

LUCAS



AJ Lucas Group Limited

Right Place, Right Time



AJ Lucas Group

- /// Specialist engineering, infrastructure services provider
- /// Developer of energy assets; particularly coal seam methane and shale gas assets
- /// Developer of water solutions and water projects





Key Metrics

▮ Sector focus:

- Energy
- Water & Wastewater
- Coal
- Public Infrastructure

▮ Balanced business focusing on:

- Maintainability and quality of earnings stream
- High margins and profits
- High degree of technical input and expertise

▮ Working with principals – corporate / private, government, semi-government

Strategy

- /// **Market leadership in chosen sectors**
- /// **Niche businesses**
- /// **Differentiate through innovation**
- /// **Integrated business – shared overhead platform**
- /// **Leverage off intellectual capital:**
 - To provide integrated service and “capture” clients
 - Generate entrepreneurial opportunities
- /// **High barriers to entry**
 - Very high degree of technical, engineering knowledge and practical experience
 - Specialised equipment, some cases very technical
- /// **Environment / safety / community (HSEC) focus**



Activities

/// Drilling

- Underground
- Exploration
- Production
- Trenchless technology
- Geotechnical
- Well services
- Engineering services



/// Construction & Infrastructure

- Pipelines
- Compressor stations
- Construction and civil
- Major projects



/// Operations & Maintenance

- Facilities management
- Marais-Lucas Technologies
- Asset management





Drilling Services

- Focus on energy – coal seam gas and coal. No minerals exposure
- Acknowledged industry leader
- Balanced portfolio of drilling and oil & gas services
- Full service, integrated business model



	2005/ 2006	2006/ 2007	2007/ 2008	1 st Half 2009
Revenue (\$m)	50.9	67.6	88.4	103.3
EBITDA (\$m)	7.5	15.1	18.1	22.0
EBITDA margin	14.7%	22.3%	20.5%	21.3%

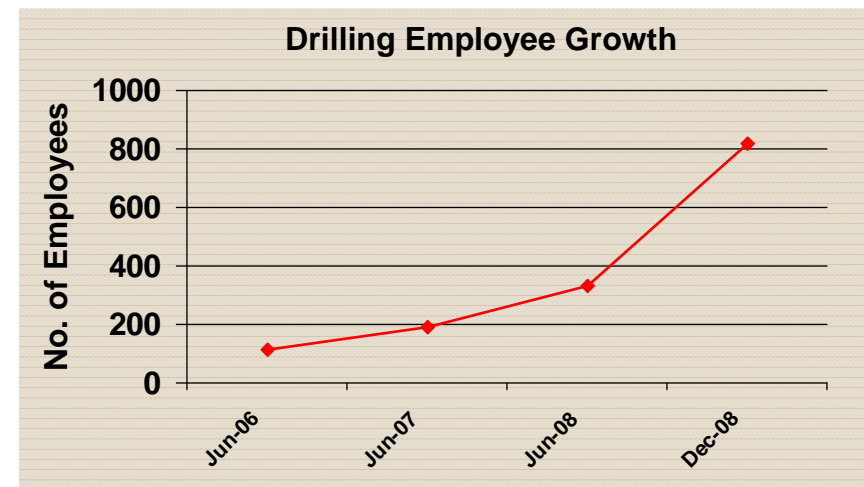
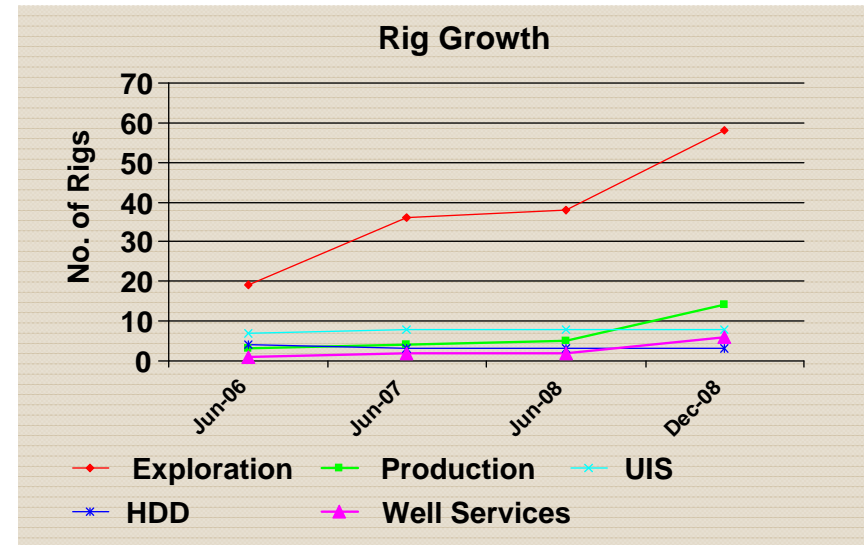


