



**AJ Lucas Group Limited**



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## Business Overview

OPERATING BUSINESS UNITS		INVESTMENT
<b>Drilling Services (LDS)</b>	<b>Engineering &amp; Construction (LEC)</b>	<b>Oil &amp; Gas</b>
The major drilling provider to the coal, CSG coal mine degassing and exploration drilling sectors in Australia	Provides engineering and construction services to the coal, energy, water and wastewater and public utilities sectors	Leverages drilling expertise to source early stage CSG, shale gas and oil opportunities and then prove up the relevant reserves
<i>Delivering intelligent and practical solutions to support a sustainable Australia</i>		<i>Largest acreage position in Europe outside of majors</i>
A focused provider of surface to in-seam (SIS) coal mine gas extraction and well field services	A strong pipeline contractor with a small infrastructure construction capability including Horizontal Directional Drilling	Focused on unlocking value in the untapped unconventional oil and gas resources of the UK and Europe
		

## Ownership and governance

Key Shareholders	
Kerogen Capital Specialist O&G private equity fund	52.6%
Paul Fudge unconventional energy specialist	12.4%
Andial Holdings	6.5%
Amalgamated Dairies	6.1%

AJL Board	
Chairman	Phil Arnall
Director	Julian Ball
Director	Ian Meares
Director	John O'Neill
Director	Andrew Purcell

AJL Nominees at Cuadrilla Board	
Chairman/Kerogen	Roy Franklin
Kerogen	Ivor Orchard
AJL	Phil Arnall

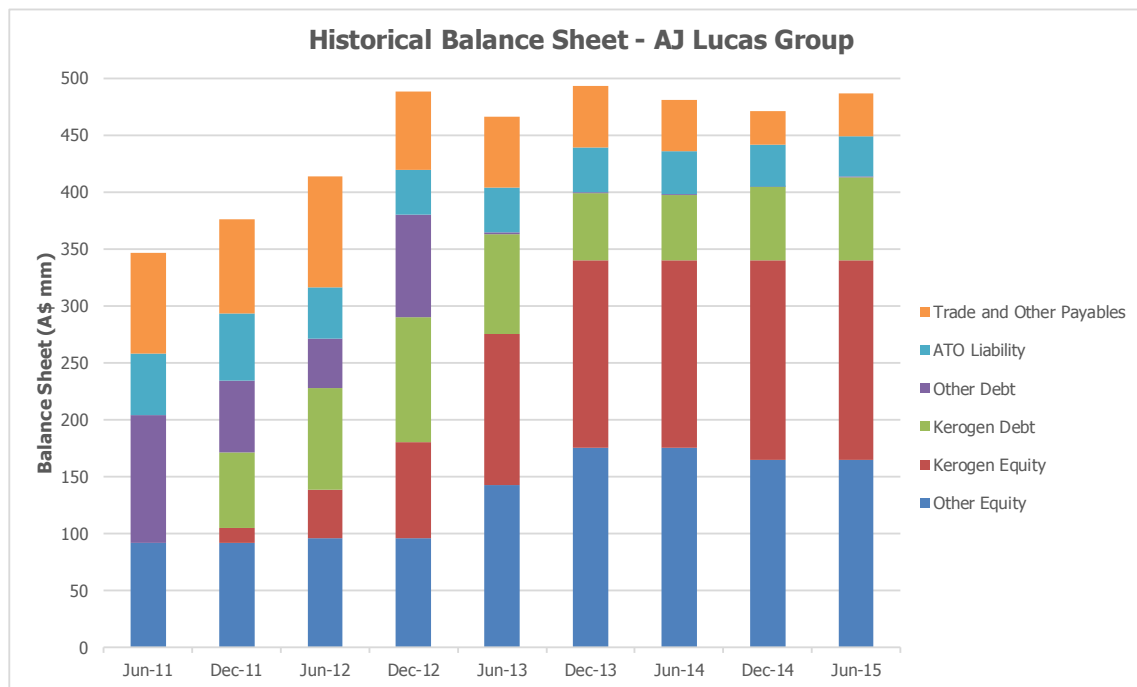
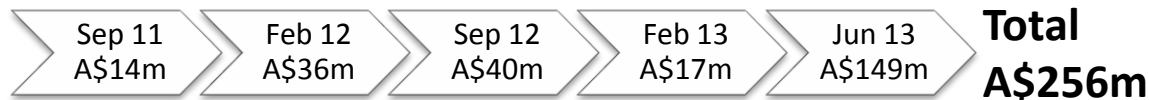
  

