



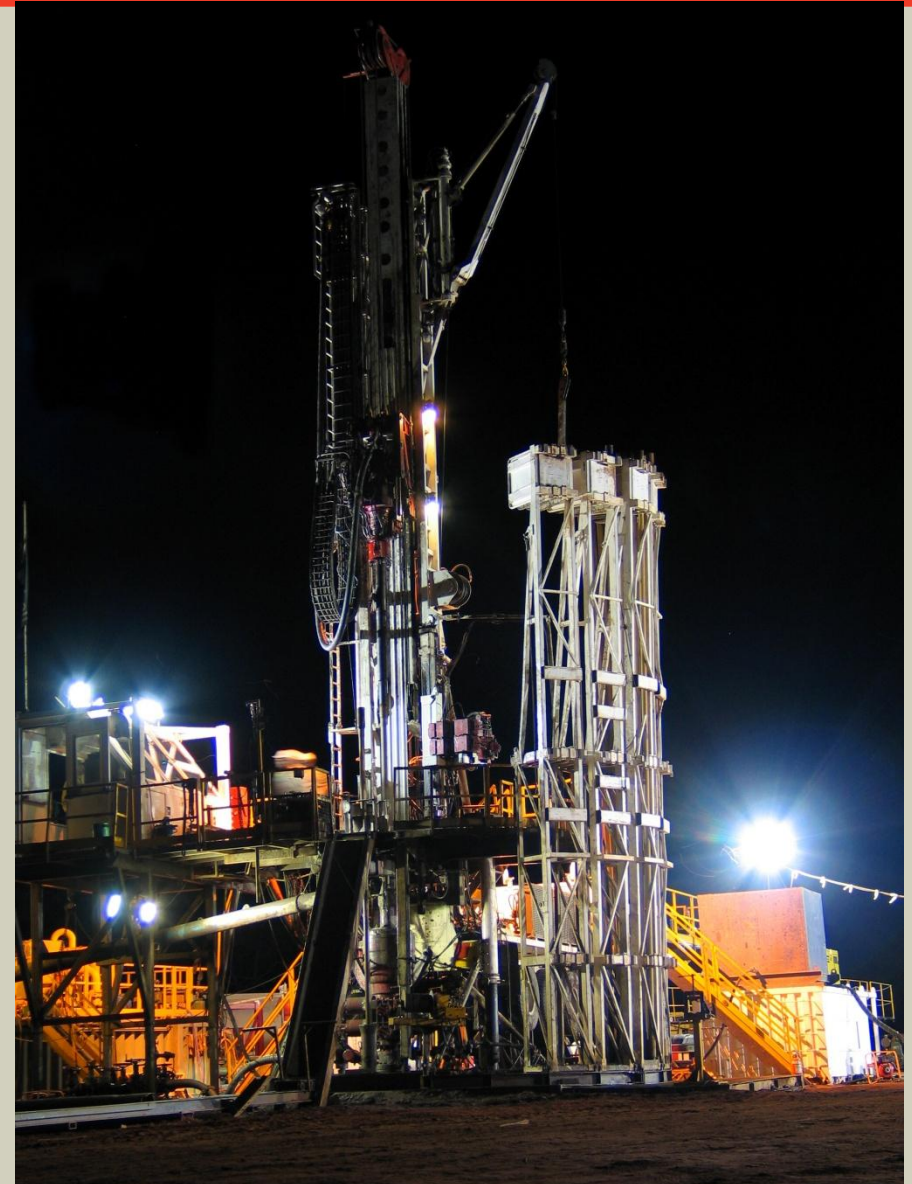
AJ Lucas Group Limited FY2011 Half Year Results

28 February 2011

- Overview
- Financial Results
 - Drilling Division
 - BC&I Division
- Balance Sheet
- Cash Flow
- Investments
- Strategy & Outlook