Drilling Division: Growth

/// Largest fleet of drilling rigs on Australia's eastern seaboard – 88 in all

/// Very strong growth – both organically and by acquisition

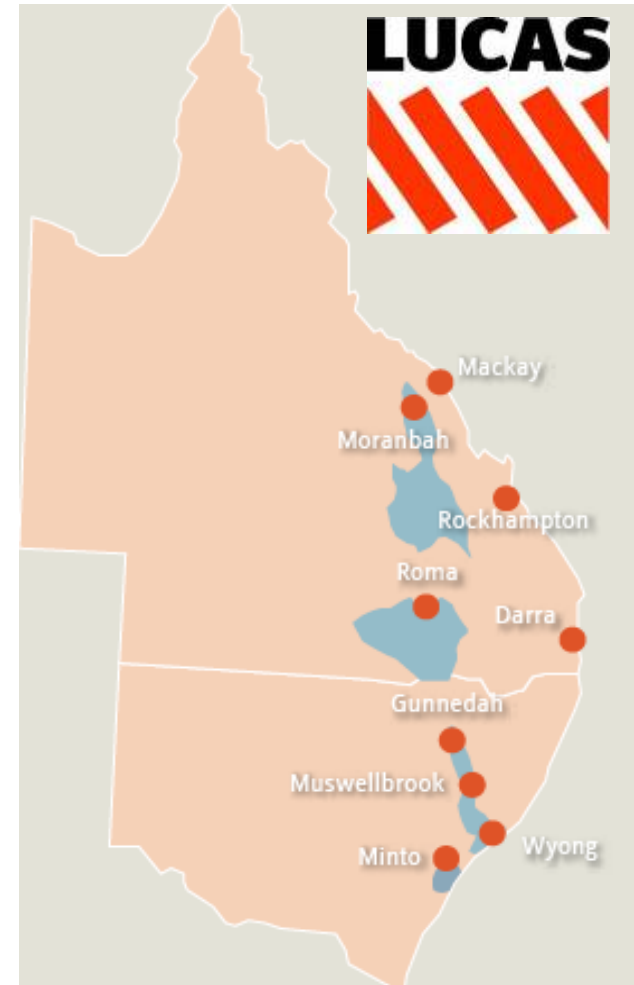
- July 2006: McDermott Drilling
- July 2007: Capricorn Weston
- August 2008: Mitchell Drilling





Drilling Services

- Strong geographical presence – operations throughout NSW and QLD
- Very strong client base – only the majors
- Strong technical focus – emphasis on engineering, innovation and productivity
- Business model allows cross-fertilisation of skill sets and resources





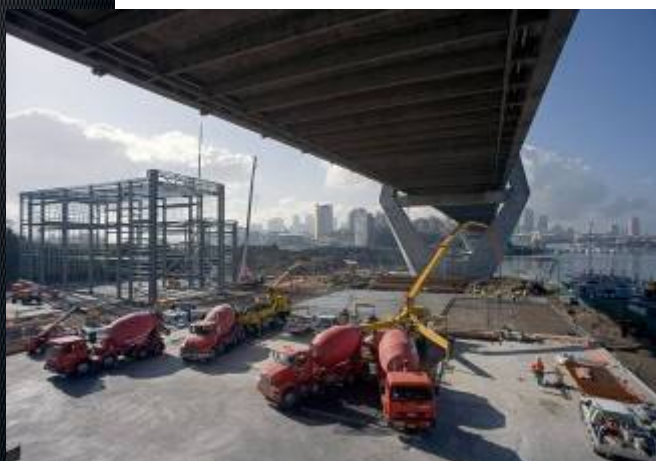
Drilling Client Base





Construction & Infrastructure

- Focus on pipelines, specialist civil engineering and construction
- Emphasis on oil and gas, water and wastewater and public infrastructure
- Public sector priority driving demand together with private sector requirements
- Strong focus on engineering, technical or industry knowledge and experience skill sets



