AJ Lucas Group Limited:
The Road To Cuadrilla

December 2011

Executive Summary & Update

The Company	• AJ Lucas Group Limited ("AJL" or the "Company")
Operational Business Units	• Drilling Services • Building, Construction & Infrastructure ("BC&I") • Asset Services
Upstream Investments	• Cuadrilla –European shale gas and liquids; 200 Tcf Gas In Place at Bowland • Monument Prospect – East Texas gas and liquids potential; fully impaired in the books • Canning Basin – Potential Liquids, seismic review and negotiations with traditional land owners ongoing
Refinancing Transactions	• Completed a 15% Placement to Kerogen to raise $13.4m at $1.35 per share in September-11. • Drawn-down $70m of $86.5m Mezzanine Loan to buy back the Redeemable Convertible Preference Share ("**RCPS**") from the Fund. (Completed December-11) • Pending: Underwritten Non-renounceable 1:2 Entitlement Offer at $1.35 per share to raise $51.3m.
Effect of Refinancing (including Pro Forma Entitlements Offer)	(see table below)
Other Strategic Initiatives	• AJL has decided NOT to continue with the sale of Drilling Services Business • JV/ Partial Sale of BC&I under investigation

	Statutory 30/06/11		Pro-forma 30/06/2011	
	$'000	%	$'000	%
Short Term Liabilities	243,110	55%	133,822	29%
Long Term Liabilities	19,924	5%	89,288	20%
Equity	175,883	40%	233,189	51%
Total Capitalisation	438,917	100%	456,299	100%

A Diversified Infrastructure Construction & Drilling Services Group

Operational Business Units

Drilling Services

- Largest drilling service provider to the coal and CSG sectors in Australia
- Turnkey service, from conceptual well design, engineering and detailed cost estimates utilising its in-house engineering and steering services, through to various drilling methodologies required for the development of a gas field or a coal mine
- Services include Exploration and Development Drilling, CSG Production, Directional Drilling and Engineering and Well Services

Building, Construction and Infrastructure

- Provides engineering and construction services to the resources (coal), energy, water and wastewater and public utilities sectors
- Specialist engineering and technical expertise offered via proprietary capabilities, alliances or joint ventures
- Client base of corporate and semi-governments with a significant amount of repeat business and strong long lasting relationships

Asset Services

- Specialising in the continuity of services of assets in the oil and gas, energy, water and waste water and resource sectors
- Currently focused on maintenance and refurbishment services to both gas and water reticulation networks
- Leverages of Drilling Services and BC&I resources and capabilities to supply a wider suite of services to the oil and gas sector
- Relatively new business for Lucas, incorporates in-house design with proven European technologies

Clients (Past and Present)

Coal

- BMA-BHO Mitsubishi Alliance
- Anglo Coal
- BHP
- Centennial
- Xstrata
- Rio Tinto

Coal Seam Gas

- Arrow Energy
- AGL
- Santos
- Eastern Star Gas
- Origin
- QGC

Civil & Building

- Hyundai
- Sydney City Council
- Sydney Aquarium
- Aldi
- Telstra
- Water Corporation

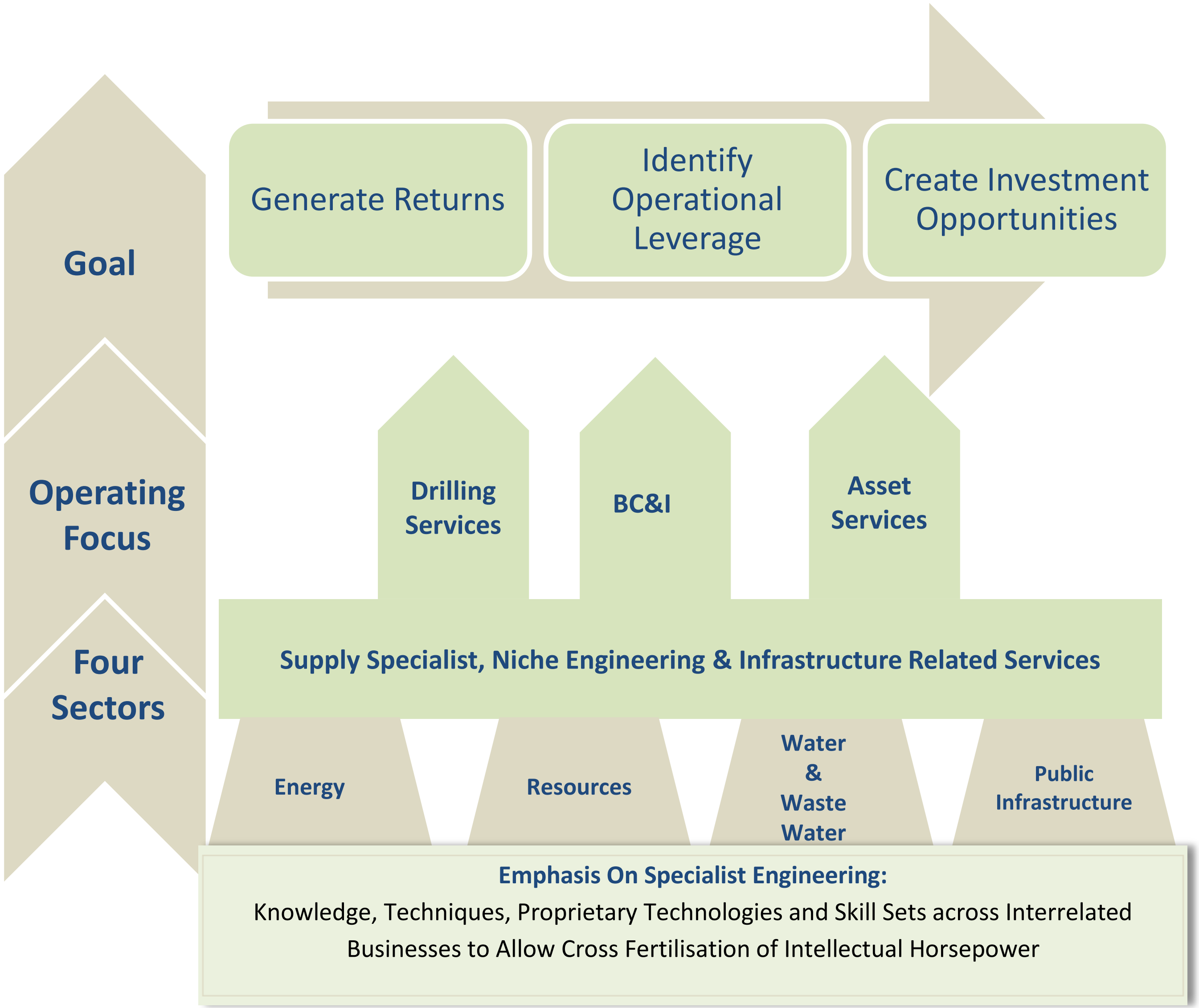
Water & Waste Water

- Queensland Government
- Sydney Water
- Hunter Water
- Victoria Water
- Brisbane Water
- Water Corporation

Oil and Gas Engineering

- APA Group
- Santos
- Sinopec / CPP
- Jemena
- BP Australia
- Origin
- Epic Energy
- Shell
- Woodside
- Chevron
- Caltex

Business Model



Track Record of Delivering On Investments

	Period of Ownership	Investment ($m)	Sale Proceeds ($m)	IRR
Realised Investments				
Gloucester Basin	2002-2008	26.4	259.0	112%
Sydney Gas	2007-2008	28.8	34.2	19%
ATP 651	2003-2010	5.1	98.6	148%
Arawn	2006-2010	7.9	Written off	0%
Current Investments				
Cuadrilla (1)	2008-Current	73.6		
Monument Prospect	2009	87.8		
Canning Basin	2009	0.1		

1) Includes investment in Cuadrilla and direct 25% interest in Bowland and Bolney