- Group revenue up 38.3% to \$229.8M
- Underlying EBITDA of \$3.2M
- Operating cash flow of \$25.6M
- Result impacted by:
 - Unseasonal rainfall
 - Infrastructure constraints
 - Project delays
 - Settlement of Minerva dispute
- Drill rig fleet operating at full capacity
- Balance sheet review underway
- Cuadrilla
 - Drilling commenced on 2nd well at Bowland
- Outlook underpinned by strong drilling order book



Financial Results

	FY11 \$M	FY10 \$M	Change %
Revenue	229.8	166.1	38%
Underlying EBITDA	3.2	(17.8)	118%
Reported EBITDA	2.9	42.5	(93%)
EBIT	(10.9)	28.9	(138%)
Interest expense (net)	(14.0)	(8.7)	60%
Net (loss)/profit before tax	(24.9)	20.2	(223%)
Net (loss)/profit after tax	(17.9)	5.7	(412%)
Earnings/(loss) per share	(27.2)¢	8.8¢	(409%)

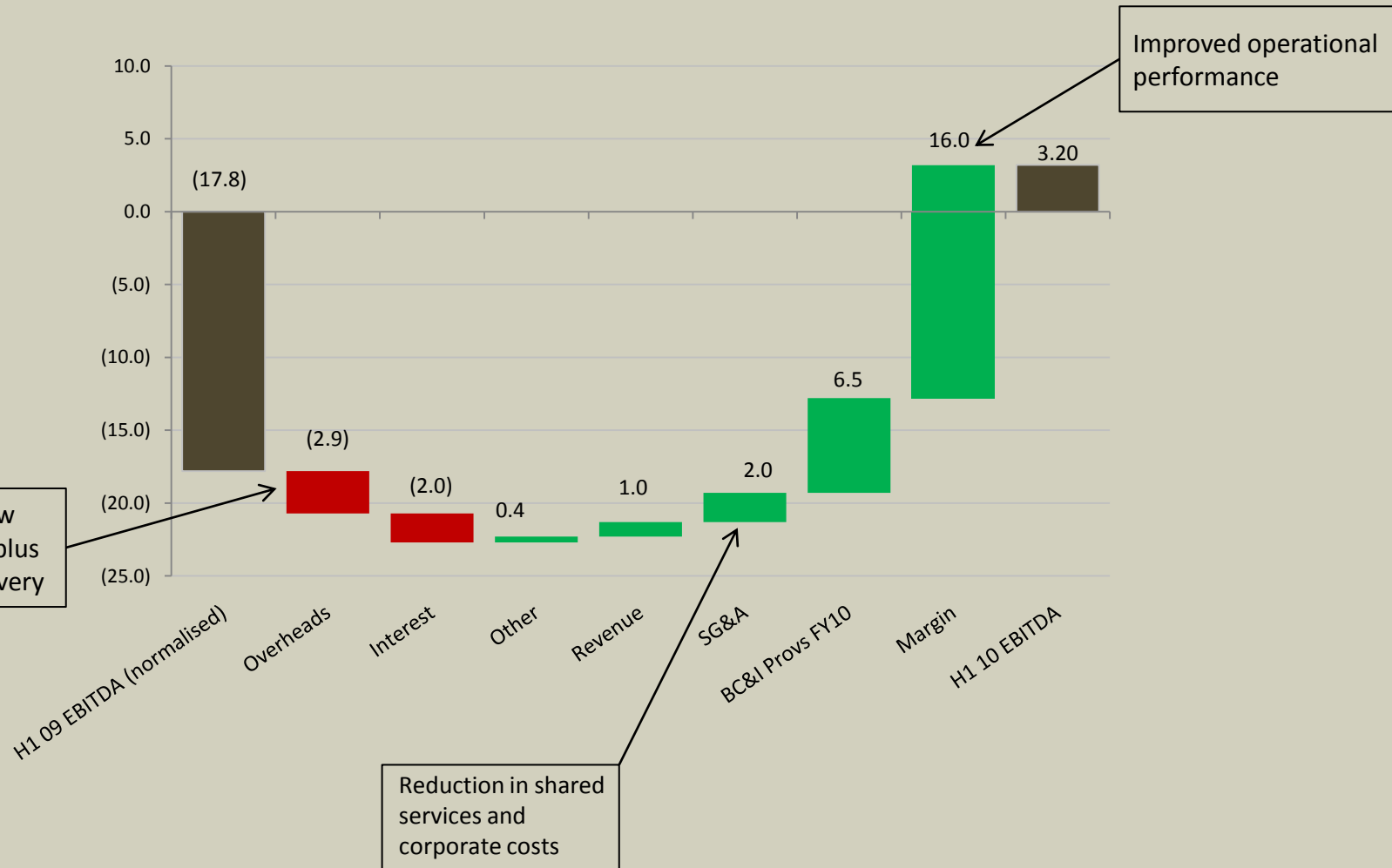
Operational performance impacted by: \$M