	2005/ 2006	2006/ 2007	2007/ 2008	1 st Half 2009
Revenue (\$m)	120.3	148.7	335.9	189.4
EBITDA (\$m)	5.8	7.6	23.3	9.1
EBITDA margin	4.8%	5.1%	6.9%	4.8%



Recent / Current Projects

PROJECT NAME	VALUE	CLIENT
Western Corridor Water Recycled Project – Eastern Pipeline	\$550m	Qld Government Alliance
Bonaparte Gas Pipeline – 296kms 16” pipeline from Wadeye to Baan Baan Springs	\$96m	EPC for APA Group
Perth Desalination Plant No.2 – Phase 1. Design, Construct, Maintain	\$650m	EPC for Water Corporation WA Alliance
Ivy Entertainment Complex, Sydney	\$72m	Construction for Merivale Group
Brooklyn to Lara gas pipeline. Victoria – 55kms 12” pipeline	\$45m	Construction for APA Group
Goro Nickel Mine Tailings Pipeline, New Caledonia. 36kms 32” HDPE water pipeline.	\$50m	Vale Alliance

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Operations & Maintenance Services

- /// Knowledge and understanding of the assets generated from other divisions, complementary activity**
- /// Strong existing client base:**
 - **Moomba to Sydney pipeline sleeving – 10 years**
 - **Sydney Opera House – 11 years**
- /// Stable recurring income stream**
- /// Activity being ramped up. Government infrastructure spending initiatives**
- /// Marais-Lucas Technologies – new trenchless technology in telco, water and gas reticulation – cross country and urban**



Quality Clients

Oil & Gas	Water & Wastewater	Coal	CSG	Civil Construction
<ul style="list-style-type: none"> 🔧 APA Group 	<ul style="list-style-type: none"> 🔧 Queensland Government 	<ul style="list-style-type: none"> 🔧 BMA-BHP Billiton Mitsubishi Alliance 	<ul style="list-style-type: none"> 🔧 Arrow Energy 	<ul style="list-style-type: none"> 🔧 Hyundai
<ul style="list-style-type: none"> 🔧 Santos 	<ul style="list-style-type: none"> 🔧 Sydney Water 	<ul style="list-style-type: none"> 🔧 Anglo 	<ul style="list-style-type: none"> 🔧 AGL 	<ul style="list-style-type: none"> 🔧 Sydney City Council
<ul style="list-style-type: none"> 🔧 Epic Energy 	<ul style="list-style-type: none"> 🔧 Hunter Water Corporation 	<ul style="list-style-type: none"> 🔧 BHP 	<ul style="list-style-type: none"> 🔧 Santos 	<ul style="list-style-type: none"> 🔧 Sydney Aquarium
<ul style="list-style-type: none"> 🔧 Shell 	<ul style="list-style-type: none"> 🔧 Victoria Water Companies 	<ul style="list-style-type: none"> 🔧 Centennial 	<ul style="list-style-type: none"> 🔧 Eastern Star Gas 	<ul style="list-style-type: none"> 🔧 Merivale Group
<ul style="list-style-type: none"> 🔧 Sinopec/CPP 	<ul style="list-style-type: none"> 🔧 Water Corporation, WA 	<ul style="list-style-type: none"> 🔧 Xstrata 	<ul style="list-style-type: none"> 🔧 Origin 	<ul style="list-style-type: none"> 🔧 Aldi
<ul style="list-style-type: none"> 🔧 Jemena 	<ul style="list-style-type: none"> 🔧 Regional water authorities 	<ul style="list-style-type: none"> 🔧 Donaldson 	<ul style="list-style-type: none"> 🔧 QGC 	<ul style="list-style-type: none"> 🔧 Water Corporation, WA
<ul style="list-style-type: none"> 🔧 BP Australia 	<ul style="list-style-type: none"> 🔧 Brisbane Water 	<ul style="list-style-type: none"> 🔧 Rio Tinto 		<ul style="list-style-type: none"> 🔧 Telstra
<ul style="list-style-type: none"> 🔧 Origin 	<ul style="list-style-type: none"> 🔧 Goro Nickel 			
<ul style="list-style-type: none"> 🔧 Woodside 				
<ul style="list-style-type: none"> 🔧 Chevron 				





