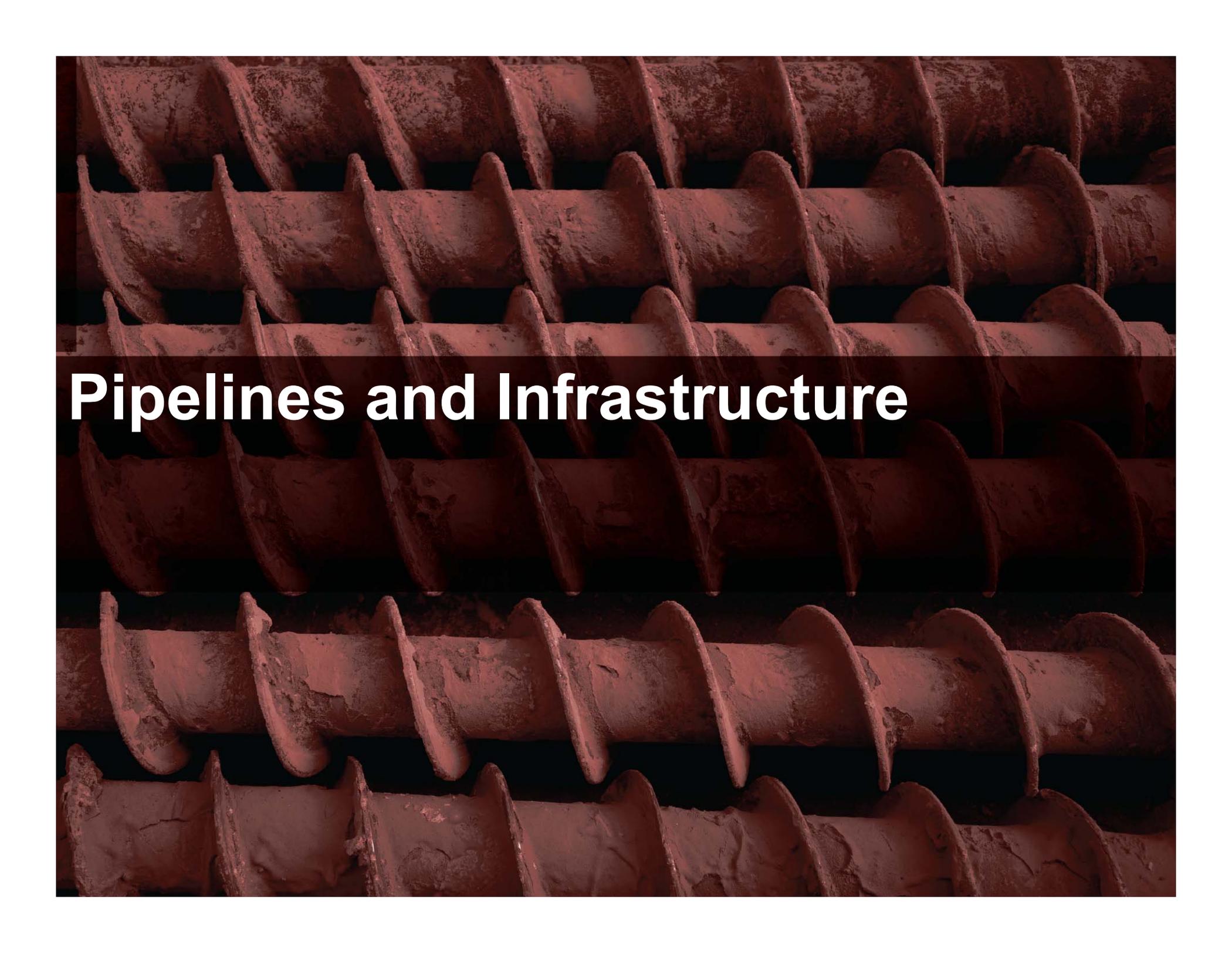
Overview

- CSG is a fast growing energy source in Australia
- Lucas continues to see strong demand for CSG driven by:
 - Increasing domestic and international demand for CSG
 - Recent gas price rises with further price increases anticipated
 - Australian gas prices likely to move closer to higher international prices
 - Emissions targets trading schemes
 - Improvements in technology increasing the export viability of CSG
 - New drilling techniques
 - Advances in conversion of CSG to LNG
 - CSG is a relatively environmentally friendly energy source compared with other conventional energy sources
 - Geographic feasibility

Australian CSG Companies EV/2P reserves (A\$ per “GJ”)



Source: Company filings. Market data as at 21-Jul-2008

A close-up photograph of a spiral drill bit, showing its sharp, twisted flutes. The metal is heavily rusted, giving it a dark, reddish-brown appearance. The lighting is dramatic, highlighting the texture of the rust and the metallic sheen of the drill bit's edges. The background is dark, making the drill bit stand out.