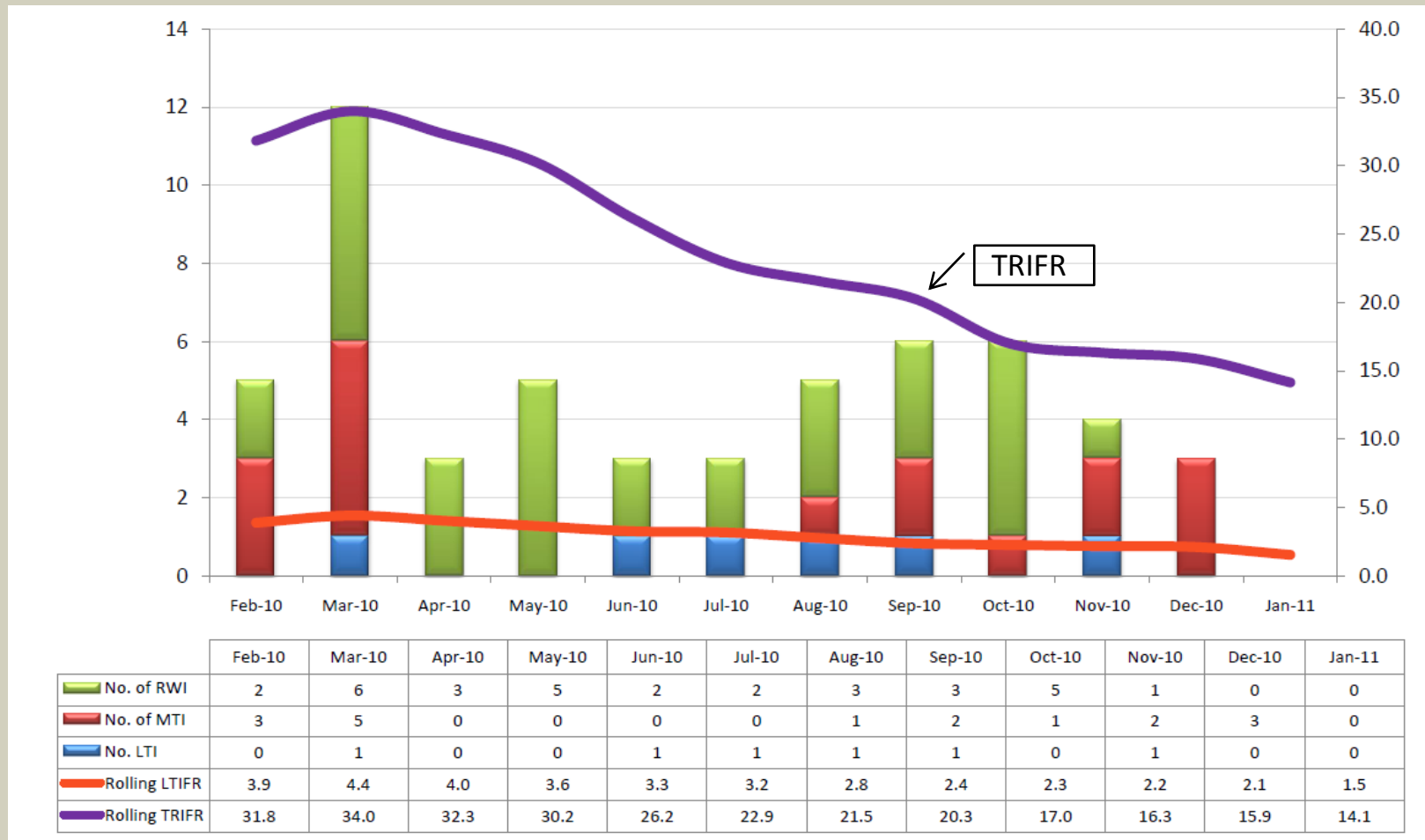
- Wet weather	10.8
- Infrastructure constraints	3.6
- Project delays	6.2