Financial Performance

Strong revenue growth

- Mitchell Drilling 4 months contribution
- Bonaparte pipeline completed

Margins

- Drilling margin increase because of change in business mix
- Construction and infrastructure margin adversely affected by difficult working conditions and timing of settlement of claims

Order book \$245.7m

	2007/ 2008	1 st Half 2009
Revenue	\$424.3m	\$292.8m
Underlying EBITDA	\$44.5m	\$29.9m
Underlying EBIT	\$26.0m	\$18.5m
Underlying EBIT Margin	6.1%	6.3%
Profit on Sale of Investment	-	\$218.4m
Net profit after tax	\$13.5m	\$160.3m
Earnings per share	24.5¢	242.5¢



Balance Sheet

- /// \$42m debt repaid since balance date. Bank debt now \$72m
- /// Cash now at \$215m
- /// Asset finance of \$35m backed by 3-5 year contracts with major corporates
- /// Preference shares of \$45m held by GSJBW Fund for 5 years
- /// Deferred consideration of \$21m due to vendors 09/10 and 10/11
- /// Working capital strong in second half – impacted by timing of projects
- /// Investments carried at cost, not market

	Jun 08	Dec 08
Total assets	\$229.9m	\$637.7m
Total liabilities	\$164.7m	\$368.1m
Net Assets	\$65.2m	\$269.6m
Cash	\$16.6m	\$234.0m
Bank borrowings & finance	\$61.7m	\$150.5m
Preference shares	-	\$45.0m
Deferred purchase consideration	\$9.3m	\$21.0m
Gearing	45.5%	0%
Net debt/EBITDA	2.4x	N/A



Key Business Objectives

/// People

- Continue to improve safety performance
- Significant investment in training & development

/// Markets

- Focused on continuing leadership in our niche market segments
- Ongoing development of O&M business strategy
- Pursue regional infrastructure opportunities
- Leverage our experience to partner in further major project opportunities

/// Systems

- Significant investment in ICT systems
- Significant enhancement to our risk management procedures & controls

/// Financial

- Maintainable revenue streams
- Improve bottom line results through increased efficiencies



Three Year Objective

	Nature of activity	Business raison d'être	Target financial metrics
Drilling	<ul style="list-style-type: none"> ▤ Underground ▤ Exploration ▤ Production ▤ HDD ▤ Workovers ▤ Well services 	Balanced portfolio focused on coal mining and coal seam gas production	ROC: 31% Employees: 1,000 Blended Margin: 23%
Construction & Infrastructure	<ul style="list-style-type: none"> ▤ Pipelines ▤ Construction ▤ Project Management ▤ Engineering ▤ Civil infrastructure 	Specialist engineering and construction services allowing cross-fertilisation of skills to all Lucas key sectors	ROC: 120% Employees: 350 Blended Margin: 8%
Operations & Maintenance / Services	<ul style="list-style-type: none"> ▤ Facilities management ▤ Operations & maintenance ▤ Marais-Lucas Technologies ▤ Other services 	Leveraged use of skills acquired in other divisions plus market opportunities	ROC: 125% Employees: 300 Blended Margin: 14%

Energy Assets

- Two investments realised in December 2008 and January 2009 for \$293.5m
- Gloucester Basin: Total MPO and AJL investment – \$28.5m approx - sale price \$370m
- Two more investments to be realised in 2010
- Additional assets being created, mainly offshore
- World class technical team
- Looking at other opportunities, including geothermal and geosequestration