Pipelines and Infrastructure

Pipeline Division



Overview

- Core Lucas business for over 25 years
- Full service, EPC, design and construct model
- Emphasis on engineering and knowledge of the work
- Division expanding rapidly
- Reputation for project delivery on time, on budget
- Strong, longstanding, customer relationships
- Positive outlook driven by:
 - Reputation for reliability
 - Public infrastructure requirements
 - Resources boom
 - Developments in water and wastewater systems
 - Domestic and international energy demand
 - Utility infrastructure upgrades
- Strong order book

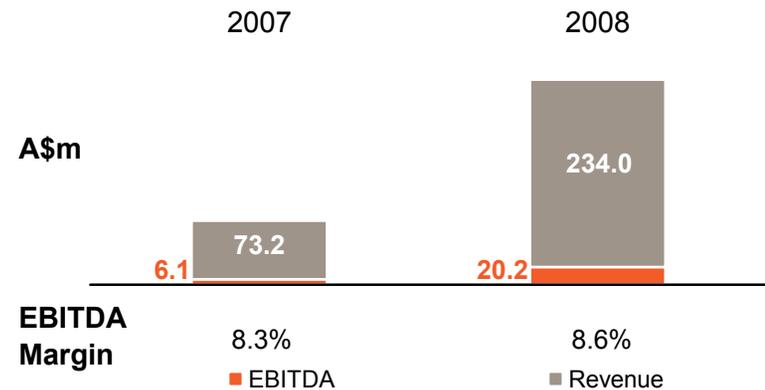
Strategy

- To exploit the technical strengths in the broader pipeline business
- Focus on key sectors of water, energy and utility infrastructure upgrades

Growth

- Continued investment in domestic infrastructure
- Upgrade and renewal of infrastructure
- Further application of new technologies

Division Financials*



* 2008 financial data based on unaudited management accounts

Construction and Infrastructure



Overview

- Traditionally focused on Building Construction
- Repositioning of business towards infrastructure well advanced
- Strong cash flow and project management training ground
- Construction and project management skills combine with engineering capabilities to deliver large civil infrastructure projects such as Sydney Slipways
- Specialist civil engineering services commenced
- Cross fertilization of skill sets across all divisions
- Strong brand and reputation

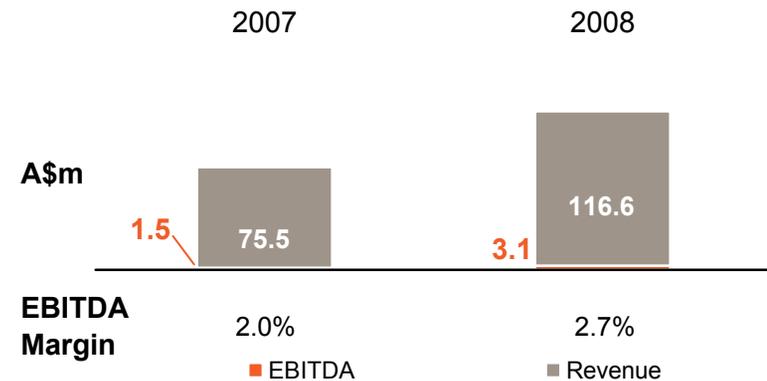
Strategy

- Proven skills and scale to be a consortium partner in large projects
- Leverage skills in other divisions