Reconciliation of Reported to Underlying EBITDA	FY10 \$M	FY09 \$M
Reported EBITDA	2.9	42.5
Profit on sale of ATP651	-	(93.6)
Impairment of intangible assets	0.3	25.4
Impairment of equity accounted investee	-	7.9
Underlying EBITDA	3.2	(17.8)

EBITDA (Underlying)

\$M





LTI = Lost Time Injury

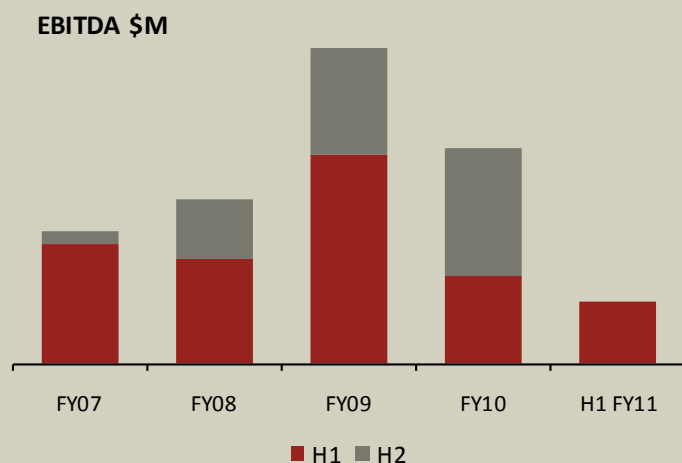
MTI = Medical Treatment Injury

RWI = Restricted Work Injury

TRIFR = Total Recordable Injury Frequency Rate

Drilling Division: Financial Result

\$M	FY11	FY10	Change
Sales	97.1	100.4	(3%)
EBITDA	6.8	9.5	(29%)
EBITDA / Sales	7.0%	9.5%	
Order Book	192.8	149.2	29%



EBITDA budget variance analysis	\$M
Budgeted EBITDA	22.8
— Wet weather impact	(10.8)
— Client deferrals	(3.8)
— Commissioning costs	(1.4)
Reported EBITDA	6.8

- Wet weather mitigation
 - Rig move costs reduced by geographical and client spread
- Business restructuring continued
 - New EBA executed: labour force turnover reduced post agreement
 - Integration complete, business improvement commenced
- Investment in rig fleet
 - Reduce future R&M costs
 - Increase in rig productivity
- Significant investment in safety and competency training
- Rapid return to work after QLD floods, rig fleet operating at full capacity
- Significant contract wins (\$165M) this financial year, tenders for \$161M awaiting award