Key financials	
Market Cap as at 31 December 2015 (s/p 35c)	A\$94mm
Total Debt	A\$116mm
Enterprise Value	A\$210mm
Underlying Group EBITDA 30 June 2015A (full year)	A\$9mm
Underlying Group EBITDA 31 December 2015A (half year)	A\$8mm



# Significant balance sheet improvement

## Capital Raises



4 Year Change

- A\$51 mm
- A\$18 mm
- A\$112 mm
- A\$73 mm
- A\$175 mm
- A\$73 mm

- A\$356mm of new capital has been raised in 4 years.
  - A\$256mm in equity
  - A\$100mm in debt
- This has been applied to:
  - A\$35mm in payments to the ATO
  - A\$200mm in debt repayment/refinance
  - A\$40mm for Cuadrilla
  - A\$65mm in working capital/interest payments

	Jun-11	Dec-11	Jun-12	Dec-12	Jun-13	Dec-13	Jun-14	Dec-14	Jun-15
Total Equity	92	105	139	180	276	340	340	340	340
Total Debt*	254	271	276	308	190	153	141	131	147
Debt/Equity	2.8	2.6	2.0	1.7	0.7	0.4	0.4	0.4	0.4
Kerogen Equity	0%	13%	31%	47%	48%	48%	48%	52%	52%