Performance and Outlook

LUCAS

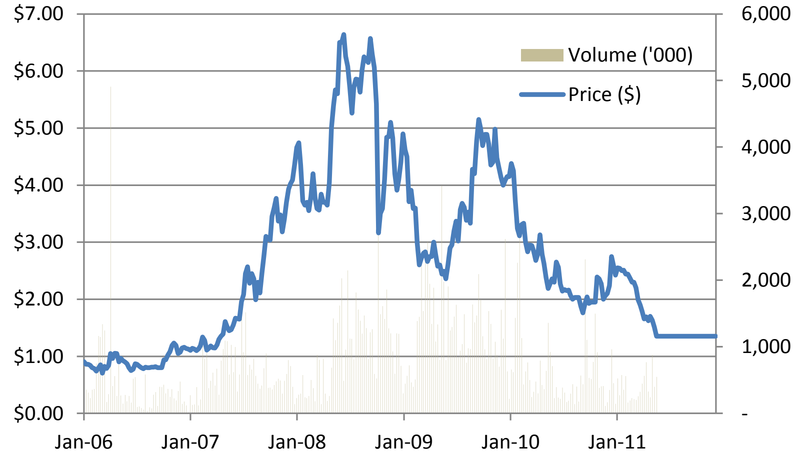
2011 Performance

- Project delays, residual business acquisition integration costs, wet weather, one-off write downs($8.4m), high financing costs (13-15%) all contributed to a poor result
- Over-budget cash drain on financial resources from Cuadrilla/ Bowland increased expenditure
- Drilling experienced long running wet weather; frequent interruptions greatly increased costs and reduced margins.
- Market perceptions of balance sheet and liquidity issues negatively impacted award of work; particularly BC&I

Financial Summary (FY11 Actual) (Source 2011 Annual Report)

	2010 Year $'000	2011 1st Half $'000	2011 2nd Half $'000	2011 Year $'000	2010 /11 Change %
Total revenue	358,490	229,762	203,611	433,373	20.90%
Reported EBITDA	52,320	2,916	26,489	29,405	-43.80%
Underlying EBITDA	-4,593	3,204	13,746	16,950	
(Loss)/profit before tax	8,199	-24,872	3,450	-21,422	
Net(loss)/profit	-7,128	-17,877	6,350	-11,527	-61.70%
Total assets	452,099	437,479	438,917	438,917	-2.90%
Net assets	193,226	175,794	175,883	175,883	-9.00%
Basic earnings/(loss) per share(cents)	(11.0)¢	(27.2)¢	9.7¢	(17.5)¢	-59.60%

Share Price Graph (as at 27 Dec 2011) (Source IRESS)



- Suspended from trading on 25 May-11 and re-admitted on 28 Dec-11

2012 Outlook

- Unprecedented pipeline of opportunities across all Company's Business Units. Total order book as at December-11 of $766m. This has grown $469m since June
- Strong order book in both BC&I and Drilling with majority of FY12 revenue secured
- The progress with the recapitalisation plan has assisted in restoring customer confidence, as seen by the recent signing of the $240m contract with Xstrata
- With a strengthened balance sheet and the financial uncertainty surrounding the Company reduced, continued improvement across all businesses is expected

gleneagle securities

Balance Sheet Effect of Recapitalisation Plan

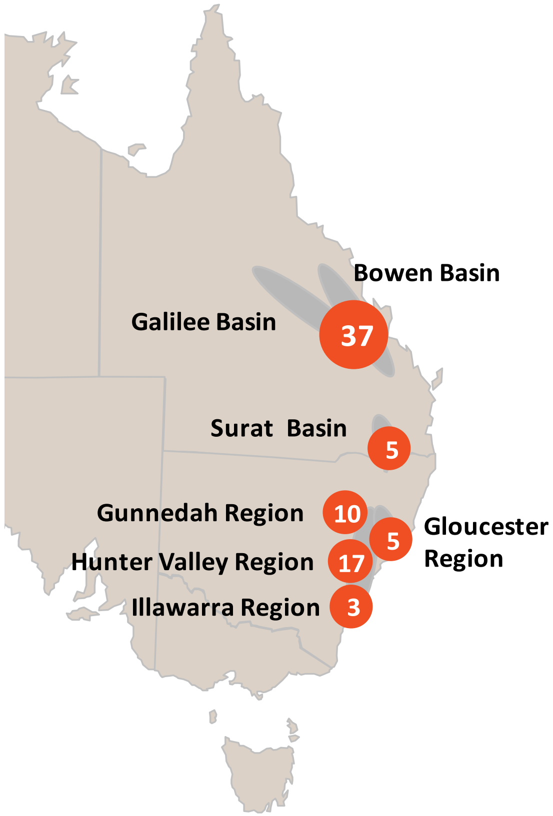
$'000	Statutory 30/06/11	Kerogen Placement	Cuadrilla Subscription	Mezzanine Loan	RCPS Buyback	Rights Issue	Repay ATO and ANZ	Pro-forma 30/06/2011
Current Assets								
Cash	1,348	13,389	(10,108)	85,000	(59,159)	48,219	(70,067)	8,622
Other assets	127,110	-	-	-	-	-	-	127,110
Total Current assets	128,458	13,389	(10,108)	85,000	(59,159)	48,219	(70,067)	135,732
Current Liabilities								
Trade and other payables	88,412	-	-	–	(9,465)	-	(13,888)	65,059
Interest-bearing Loans	99,745	-	-	14,704	(44,460)	-	(8,257)	61,732
Tax liabilities	47,922	-	-	-	-	-	(47,922)	-
Employee Benefits	7,031	-	-	-	-	-	–	7,031
Total Current Liabilities	243,110	-	-	14,704	(53,925)	-	(70,067)	133,822
Net current assets/liabilities	**(114,652)**	**13,389**	**(10,108)**	**70,296**	**(5,234)**	**48,219**	**-**	**1,910**
Non-current Assets	310,459	-	10,108	-	-	-	-	320,567
Non-current liabilities	19,924	-	-	70,296	-	(932)	-	89,288
Net Assets	**175,883**	**13,389**	**-**	**-**	**(5,234)**	**49,151**	**-**	**233,189**

- **After the recapitalisation, net of transaction costs, AJL will have return to a working capital surplus of $1.9m; a significant improvement on the previous material deficiency.**
- **This above is after the full impairment of the $87.8m investment in Monument. Management is hopeful the current work program will allow it be written back as a current asset.**

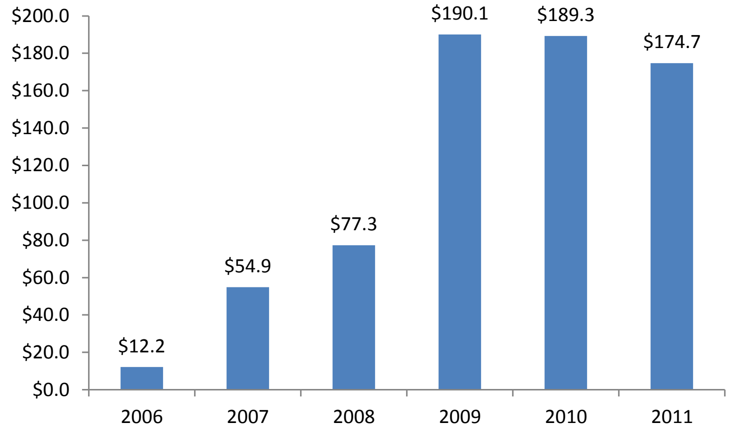
Drilling Services

Drilling Services Business Overview

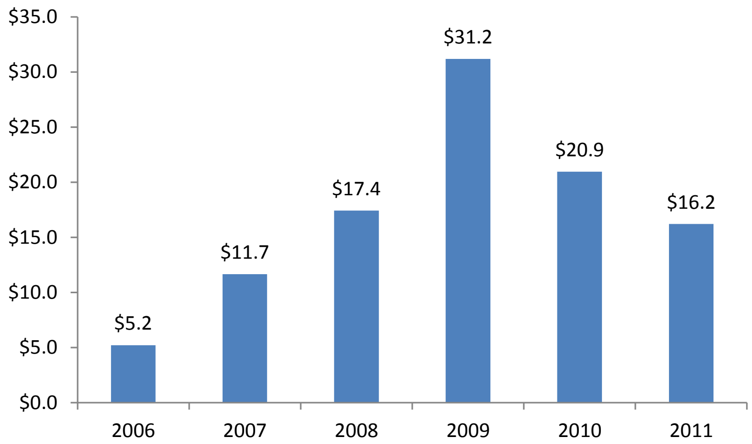
Geographic Footprint (Number of Operating Rigs)



Drilling Division Revenue ($m) (1)



Drilling Division EBITDA ($m) (1)



(1) Underground drilling business was sold in March-11. The figures presented above have been adjusted exclude revenues from that business

Drilling Services Business Overview

LUCAS

Lucas Drilling Divisional Breakdown

Lucas Drilling Services

- **Exploration and Development**
  - NSW
  - QLD
- **Production**
  - Coal
  - CSG
- **Directional Drilling**
- **Engineering Services**
- **Well Services**