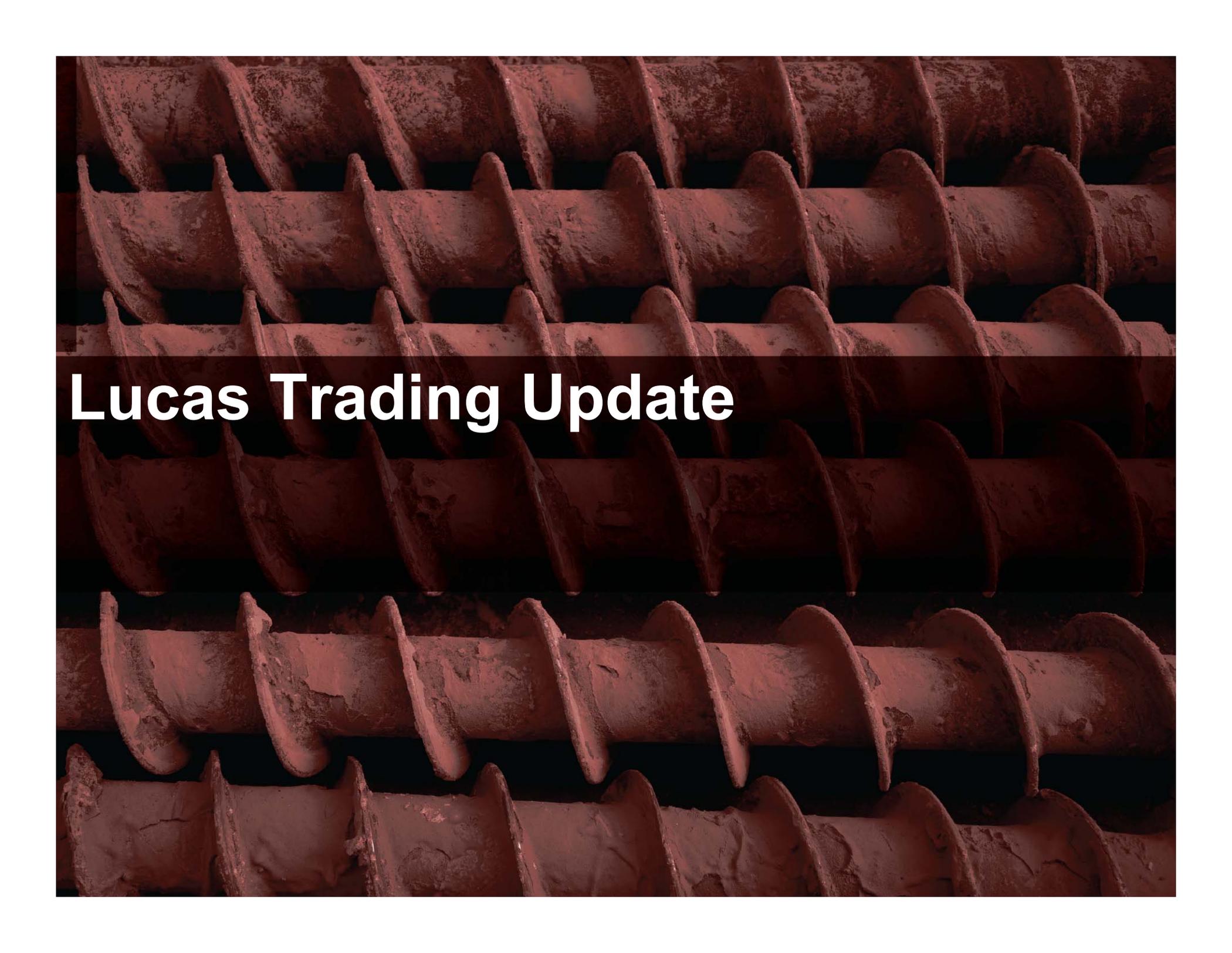
Growth

- Significant increase in public and private spend on infrastructure projects

Division Financials*



* 2008 financial data based on unaudited management accounts



Lucas Trading Update

Lucas Trading Update



	Division	Performance Highlights
#1	Drilling Division	<ul style="list-style-type: none">■ A leading Australian driller■ Well balanced equipment portfolio■ Demand is increasing – CSG is a fast growing energy source in Australia with significant exploration and development drilling anticipated
#2	Lucas Energy	<ul style="list-style-type: none">■ CSG reserves continue to be proved up■ Intention to restructure ownership of these assets division within 6-12 months
#3	Pipeline Division	<ul style="list-style-type: none">■ Continues to benefit from public infrastructure requirements, resources boom and developments in water/wastewater systems■ Very strong order book■ Margins remain robust
#4	Construction and Infrastructure	<ul style="list-style-type: none">■ Repositioning of business well advanced■ Strong reputation with clients

Unaudited FY08:

- Revenue \$437.7m, normalised EBITDA \$42.8m (excludes non-recurring legal charges of \$5.2m*) and normalised EPS 34.9 cents

Forecast FY09, including Mitchell Drilling:

- Revenue at least \$600m and EBITDA at least \$80m

Source: Financial data based on unaudited management accounts
*Made up of litigation costs of \$4m and a \$1.2m legal settlement charge

A close-up photograph of a rusty metal auger, showing several parallel shafts with spiral blades. The metal is heavily corroded and covered in reddish-brown rust. The background is dark, making the rusted metal stand out. A semi-transparent black horizontal bar is overlaid across the center of the image, containing the text "Acquisition Funding" in white, bold, sans-serif font.