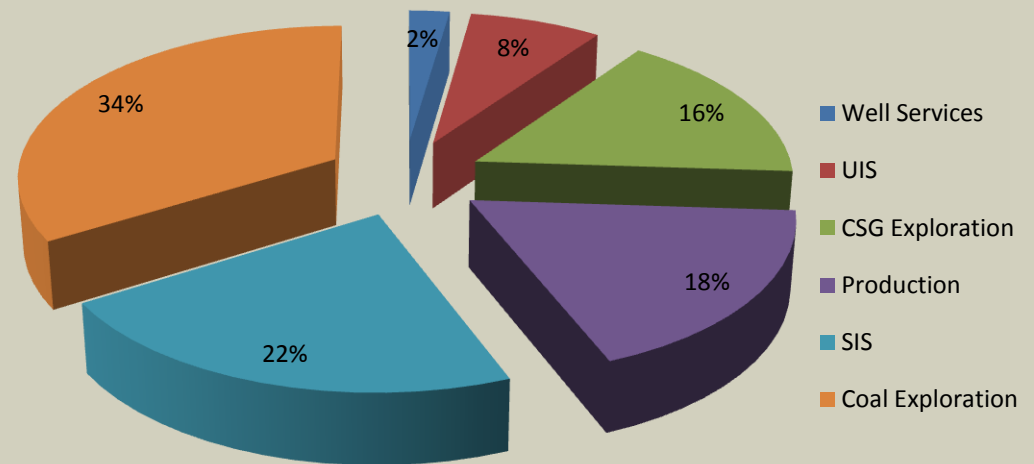


Drilling Market Leader: Balanced Activities

Strong Market Share by Sector

Business Unit	Market	Lucas	Market Share
Exploration coal NSW	60	32	53%
Exploration coal Qld	111	23	21%
CSG exploration	15	5	33%
Production	32	8	25%
Directional drilling	13	7	54%
Underground	21	7	33%
Well services	13	3	23%
Engineering services	N/A	4	N/A
Drilling Group	265	89	33%

Historical Revenue by Service Type: Jul 2008 to Dec 2010
Total Revenue: \$507.1 Million



- Diversified revenue base
- Revenue concentrated in coal exploration, underpinned by blue chip customer base
- Evolving CSG market – well positioned for future opportunities

Leading market share across the sector

Drilling: Work On Hand

Division	Order Backlog (31/12/10) \$M	
Exploration - QLD	62.8	32.6%
Exploration – NSW (Including CSG)	59.4	30.8%
Production	30.8	16.0%
Directional drilling	29.1	15.1%
Underground	10.7	5.5%
Total	192.8	100%

- Work on hand is equivalent to one year forward revenue
- Understated given recurring nature of client relationships and style of contracts

Work tendered from 1 July 2010:

	\$M	
Total won	165.1	46%
Remaining prospective	161.1	44%
Total lost	36.0	10%
Total tendered	362.2	100%

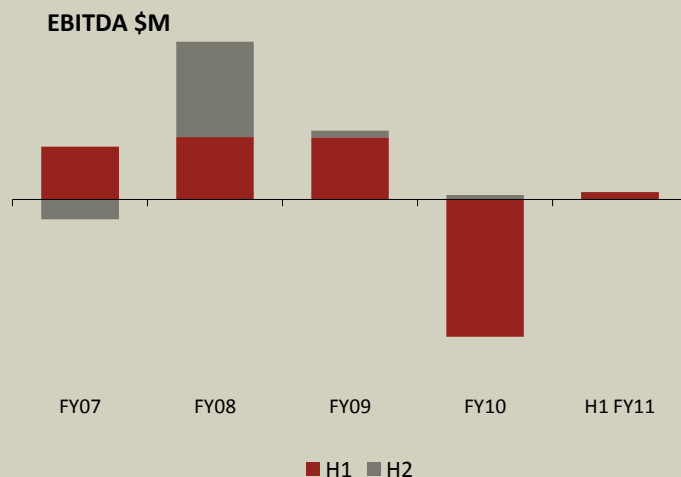
Key Contracts Won

- Anglo Coal
- Santos
- Arrow
- BHPB
- Origin
- Centennial Coal

Lucas has a high winning rate reflecting its market leading position

B C & I Division: Financial Result

	FY11 \$M	FY10 \$M	Change %
Sales	132.7	65.7	102%
EBITDA	1.1	(20.6)	105%
EBITDA / Sales	0.8%	(31.4%)	
Order Book	150.6	180.5	(17%)