Service Offering

Exploration and Development

- 59 Rigs located in NSW and QLD for the exploration of Coal and CSG
- Multi-purpose rig fleet that can flex between Coal and CSG work
- Critical mass of men and rigs
- Green and Brownfield exploration
- Drilled using coring, mud or air to depths of 1,500m and 2,000m for CSG
- Core exploration fleet can be adapted for conventional directional drilling

Production Drilling

- Fleet comprises 8 production rigs
- Mine-site CMM drainage and CSG production
- Holes can be up to 2100m deep
- Rigs can accommodate of handling various drill pipe sizes and well control systems
- In house design capability
- Potential to move into shale gas – recently signed contract with Arrow Energy

Directional Drilling

- 7 directional drilling rigs and 2 vertical rigs
- Industry leader and most technically advanced Surface to Inseam (SIS) drillers in Australia
- Coal mine de-gasification; de-watering, CSG collection
- Skill set is a significant barrier to entry

Engineering & Well Services

- Fleet comprises 2 work over rigs
- Provision of practical drilling solutions for both Horizontal Directional Drilling (HDD) and SIS drilling
- Services include well design, drilling engineering to improve reach and mitigate risk and professional steering services to execute drilling program
- Well Services installs down hole pumps, gas gathering lines, surface infrastructure as well as providing well maintenance

Drilling Services Business Highlights

Strong Industry Fundamentals	– **Direct exposure to the booming Australian resources sector** – Coal and energy activity expected to remain buoyant – Australia is expected to remain as the world's second-largest exporter of coal (25% market share) over the coming decade, driving ongoing demand for drilling services – Substantial increase in CSG drilling activity required to support established CSG to LNG projects (approximately 15,500 production wells by 2020)
Scale And Market Leadership	– **Largest drilling service provider to the coal and CSG markets in Australia** – Leader in directional drilling and CMM extraction – Critical mass of a multi-purpose fleet allows the business to mobilise swiftly and provide a complete service offering in response to market demand – Highly experienced, multi-competency and specialised drilling workforce

Unique Service Offering And Capabilities	– Full service offering across multiple drilling disciplines: exploration and mine development, production and directional drilling for CMM drainage and CSG collection, engineering services for well design and drilling optimisation, and well services for surface infrastructure installation and ongoing well maintenance
	  – **Turnkey approach** simplifies contractor management for clients
	  – Positioned as a service provider of choice, with customers increasingly seeking to limit the number of contractors at each site through multi-competency complex contracts
	– **Presence in all major coal and CSG producing basins of Australia's east coast** with a number of large umbrella contracts
	– Supported by established operating platform that is essential to maintaining safety and compliance and is difficult to replicate by competitors or new entrants

Long Term Relationships With Blue Chip Customer Base	– Reputable operator with long standing relationships with its customer base – **Customer base dominated by some of the world's largest miners and energy providers** – Success and reputation have been driven by a focus on reliable and responsive service and a flexible solutions approach
Market Leading OH&S Standards And Practices	– Comprehensive safety management system; AS/NZ and ISO quality assured – Ever more stringent compliance and safety standards required by clients and regulators favour established players with appropriate procedures and systems in place
Good Earnings Visibility	– **95% of FY12 revenue is already contracted. 98% is contracted or in final negotiations.** – Business predominantly operates under 1-3 year contracts – **Large forward order book** with a significant amount of repeat business – Strong commercial bargaining position as market leader

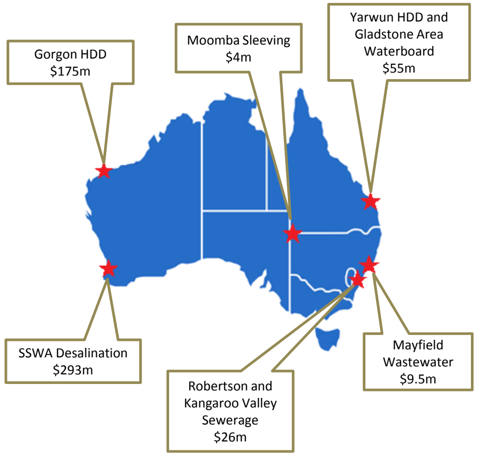
Building, Construction and Infrastructure

BC&I Business Overview

BC&I Group Capability

Construction	• Decades of design and construct experience in commercial, industrial, government and residential business projects • Creates cash flow for the Group • Ideal training ground for project managers
Specialist Civil Engineering construction	• Particular expertise in specialist niche construction techniques for clients • Large amount of work in waste water treatment facilities and sewerage system projects • Current projects include Mayfield to Broadmeadow wastewater transfer system and Membrane Bioreactor for the Wingacaribee Shire Council
Pipelines	• Market leader in the provision of pipelines • Contracts previously completed include the Bonaparte pipeline in the Northern Territory and the SEAGas pipeline from Port Campbell in Victoria to Adelaide
Trenchless Technologies	• Market leader in Horizontal Directional Drilling (HDD) • JV with Group Marais SA to apply micro-trenching technology • Currently completing the largest HDD project in Australia for Chevron at Gorgon Shore Crossing
Major Projects	• Flexible engineering base allows for the tendering and execution of major projects • Often utilises a number of Lucas' core competencies • Major projects include Southern Sea Water Desalination project and the Western Corridor Recycling Project in Queensland

Major Projects



Operating Performance

	2010 Year $'000	2011 1st Half $'000	2011 2nd Half $'000	2011 Year $'000	2010 /11 Change %
Revenue	155,282	132,655	114,782	247,437	59.3%
Underlying EBITDA	-19,503	1,097	5,242	6,339	
EBITDA Margin	-13%	0.80%	4.60%	2.60%	

Outlook

- Management believe that the market is changing and Lucas has been forced to re-examine and broaden its offering to access the broader oil and gas market
- Potential JV or part sale initiative currently being explored which would provide a larger balance sheet to enter growing resources and oil and gas market
- Several contracts in final negotiation to lift FY2012 order book to 92% underwritten (currently 71%)

BC&I Business Highlights

LUCAS

Strong Industry Fundamentals	– Massive infrastructure spending forecast in support of coal export growth (railways, port capacity expansion and associated works) and LNG exports from CSG (gas pipelines, gathering systems, pump stations, compressor stations)
Market Leadership	– Track record of delivery of pipelines (company has delivered many of major long distance pipelines in Australia) and associated services – Leading provider of horizontal directional drilling (HDD) services in Australia including delivery of largest HDD project (Gorgon landfall) – Customers generally major corporates or semi-government therefore debtor management not a problem
Unique Service Offering And Capabilities	– Market leader in provision of coal and CSG drilling services provides exposure and first mover advantage to secure associated infrastructure works – Provision of multiple services with drilling attractive to customers through reduction in number of service providers and reduced OH&S risks. Competitive advantage gained by sharing of overhead over different activities
Technical Expertise	– Leading engineering knowledge of waste water treatment provides vital competitive edge – Specialist equipment and expertise create high barriers to entry
Innovation and Capability	– Company has the most technically advanced knowledge of HDD and other trenchless technologies in Australia and is responsible for delivery of some of the most complex HDD projects in Australia
Environmental Leadership	– Company's leadership in the provision of HDD services provides the Company with a vital competitive advantage through minimal environmental intrusion and impact
Long Term Relationships With Blue Chip Customer Base	**Energy**: Chevron, Santos, origin energy, APA Group, AGL **Water**: Sydney Water, Gladstone Area Water Board, Water Corporation, Hunter Water **Infrastructure**: essential energy, Gladstone Regional Council, NSW Government Services, Technology & Administration

gleneagle securities

Asset Services

Asset Services Business Overview

Overview	Future Opportunities
• Relatively new business unit which provides maintenance and refurbishment services to both gas and water reticulation networks • Innovative techniques to reduce environmental impact and reduce costs • Leverage off existing BC&I and Drilling Services resources and capabilities, European technology and sub-contractors • Utilise international skills for immediate start with a view to train local apprentices	The market for this activity is expanding rapidly as reticulation and network systems in gas and water sectors require upgrading. In addition Lucas intends to expand its D&C and EPC activities to include operations and maintenance services. Other opportunities include: • Electricity, Power and Telecommunications – Transmission tower cable upgrades – Potential work with NBN • Civil Infrastructure – Buildings and Roads – Post construction management – Operations and Maintenance