A\$248m increase in total equity

A\$108m decrease in total debt

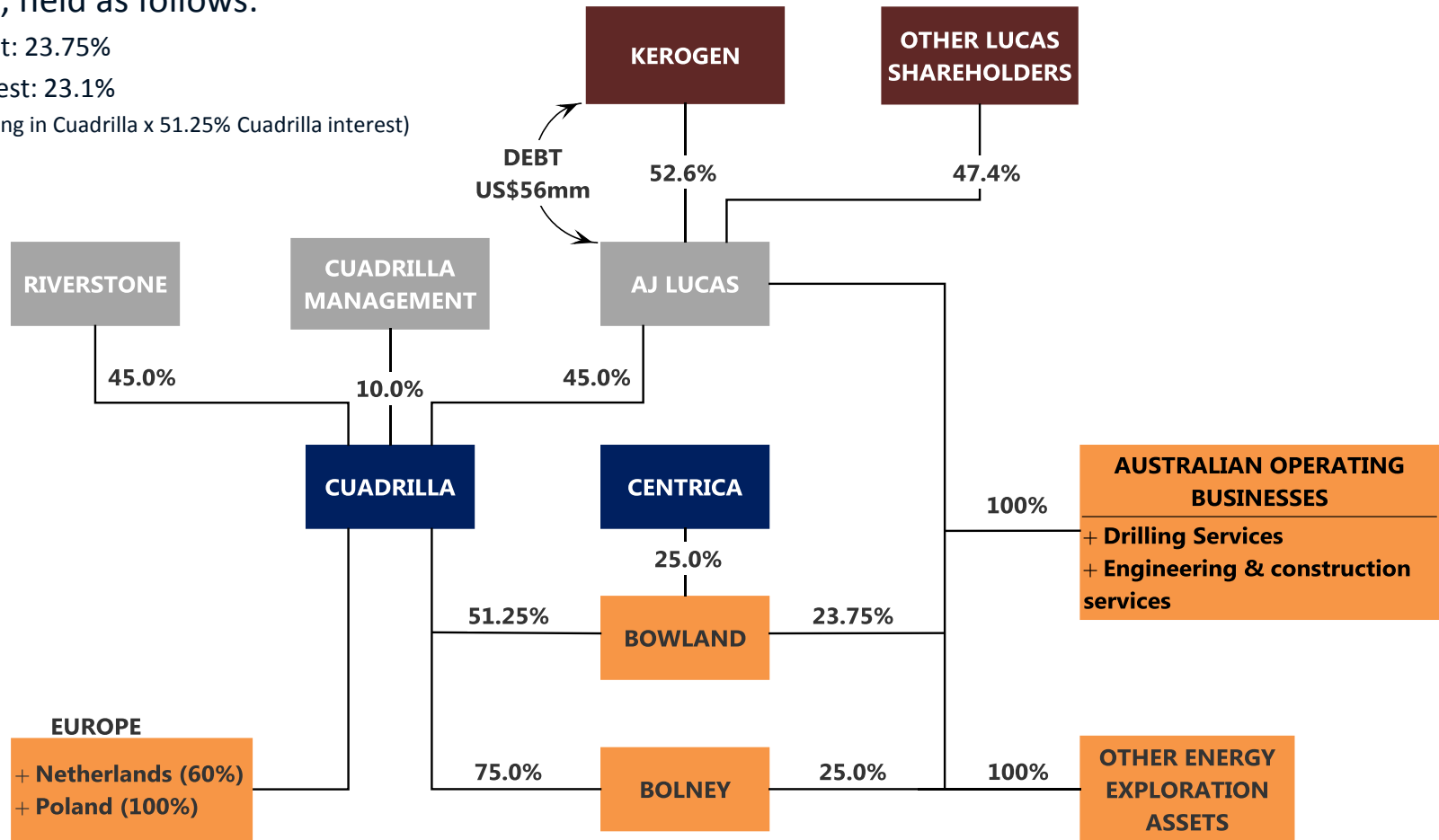
\* includes Trade and other payables



# AJL & Cuadrilla corporate structure

AJL has an effective 46.8% interest in the Bowland asset, held as follows:

- Direct interest: 23.75%
- Indirect interest: 23.1%  
(45% shareholding in Cuadrilla x 51.25% Cuadrilla interest)