Acquisition Funding

Funding Overview



- Acquisition and transaction costs together with refinance of existing facilities to be funded by:
 - \$105m Senior Bank Debt: 3-year term, with a combination of an amortising and bullet tranche
 - \$45m Redeemable Convertible Preference Shares
 - \$15m Equity Placement to the vendor (shares escrowed for 12 months)
 - \$25m Equity Placement to institutional and sophisticated investors
- On completion \$25m will be available for working capital and further investments
 - 3.2x FY2008 Pro Forma net debt / EBITDA
 - 2.7x FY2009 forecast net debt / EBITDA

Estimated Sources		Estimated Uses	
Sources	A\$m	Uses	A\$m
Redeemable Convertible Preference Shares	45	Acquisition Price for Mitchell	150
Equity to Vendor	15	Costs	15
Equity Placement	25	Cash	25
Incremental Debt	105		
Total Transaction Sources	190	Total Transaction Uses	190

Convertible Preference Shares - Terms



Type/Value	<ul style="list-style-type: none">■ Redeemable Convertible Preference Shares■ \$45 million face value
Coupon	<ul style="list-style-type: none">■ 11% cash pay
Conversion Price	<ul style="list-style-type: none">■ Conversion price \$7.20
Conversion Period	<ul style="list-style-type: none">■ At any time■ Not redeemable for 3 years from issue■ Redeemable thereafter if Lucas price is greater than \$9.36 (130% of conversion price)
Maturity	<ul style="list-style-type: none">■ 5 years
Holder	<ul style="list-style-type: none">■ Goldman Sachs JBWere Principal Investment Area

Equity Placement



- Underwritten equity placement to institutional and sophisticated investors to raise at least \$25m
- Final price to be determined via a bookbuild
 - Floor price of \$5.00 which represents a 13.6% discount to the last closing price on 22 July 2008
 - 5.0m new shares to be issued, representing 8.4% of issued share capital
- New shares issued under the equity placement will rank equally with existing shares
- Placement fully underwritten by Goldman Sachs JBWere and ABN AMRO Morgans

Institutional Placement – Indicative Timetable*

Lucas enters trading halt, Bookbuild opens	9am, Wednesday, 23 July 2008
Bookbuild closes	5pm, Wednesday, 23 July 2008
Lucas recommences trading	Thursday, 24 July 2008
Settlement of Placement	Tuesday, 29 July 2008
New Shares commence trading	Wednesday, 30 July 2008

**Subject to change and ASX approval*

A close-up photograph of a rusty metal auger, showing several parallel shafts with spiral blades. The metal is heavily corroded, with a reddish-brown patina. A semi-transparent black horizontal band is overlaid across the center of the image, containing the text "Investment Highlights" in white, bold, sans-serif font.

Investment Highlights

Investment Highlights



- #1 Mitchell Drilling acquisition consolidates Lucas' position as a leading driller in the Australian market
- #2 Attractive exposure to CSG – a fast growing energy source in Australia
- #3 Demand for CSG drilling and exploration expected to grow strongly as global CSG players drive major export projects
- #4 More pipelines for these major projects will lead to increased growth in the CSG industry
- #5 Lucas offers a full service capability to the CSG industry from drilling and gas gathering systems to long distance gas transmission pipelines
- #6 Intention to restructure the ownership of CSG assets over the next 6-12 months
- #7 High quality customer base with long standing relationships enhanced by acquisition of Mitchell given little customer overlap
- #8 Attractive financial growth profile – acquisition expected to be EPS accretive in FY09
- #9 Leading management team with extensive industry experience as well as an excellent industrial relations and safety record

Information About Reserves Certifications



The independent certification of Lucas' initial reserve estimates has been completed by Netherland, Sewell and Associates Inc (NSAI). The reserves estimates used in this presentation were compiled by Mr. Dan Paul Smith and Mr. John Hattner of NSAI and are consistent with the definitions of Proved, Probable and Possible hydrocarbon reserves defined in the ASX Listing Rules. Messrs Smith and Hattner are full-time employees of NSAI, are qualified persons as defined under the ASX Listing Rule 5.11 and have consented to the use of the reserves figures in this presentation