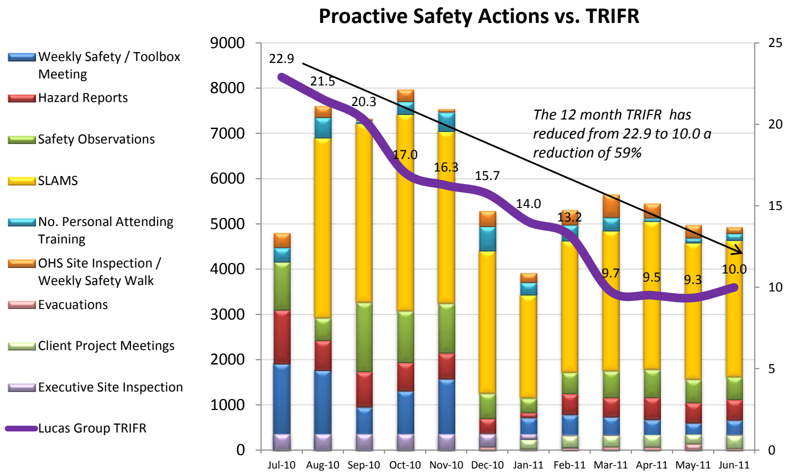
Service Offering: Energy and Water

Gas pipeline internal sleeving	• Use existing pipeline, comparatively low environmental impact
Micro HDD	• Minimal ground and infrastructure disturbance
Key hole Service Connections	• Reduces environmental disturbance, decrease residential inconvenience
Pipe bursting	• Increase pipe diameter using existing infrastructure

Safety

Industry Leader in Safety

Lucas Practices A Proactive And Vigilant Safety Culture. Our Goal Is To Achieve An Injury-Free Workplace.



- The company operates in a highly regulated environment with safety being an industry-wide challenge
- Lucas is an industry leader in terms of OHSE and IR, and continues to improve performance
- ISO 9000 and Commonwealth Safety accreditation
- In addition to strict industry standards, we have implemented our own rigorous standards for health and safety
- Corporate culture and value system critical to success in OHSE therefore there is a strong emphasis on people and training

Initiatives

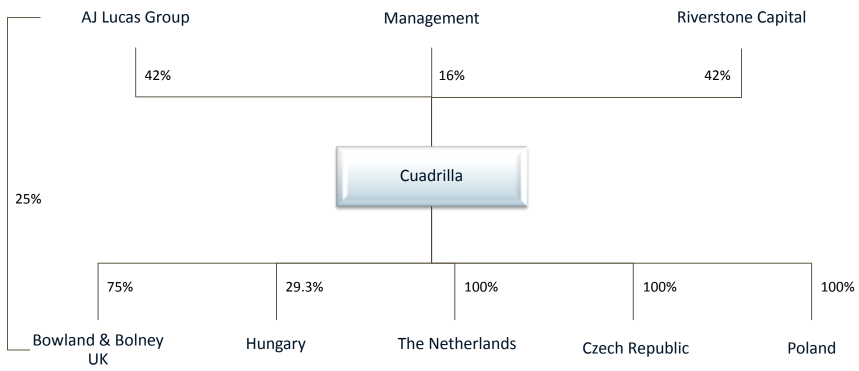
- Launched behavioural-based safety strategy – the Lucas Safety Zone
- Implemented Safety Leadership programme for Drilling Division
- Consolidated safety management system
- Implemented e-learning capacity within our training framework
- Mapped safety processes & implemented web-based records to improve the transparency and usability of safety management system

Results

- Group TRIFR reduction from 22.9 in July 2010 to 10.0 in June 2011 (currently 7.5)
- Awarded OHS Accreditation from the Office of the Federal Safety Commissioner
- Awarded APIA 2010 Safety Award

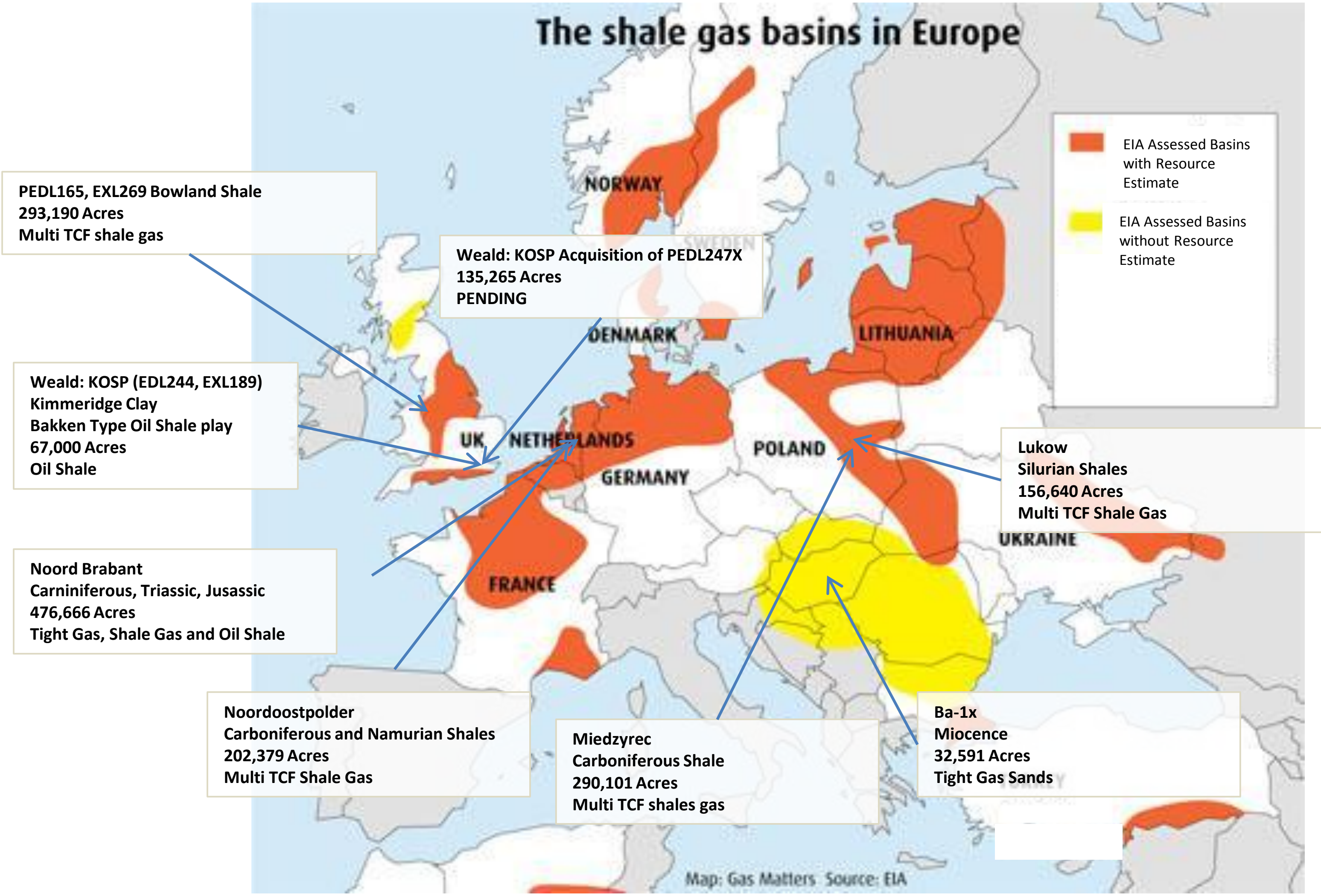
Investment Portfolio

Cuadrilla Overview

Large Land Holding – First Mover Advantage	• **Net 1.65m acres awarded; a further 0.8m acres pending** – Amongst the largest holdings in Europe – Generally targeted basins with proven petroleum history and/or in close proximity to existing gas pipeline infrastructure within "oil and gas friendly" provinces and politically stable governments
Management	• Proven, high quality technical team
Corporate Ownership: 42% of Cuadrilla and 25% of each of Bowland (Flagship Project) and Bolney	**Founded by Lucas and Chris Cornelius in 2007** 
Vertical Integration	• Ability to control all aspects of its drilling and development programme • No reliance on third party service providers • World class drilling and fraccing equipment, designed for European and US specifications, built specifically for Cuadrilla
About Riverstone	• US based energy & power focused fund • Principals have 30 years' experience in energy business and investment management and investment banking and include – **Lord John Browne.** Previously Managing Director and Chief Executive of BP – **Pierre F. Lapeyre.** Co-Founder. Previously Managing Director Global Energy at Goldman Sachs – **David M Leuschen.** Co-Founder. Previously Managing Director Global Energy at Goldman Sachs

Cuadrilla European Plays

Cuadrilla is holds one of the most geographically diversified unconventional portfolios in Europe