**LUCAS**



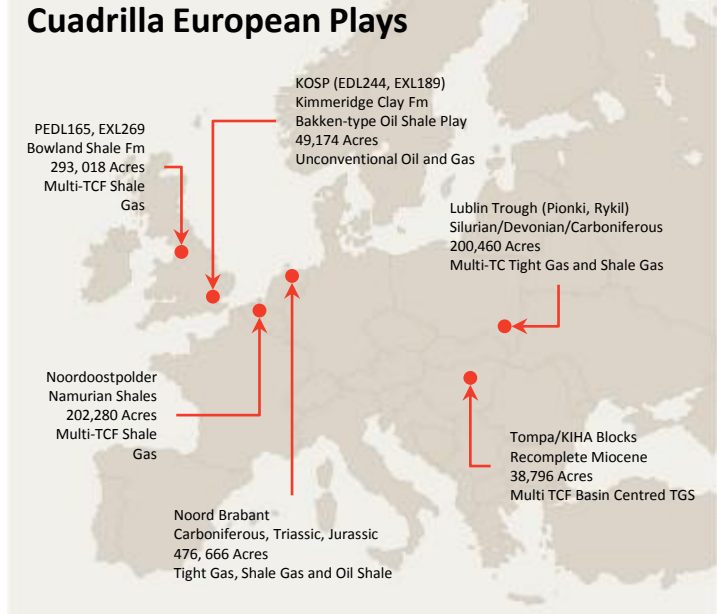
**CUADRILLA**  
RESOURCES



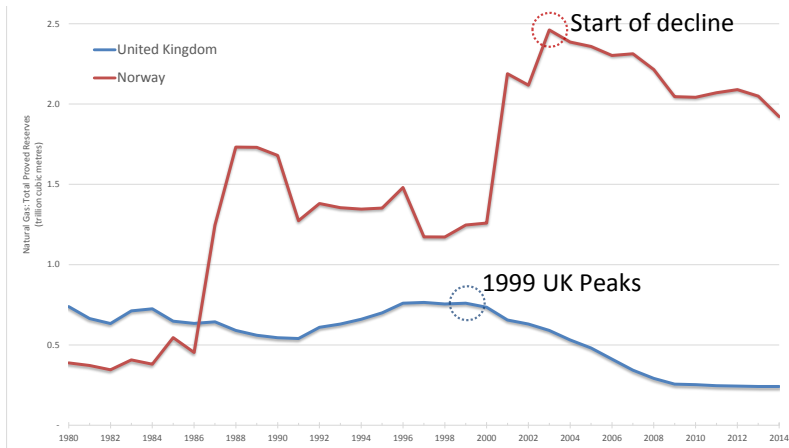
**OIL & GAS INVESTMENTS**

# AJ Lucas E&P investment history

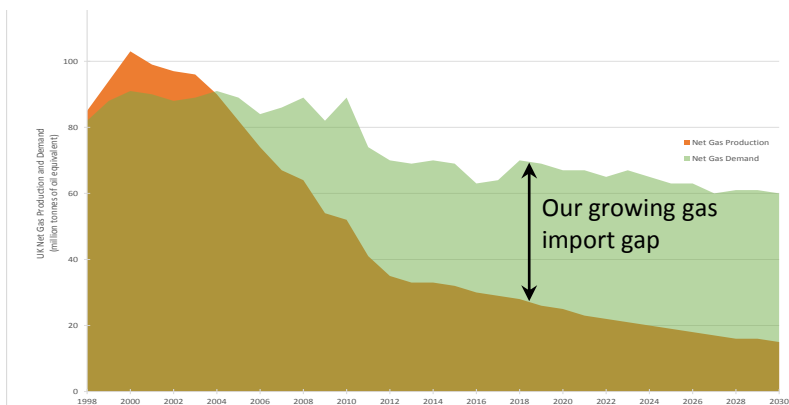
- Major integrated unconventional player in Europe.
- Early involvement in unconventional plays with view to prove science, demonstrate methodology resulting in largest acreage position outside of majors.
- Demonstrable track record in Australia:
  - Gloucester Basin – \$43mm investment; \$259mm proceeds.
  - ATP 651 – \$6mm investment; \$98mm proceeds.
- History of UK Investment:
  - Acquired initial acreage in 2007.
  - Proven management team attracted Riverstone investment of US\$58mm in February 2010.
  - Key well drilled in 2011 which flowed gas.
- Industry validation of investment thesis from majors in farm-in transactions:
  - Centrica, Jun 2013
  - GDF Suez, Oct 2013
  - Total, Jan 2014
  - INEOS, Mar 2015



## UK domestic supplies are dwindling (So is Norway, biggest supplier)<sup>1</sup>

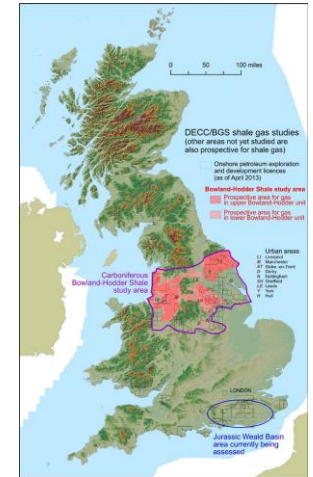


## Potential of Bowland for Domestic UK Gas<sup>3</sup>



## North of England Bowland shale offers UK a huge gas potential

- “The lower limit of the range is 822 tcf and the upper limit is 2,281 tcf, but the central estimate for the resource is 1,329 tcf”.<sup>2</sup>
- 10% recoverable of energy estimate can provide energy security for c. 100 years in the UK.



## Bowland Shale Profile

- Over 1000m (>3300 ft) thickness of shales and associated lithologies.
- Very close to major gas pipeline infrastructure.
- low CO<sub>2</sub> – high quality gas.
- Subsurface well bore integrity guaranteed by design.
- 1000s feet below aquifers

<sup>1</sup>BP Statistical Review of World Energy, 2015; <sup>2</sup>BGS/DECC Bowland Shale gas study, 2013; <sup>3</sup>UKCS Oil and Gas Production Projections, DECC, 2015