EBITDA budget variance analysis

Budgeted EBITDA

	\$M
Budgeted EBITDA	11.3
— Delays on projects won	(3.6)
— Old project write-off	(2.2)
— Delays in awarding of projects	(2.4)
— Projects lost	(2.0)
	<u>1.1</u>

Reported EBITDA

- Infrastructure constraints delayed contract progress
- Substantial working capital investment on account of delays
- Non-recognition of margin on additional costs incurred
- Major impact:
 - \$1.7M on settlement on Minerva dispute
 - Tender submission costs
 - Investments in improved systems and procedures
- Much stronger second half expected as contract delivery programs accelerate

- Record tender activity
- Availability and timing of government works affected by change of Government and Federal budget cut-backs
- Substantial increase in oil, gas and water infrastructure works expected:
 - QLD CSG export projects
 - Irrigation and water infrastructure
 - NBN rollout (Australia and NZ)
- Continued substantial investment in training, safety enhancement and environmental practices



	Dec-10 \$M	Jun-10 \$M
Net current assets*	(124.2)	(75.3)
Non-current assets	320.1	320.5
Non-current liabilities	(20.1)	(52.0)
Equity	175.8	193.2
Net debt	88.9	92.0
Gearing (Net debt/Net debt + equity)	34%	32%

* Includes investment in Monument Prospect held for sale purchased at cost of \$87.8M which is fully impaired

- Leases of \$18.5M, loan facilities of \$12.0M and RCPS of \$43.8M reported as current liabilities
- Above leases and loan facilities classified as current now reclassified to non-current due to facilities being restructured
- Investment in working capital because of project delays
- Review being undertaken to identify options to strengthen balance sheet and improve liquidity

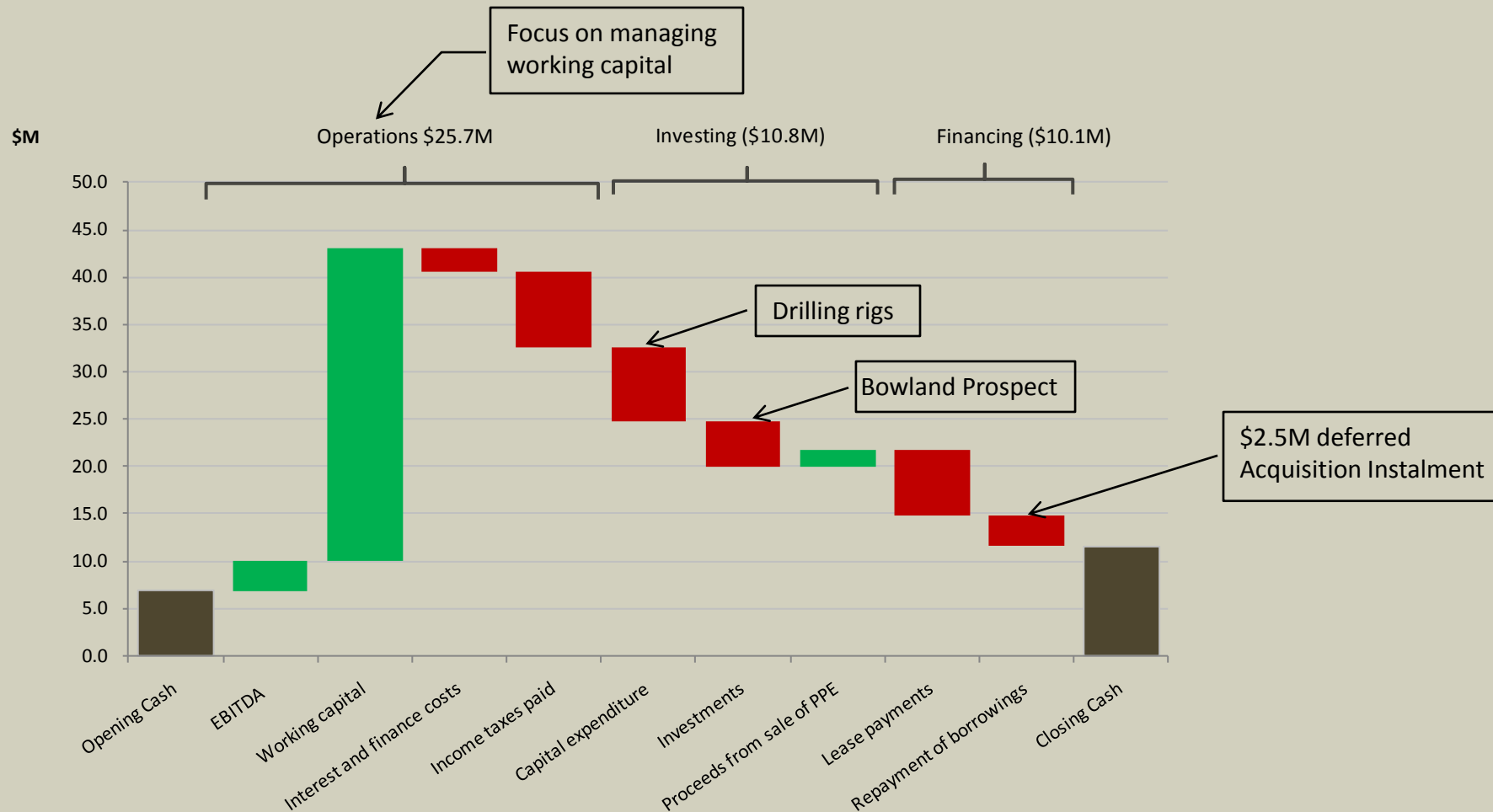
Finance debt analysis	\$M
Bank Debt	8.9
Leases (P&E)	36.6
Property	11.0
RCPS	43.8
Total	100.4