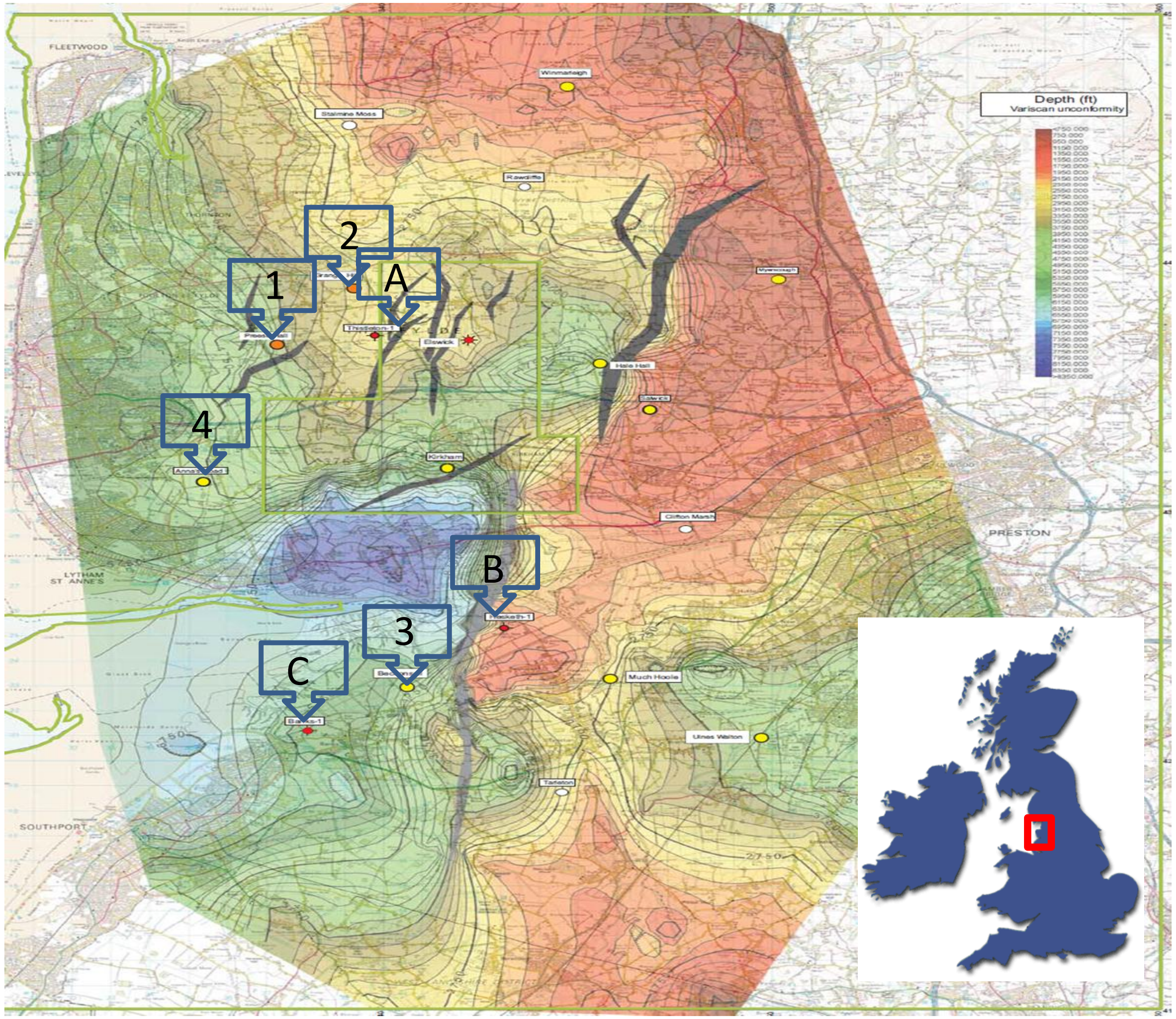
Cuadrilla Exploration Licences Granted

License/Prospect	Country	Basin	Award Date	Gross Acres	Net Acres	Partner (%WI)
PEDL 165	UK	Bowland	2008	293,190	219,893	Lucas 25%
PEDL 244	UK	Weald	2008	67,000	50,250	Lucas 25%
PEDL 247	UK	Weald	2011	135,265	135,265	
Noord Brabant	Neth	Roer	2009	476,666	286,000	EBN 40%
Noordoostpolder	Neth	several	2009	202,379	121,427	EBN 40%
Lukow	Poland	Lublin	2009	156,640	156,640	
Miedzyrzec	Poland	Lublin	2009	290,101	290,101	
Ba-1X	Hungary	Pannonian	2011	32,591	6,950	DHH 53%, RAG 25%
Mezerici	Czech Rep	Culm	2012(1)	234,000	234,000	
Total				1,887,832	1,500,526	

1 License is not expected to be formally awarded until mid-Jan-2012, however, Cuadrilla has received official notification of award, pending acceptance of license conditions and payment of the required fee.

Bowland Basin, Lancashire UK

LUCAS



1. **Preese Hall #1**
2. **Grange Hill #1**
3. **Becconsall #1**
4. **Anna's Road #1**

A. **Thistleton #1**
B. **Hesketh #1**
C. **Banks #1**

gleneagle securities

Bowland Basin, Potential Near Term Commercial Resource

LUCAS

Extracts from Debate on Fifth Report from the Energy and Climate Change Committee: 3 November 2011

Charles Hendry, Minister of State, Department of Energy and Climate Change:

*" **we are in no doubt about the importance of having national regulation rather than EU regulation**, because we believe that our standards would only be diminished."*

*"**there is a multi-billion-pound benefit to the UK economy from optimising our resources.** We are keen for that to happen."*

"We have taken a careful approach to unconventional gas resources."

*"One thing that struck both the Select Committee and me when **we visited Cuadrilla's site** in Lancashire was the immense separation distance—it is thousands of feet—between the water table and the area where the shale gas was being sought. The company drills below the level of the water table, and then encases it in concrete. Only then, when it has been sealed, do they drill further down to where the shale gas is."*

Hon John Pugh (Liberal Democrat):

When I read the [Cuadrilla Geo-Mechanical] report, I was delighted by its excellence and balance.

Status of Operations

- 200 TCF OGIP announced
- Drilling continues but fraccing has been suspended pending a Government review of geo-mechanical study released by Cuadrilla in November-11
- Becconsall (Hole #3) recently completed

	Preece Hall 1	Grange Hill	Becconsall 1
Well Type	• Vertical Exploration	• Vertical Exploration	• Vertical Exploration
Spud Date	• August 2010	• November 2010	• August 2011
Depth	• 9,100 ft	• 10,775 ft	• 10,500 ft
Shale Thickness	• 3,000 ft plus from 5,800ft	• TBD	• TBD
Fraccing Plans	• 12 stages to test respective pay zones • Ready to recommence fraccing	• Ready to fracc	• Ready to fracc

Strategic Importance to the UK is being recognised

Potentially sufficient Gas to supply the UK for many years	*Even if only ten per cent [of Bowland's 200Tcf OGIP] turns out to be commercially recoverable this would still be enough to meet Britain's gas supply needs for around 15 years. In time it may be enough to offset the rapid decline in gas from the North Sea, and to remove any need for imports.* *It is no exaggeration to state that shale gas could transform the prospects for the entire British economy – turning the country into a major energy exporter for many decades, reducing costs to consumers, and attracting new industry through abundant cheap power.* *Shale gas production could create thousands of jobs directly, and provide many billions in tax revenue.* – Daily Mail 5 November 2011

Strategy

It is Lucas'/Cuadrilla's business plan to "demonstrate the science"; that is, explore and develop the resource to provide geological evidence to support the hypothesis it is a potentially large and significant commercial gas field. Given their size and geographical position, Cuadrilla's assets have the potential to be politically important within the context of current European gas supply and demand.