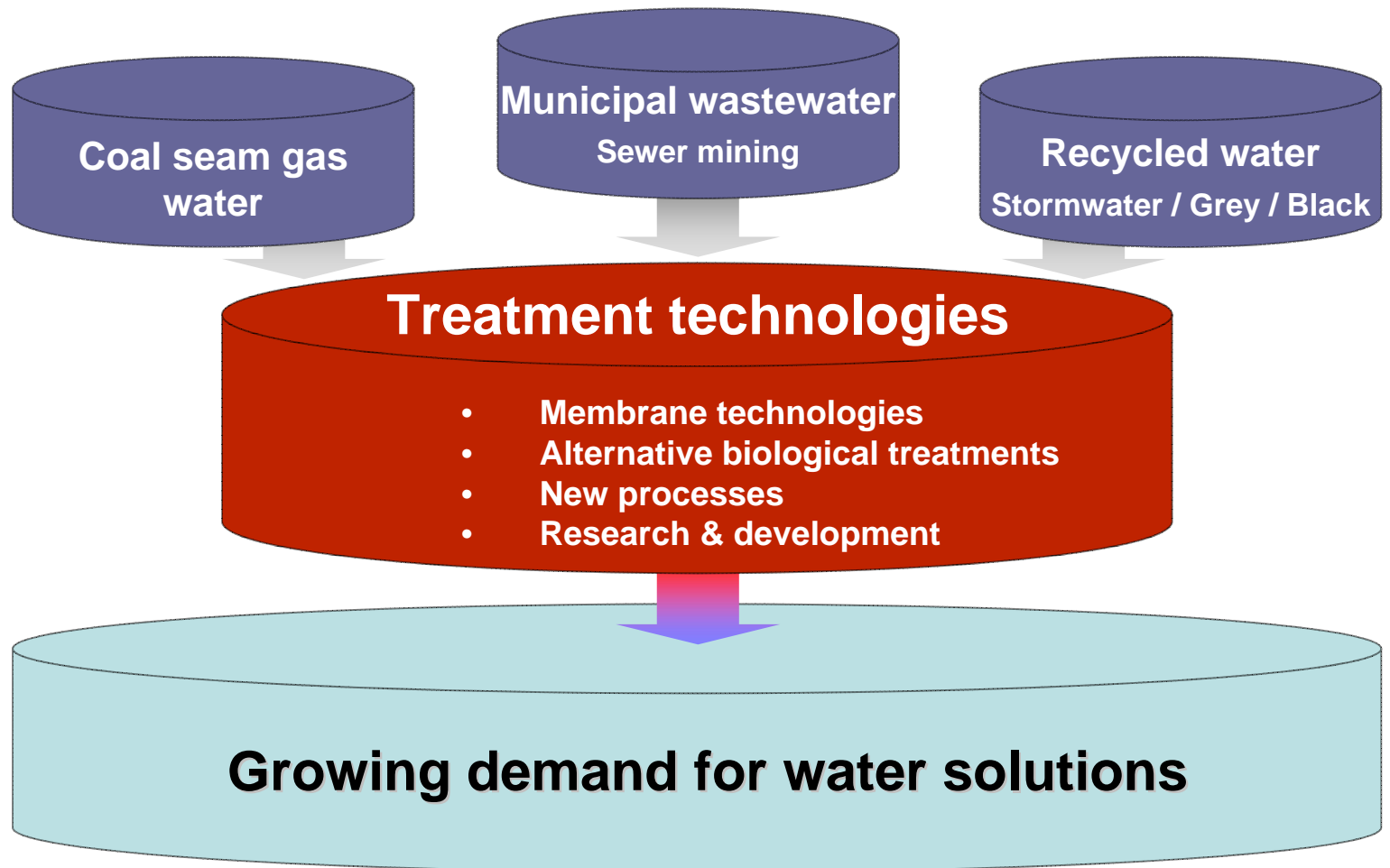




Water Assets

- Business Plan refined and team assembled
- Projects identified, technologies obtained / identified
- Legislative regime changing, opportunities emerging for private sector to be involved in water ownership
- Water is an increasingly valuable asset – in a market which is evolving – integrated water and wastewater solutions

New Water & Wastewater Solutions



Outlook

- ▬ **Business model is sustainable**
 - Client base
 - Overhead structure
 - Engineering / technical basis
 - Market sectors (particularly CSG, oil & gas, water & wastewater)
- ▬ **Continued growth in core sectors notwithstanding economic climate**
- ▬ **Government spending on infrastructure and upgrade of facilities as economic cycle turns through**

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Outlook

- Platform and corporate architecture being established for next phase of business growth and development**
- Strong balance sheet (to be strengthened with further asset sales) to take advantage of opportunities**
- Emphasis on management, training and personnel development**
- Future is bright. Looking three years “down the track”. Well positioned.**

“Right Place, Right Time”

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