Debt maturity profile	\$M
FY11	13.3
FY12	24.6
FY13	10.3
FY14 ⁽¹⁾	52.0
FY15	0.1
Total	100.4

⁽¹⁾ Includes \$43.8M RCPS and \$4.6M bank debt which matures in Nov 2013 reported as a current liability



Cash Flow Movement



- Amongst the largest land holdings in Europe outside majors (net 1.12m acres awarded, a further 0.5m acres pending)
- Proven management team and highest quality technical team, multiple decades of experience
- Vertically integrated to control all aspects of its drilling and development programme
- No reliance on third party service providers – world class equipment, designed for European specifications

Cuadrilla - Current Status

- Bowland
 - Preese Hall well completed with frac operations started
 - Grange Hill drilling operations commenced (15 January 2011) and currently at a depth of approximately 6,000 feet
 - 2011 / 2012 drilling schedule modified to bring forward two further Bowland wells
- Netherlands
 - Focus on obtaining appropriate approvals to commence drilling programme and managing community related issues
- Poland
 - Pionki Prospect – Environmental study aiming to be complete by end of April and licence awarded by end of May



- Continue to focus on core technical strengths of Lucas, taking advantage of emerging opportunities
- Business efficiency reviews in Drilling and BC&I, combined with ERP rollout 1 July 2011
- Balance sheet review being undertaken
 - Need to strengthen balance sheet to capture opportunities
 - Review of return on investment from each business activity
 - Recent precedent transactions positive
 - Market to be kept informed
- FY11 outlook underpinned by strong Drilling services order book, committed work in BC&I and encouraging drilling results at Bowland
- Barring any unforeseen circumstances, the full year EBITDA is expected to be in the range of \$32M – \$36M, in line with previous guidance

This presentation has been compiled by AJ Lucas Group Limited from sources it believes to be reliable. However, it is not warranted as to its completeness or accuracy.

This presentation is not an offer to sell or a solicitation to buy any securities.

As it is prepared for general circulation, all readers must use their own judgement and seek their own advice before relying on anything in this presentation.

2011 AJ Lucas Group Limited