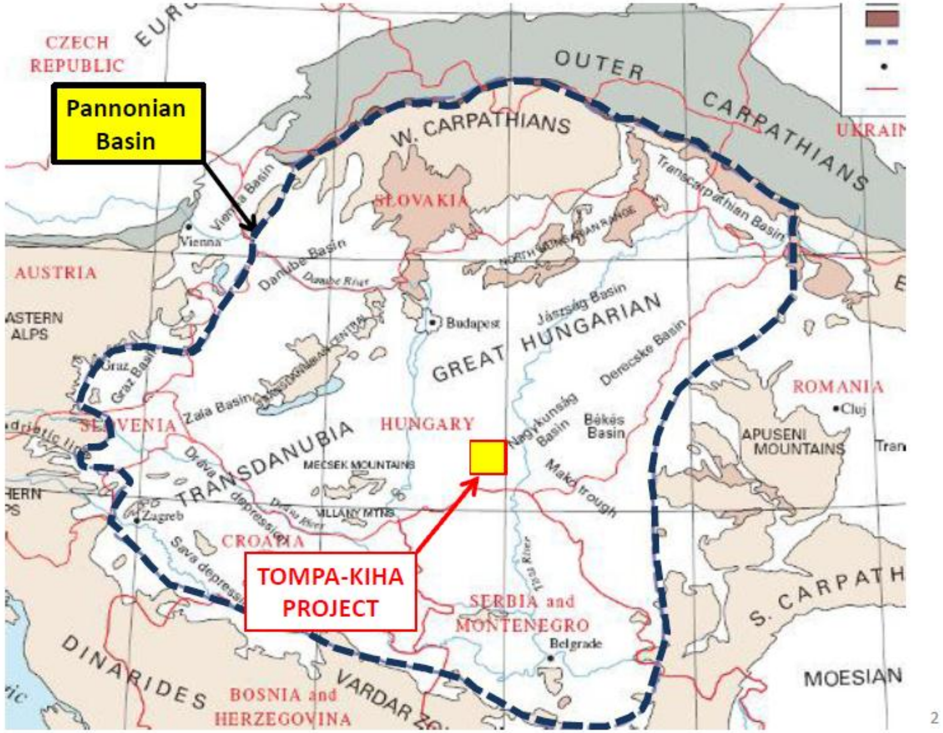
Therefore, it has always been the intention to develop the asset to the stage whereby the production and development of the field is undertaken by a major oil and gas company – which has the expertise, infrastructure, skill sets, balance sheet and financial wherewithal to undertake such an exercise.

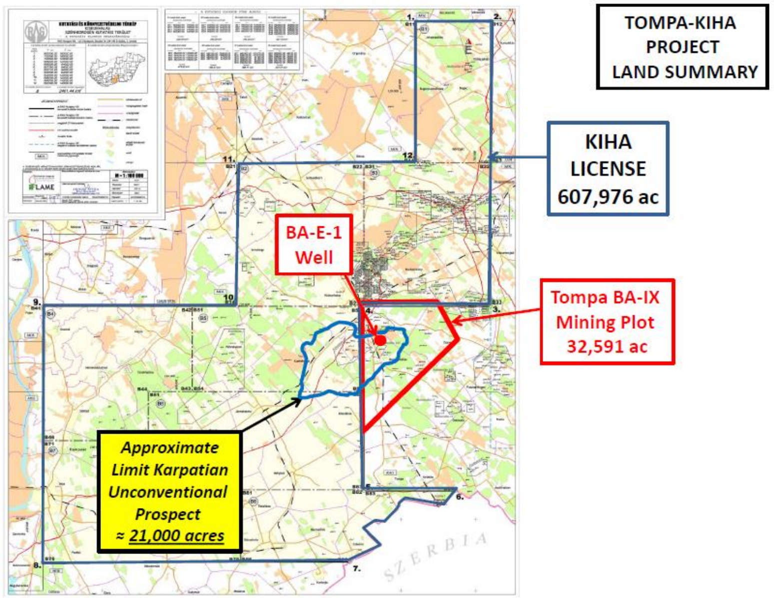
It is Lucas'/Cuadrilla's intention to monetise Cuadrilla and Lucas E&P assets when they are ready to be disposed of. The timetable is dependent upon the results that the testing generates.

The Bowland asset is most likely the first asset to be monetised given that is where the exploration focus is directed. Upon monetisation of this asset, it would be the intention to properly capitalise Cuadrilla and distribute the surplus to shareholders.

Hungary: Cuadrilla's First Hydrocarbon Production

Cuadrilla has a 22% Working interest in the Kiha Licence and BA-E1 in Hungary.





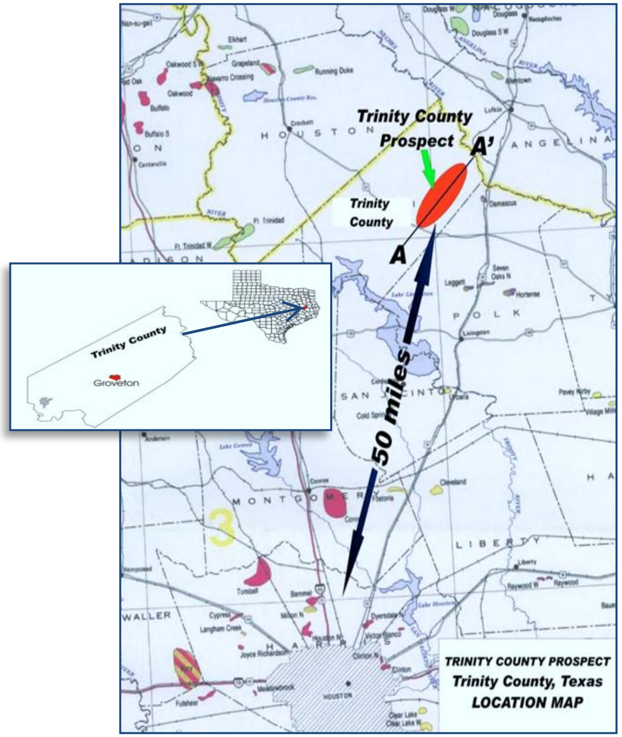
- Cuadrilla's first unconventional production well, producing from tight gas sands
- Close to pipeline infrastructure, production contracted for 12 months
- Cuadrilla has 29⅓% of DHH which owns 75% of BA-E1, with option to go to 58⅔% by drilling another well
- Second well planned for late 2012
- Opportunity to further expand Hungary portfolio through DHH

East Texas Monument Prospect

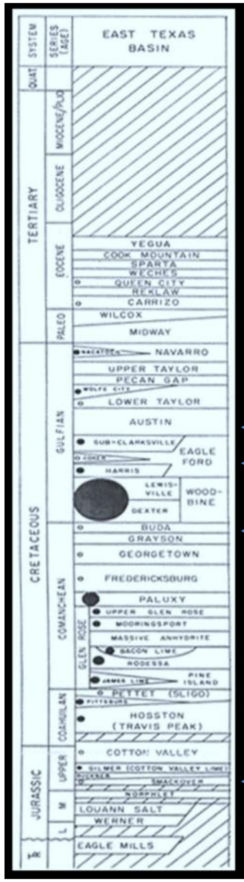
Overview

- 62, 560 acres (net to Tekxon Monument Oil & Gas LP) located in Trinity County, East Texas (Monument Prospect AMI) in East Texas Basin
- East Texas Basin has a long history of oil production
- **Lucas holds a 10% net profit interest**
- Last drilled and tested BEFORE horizontal fraccing technology
- Wells previously drilled on AMI show presence of hydrocarbons both shallow and at depth
- Key target zones:
  - Buda Limestone and other formations above 10,000 feet (primary)
  - Cotton Valley lime/sandstone and Jurassic Smackover below 10,000 feet (secondary)
- Primary focus is recovery of liquids although discoveries made in the same trend in the Eagle Ford shale and Austin Chalk provide additional objectives
- Pre-permit drilling applications lodged
- **Operator is proposing to drill in in early 2012**
  - Recent drilling on adjacent acreage has yielded positive results

Location



Stratigraphic Column (East Texas Basin)



Austin Chalk

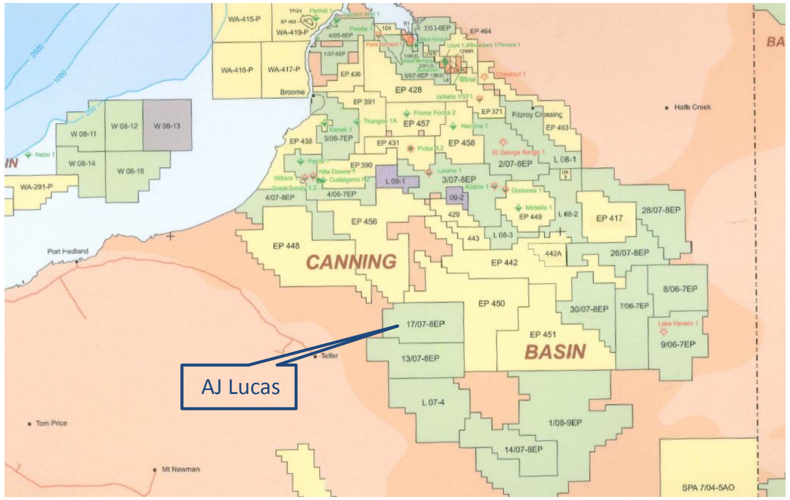
Eagleford

Primary Objective
Buda Formation

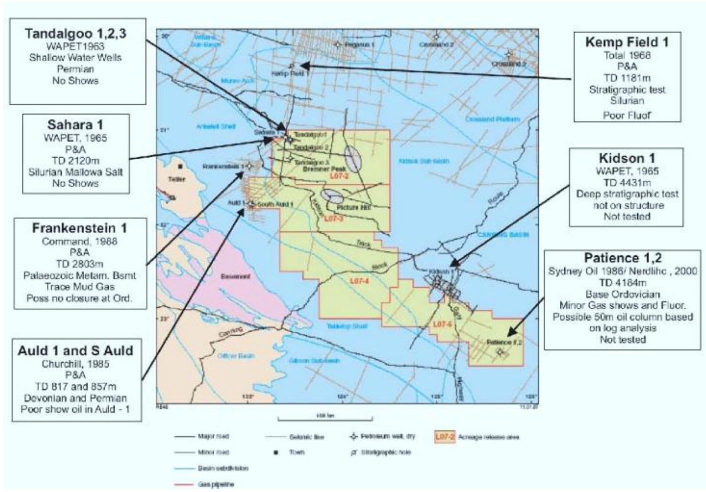
Secondary Objective
Jurassic Smackover

Canning Basin Holdings

Location



Well Results (Prior to Fraccing Technology)



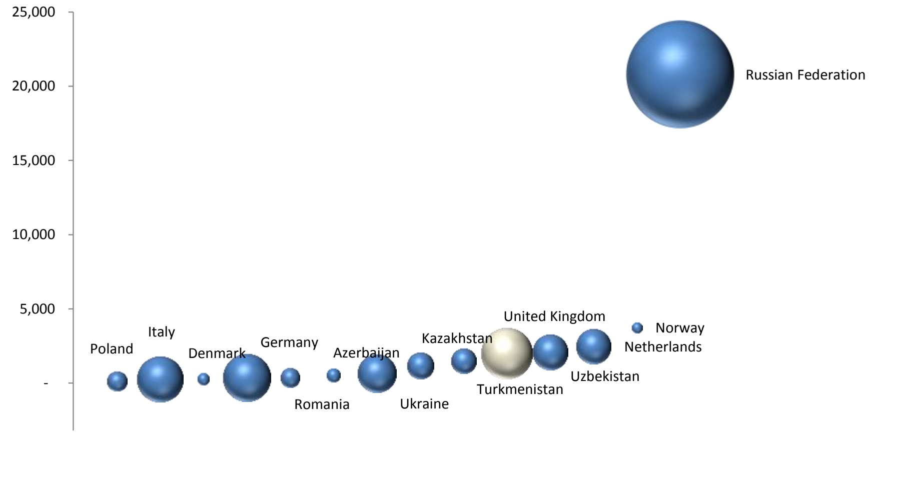
Overview

- 100% beneficial interest in an application for a petroleum permit over 8,010 square kilometres in the Canning Basin Exploration Permit Application 17/07-8EP
- The company considers the acreage prospective for shale gas, shale oil and tight gas
- Discoveries to north provide an effective source rock, but distribution and quality in Kidson uncertain
- Current discussions with traditional landowners in relation to access and future exploration activity
- Company’s negotiations to date have been directed towards a site visit between the company and traditional landowners to determine whether any areas of cultural significance exist and are therefore likely to be excluded from the permit

Appendices

European Gas Market: Shale Gas to Cause A Fundamental Shift

European Gas Production (and their relative consumption)

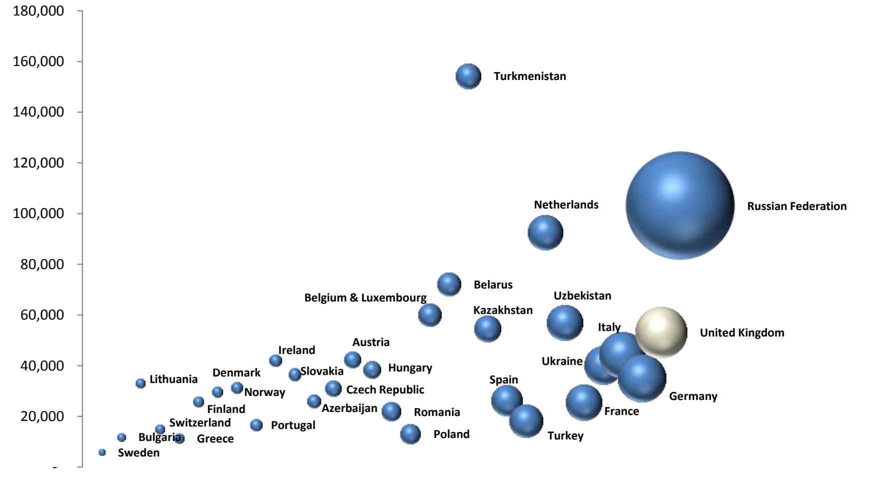


Source BP Statistical Review 2011, shows 2010 production in bcf . The size of the circles represent relative consumption in bcf.

Russia dominates European supply (20.7 Tcf) and is also the largest consumer of natural gas (14.6 Tcf).

Russia's **Gazprom supplies a quarter of Western Europe's natural gas**. Its **dominance was expected to wane** because LNG from Qatar is no longer being sent to the US **because of US shale production** and because of EU energy market deregulation and slightly lower demand. However, Gazprom has managed to maintain strength following Libyan uprising and Japanese earthquake. The Economist reports attempts by Gazprom to *"look reasonable [are] a ruse to discourage investment in shale gas and alternative pipelines*." According to the James Baker Institute, if **shale gas reserves were fully exploited, Gazprom's market share would drop from 27% in 2009 to 13% by 2040**. (The Economist Aug 6 2011).

European Gas Per Capita Consumption



Source BP Statistical Review 2011, shows 2010 cubic feet consumption per capita. The size of the circles represent relative consumption in bcf.

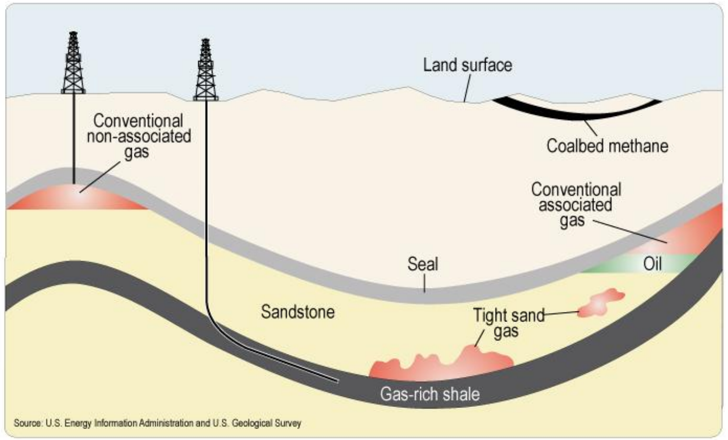
Italy, Germany and the UK in particular are large consumers (both in total consumption and per capita). It is these three countries which are also the largest net importers of gas.

The UK currently consumes 3.3Tcf of gas per year, producing only 2.0 Tcf.

The Importance of Shale Gas: A US Case Study

LUCAS

What is Shale Gas?



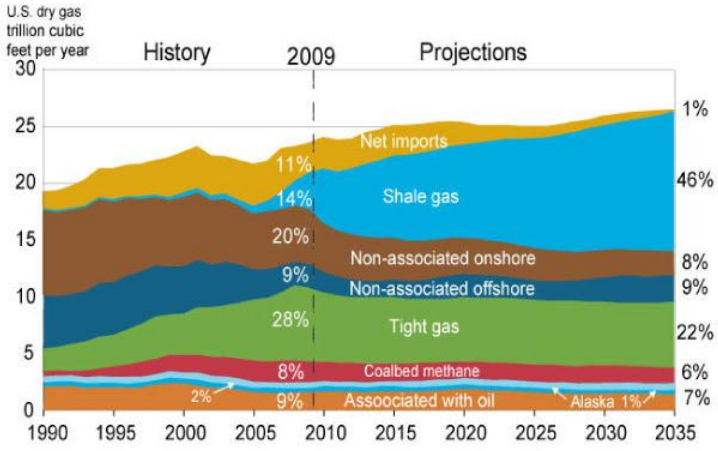
Shale gas refers to **natural gas** that is **trapped within shale formations**. Shales are fine-grained sedimentary rocks that can be rich sources of petroleum and natural gas. Over the past decade, the combination of horizontal drilling and hydraulic fracturing has allowed access to large volumes of shale gas that were **previously uneconomical** to produce. The production of natural gas from shale formations has **rejuvenated the natural gas industry in the United States.**

Production of shale gas grew at 16% p.a. between 2000 and 2006. Since 2006 the growth rate has increased 48% p.a. This has been **driven by declining development costs** (shorter drilling times), **improved recovery** and **reductions in decline rates.**

	Marcellus	Haynesville	Bossier	Barnett	Fayetteville
Gas In Place (Unrisked) (TCF)	1,900	670	280	355	105
Anticipated Recovery Factor	30%	28%	28%	40%	38%

Source: Chesapeake – 2010 Institutional Investor and Analyst Presentation (per 3Legs Admission Document June 2011)

US Natural Gas Consumption



Source: EIA, *Annual Energy Outlook 2011*

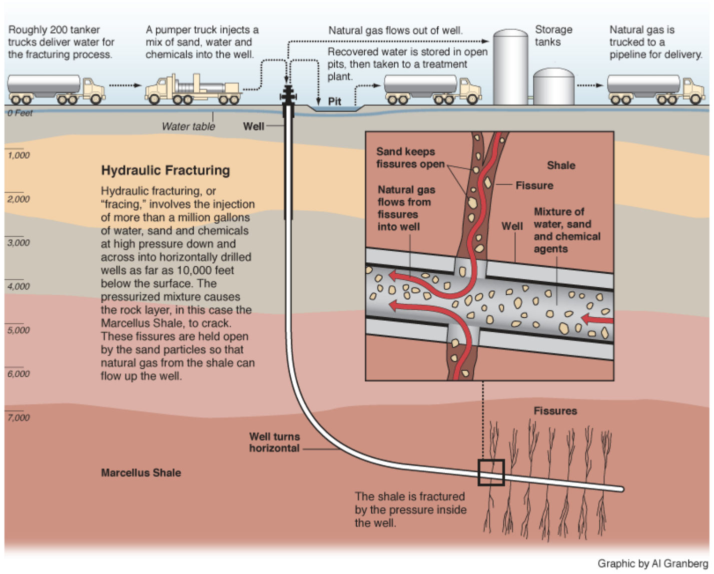
Shale gas in 2009 made up 14% of total U.S. natural gas supply and is expected to increase, and constitute 46% of U.S. total natural gas supply in 2035.

"*The availability of large quantities of shale gas will further allow the United States to consume a predominantly domestic supply of gas*" - EIA *Annual Energy Outlook 2011*

The United States possesses 2,543 Tcf of potential natural gas resources. Natural gas from shale resources, considered uneconomical just a few years ago, accounts for 862 Tcf of this resource estimate, more than double the estimate published last year. At the 2010 rate of U.S. consumption (about 24.1 Tcf per year), 2,543 Tcf of natural gas is **enough to supply over 100 years of use**. Shale gas resource and production estimates increased significantly between the 2010 and 2011 Outlook reports and are likely to increase further in the future.

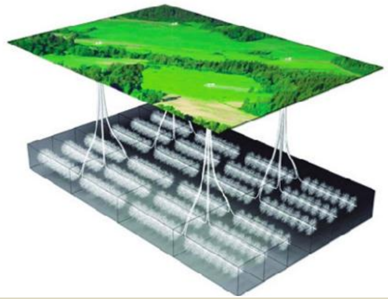
gleneagle securities

Generic Schematic Showing Shale Fas Extraction



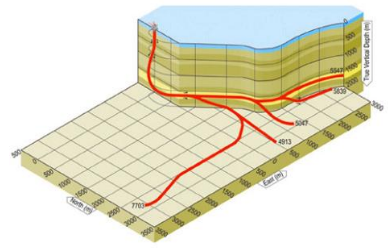
Source EIA

Pad Drilling



- Increasingly common to use a single drill pad to develop as large a sub- surface area as possible.
- Increases the operational efficiency of gas production and reduces infrastructure costs.

Multi-Lateral Drilling



- Involves the drilling of two or more horizontal wells from the vertical well bore.
- Horizontal wells access different areas of the shale at the same depth, but in different directions.
- With the drilling of multilateral wells it is possible for production rates to be increased significantly for reduced incremental cost.

Fraccing Myths

Popular press and the environmental movement have focused on the additives added to water that is used to improve fraccing efficiency. Though there has been much "hype" about the contents of fraccing fluid:

- **Fraccing fluid is 98.6% water and sand (which is to hold the fissures open)**.
- **The other 1.4% comprises additives commonly found in small measures in household products**.
  - For example: same Acid as is used in pools, Corrosion Inhibitors same as those found in common pharmaceuticals and acrylics; Aniti-Bacterial Agents that are used in household disinfectants and sterilisers, Scale Inhibitors used in household cleaners, Clay Stabilisers use the same ingredients found in low sodium salt substitutes, Surfactant used in antiperspirants; pH Agents as used in Laundry detergents, Gelling Agents as used in baked goods and toothpaste.
- **In addition, shales are typically thousands of feet below the water table therefore any liquid finding its way up is naturally filtered.**

Key Risks Factors

Please refer to the Company Prospectus dated 15 December 2011 for additional risk factors and more detail on those below

What are the key risks associated with the operational businesses of the Company?	• Key Personnel • Terminable Material Contracts • Environmental • Seasonal Weather Conditions • Litigation And Legal Risks • Counterparty (Client) Payment Risk • Project Based Sales Revenue • Project Delays • Cost Variation • Unapproved Contract Variation
What are the key risks associated with investments of the Company?	• Regulatory Risk • Geological Risk / Inability to recover hydrocarbons • Complexities Associated With Drilling Of Exploration Wells • Lucas Cuadrilla’s Inability To Meet Funding Obligations • Cuadrilla Change Of Control • Monument Prospect: Operator is not able to raise sufficient funds to finance the drilling program

Disclaimer

These presentation materials (Presentation Materials) are being issued solely to and directed solely to Sophisticated and Professional Investors, as those terms are defined in the Corporations Act 2001 (Cth), who may have interest in sub underwriting the Entitlement offer by **AJ Lucas Group Limited** (the Company). The Presentation Materials are not intended to be distributed or passed on, directly or indirectly, to any other class of persons. They are being supplied to you solely for your information and may not be copied or otherwise reproduced, forwarded to any other person or published, in whole or in part, for any other purpose. The Presentation Materials are not investment or financial product advise and is not intended to be used as the basis for making a financial decision, nor is it intended to constitute legal, tax, or accounting advice or opinion.

The Presentation Materials do not constitute or form any part of any offer or invitation to sell or issue or purchase or subscribe or arrange for any securities in the Company nor shall they or any part of them, or the fact of their distribution, form the basis of, or be relied on in connection with, any contract with the Company relating to any securities.

The Presentation Materials contain forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are beyond the control of the Company. Actual events or results may differ materially from the events or results expected or implied in any forward looking statement. No representation or warranty (either express or implied) is made as to the accuracy or likelihood of fulfillment of any forward looking statement.

The Presentation Materials have been prepared without taking into account your investment objectives, financial situation or particular needs. No reliance may be placed for any purpose whatsoever on the information contained in the Presentation Materials or on its completeness. Any reliance on this communication could potentially expose you to a significant risk of losing all of the property invested by you or the incurring by you of additional liability. No representation or warranty, express or implied, is made as to the accuracy, fairness, sufficiency or completeness of the information, opinions or beliefs contained in this document. To the maximum extent permitted by law, no liability, including without limitation, any liability arising out of fault or negligence is accepted by the Company or **Gleneagle Securities (Aust) Pty Ltd** (ABN 58 136 930 526 AFSL 337985) (Gleneagle) or their respective Directors officers or employees, professional advisers for any loss, cost or damage suffered or incurred as a result of the reliance on such information, opinions or beliefs.

These Presentation Materials do not carry any right of publication. Neither this presentation nor any of its contents may be reproduced or used for any other purpose without the prior written consent of Gleneagle.

In furnishing the Presentation Materials the Company undertakes no obligation to provide the recipient with access to any additional information. The Company reserves the right, without giving reasons, at any time to revise, supplement or withdraw the Presentation Materials provided to the recipient and to terminate discussions with any or all of the recipients. Neither this document, nor any copy of it, may be taken or transmitted into the United States or into any jurisdiction where it would be unlawful to do so. Any failure to comply with this restriction may constitute a violation of relevant local securities laws.