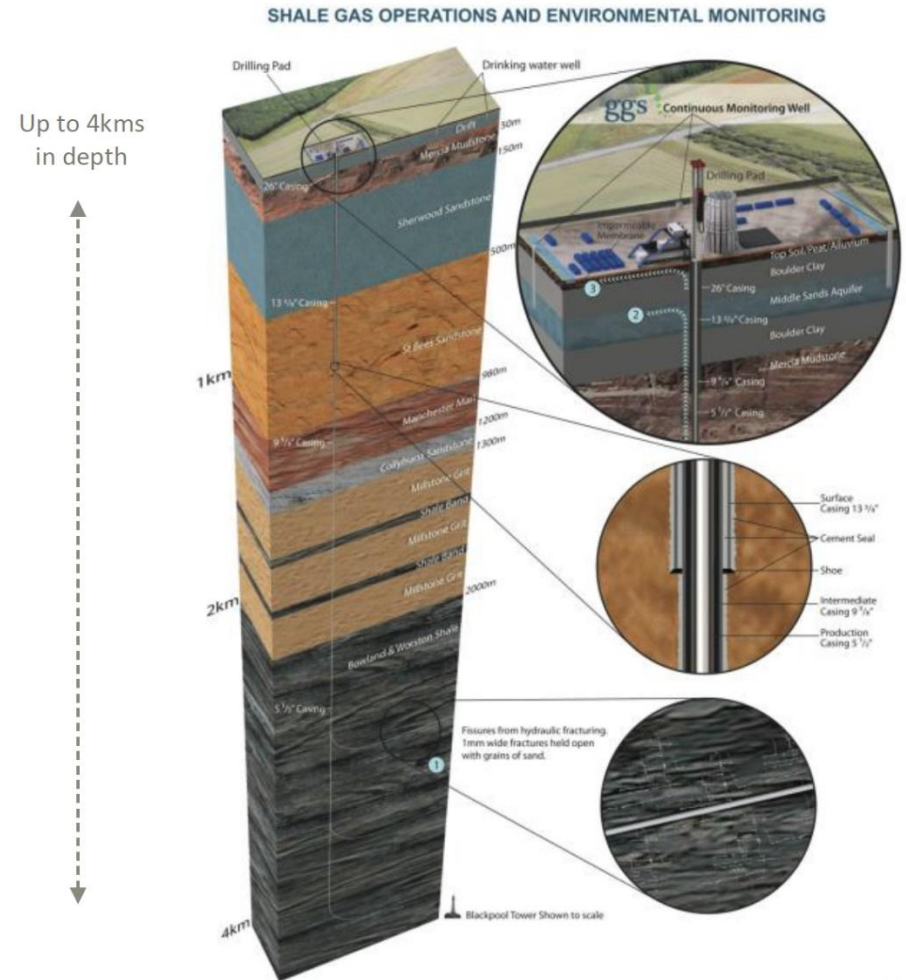
## Press Hall pad site – limited footprint



## Shale cores takes by Cuadrilla



## Bowland shale in context

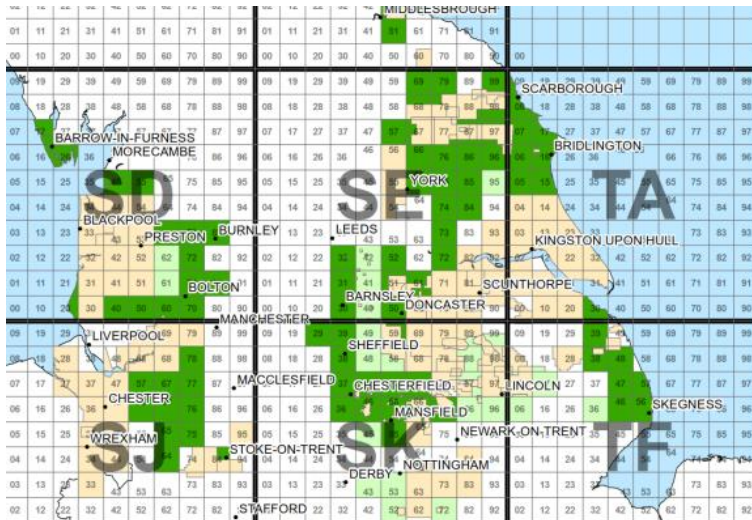


# Awards from 14<sup>th</sup> Licensing Round

## BGS estimates significant resource potential

*In June 2013, the British Geological Survey (BGS) in association with the Department of Energy and Climate Change (DECC) completed an estimate for the resource (gas-in-place) of shale gas in part of central Britain in an area between Wrexham and Blackpool in the west, and Nottingham and Scarborough in the east. The central estimate for the resource was 1,329 trillion cubic feet (tcf) compared to the annual consumption to the UK of just over 3 tcf*

## Map of 14<sup>th</sup> round blocks



## Cuadrilla was awarded 18 blocks in the 14<sup>th</sup> Round

- The 14th Licensing Round was announced on the 17th of December 2015 with the award of 159 new blocks under 93 new licences
- Cuadrilla was awarded 18 blocks under 8 licenses awarded in two tranches – 4 of which were offered on a sole basis and 4 with GDF Suez; these licences are:

### Licences Awarded in 14<sup>th</sup> Round to Cuadrilla

#### Cuadrilla:

- SE40f & SE50b
- SE87b, SE88c, SE97a & SE98c
- TA07a & TA08
- TA16, TA17 & TA18

#### Cuadrilla & GDF Suez:

- SE74 & SE84
  - SE75
  - SE85 & SE95
  - TA05 & TA15
- In aggregate, the Cuadrilla licences total approximately 1,274km<sup>2</sup> in area





**LUCAS DRILLING SERVICES (LDS)**



# Lucas Drilling Services (LDS) Overview

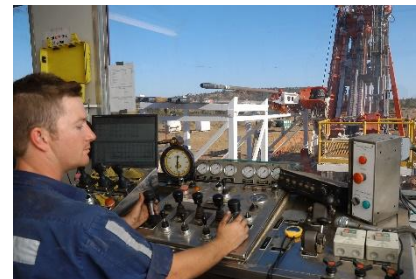
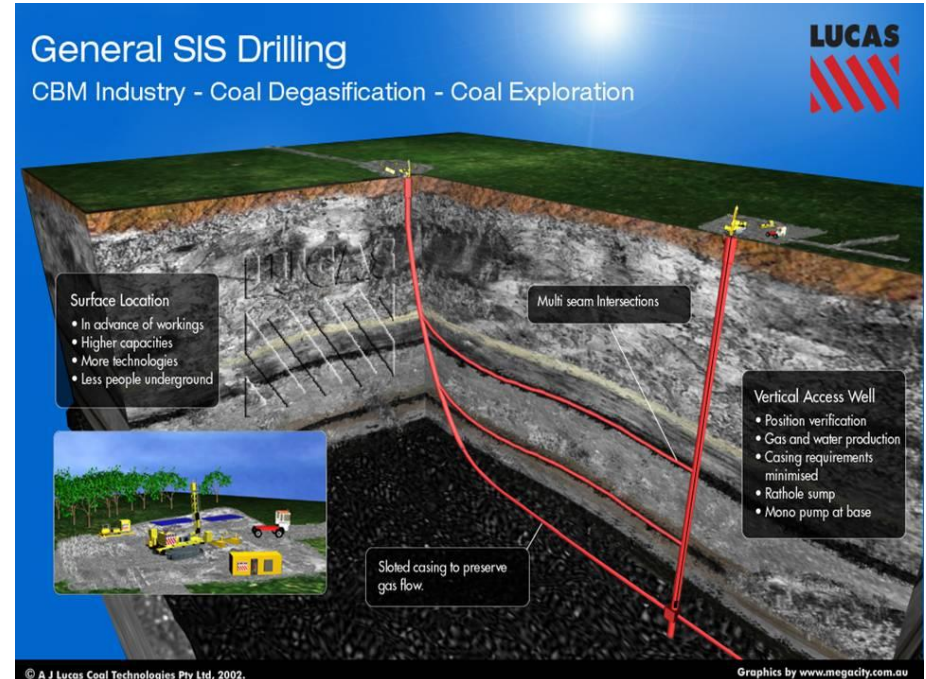
## Business Highlights

- Largest drilling fleet servicing the coal sector in Australia.
- Leading contractor to all major mining houses.
- Leader in directional drilling and coal mine methane extraction.
- Full service offering to coal market including technical consultancy, exploration, production, directional, well design, steering services, completion, surface infrastructure, civil and construction.
- Long relationships with top tier, profitable mining houses.
- Proven and existing turnkey capability.
- Excellent safety record.
- Superior operating platform and reputation in plant, technical and efficiency delivery.

Financials metrics					
<i>Year ended 30 June - \$mm</i>	<i>2012A</i>	<i>2013A</i>	<i>2014A</i>	<i>2015A</i>	<i>HY2016A</i>
Revenue	190	163	94	84	38
Reported EBITDA	11	22	9	7	6



- Lucas Drilling Services is the largest drilling services provider to the coal sector in Australia.
- Blue chip customer base.
- Leading presence in all the major coal producing basins of Australia's east coast.
- Strong Health and Safety track record and compliance is key to the success of the business.
- Heavily written down equipment fleet with recently updated carrying values that are at a material discount to replacement value.
- Australian coal volumes have remained strong in the face of recent price volatility.
- Revenue mix refocused on non-discretionary expenditure.
- Lucas has recently been winning new business and increasing market share at the expense of smaller, less institutionalised service providers.
- Lucas has significantly increased its market share by securing major ongoing contracts.







**LUCAS**

**LUCAS ENGINEERING & CONSTRUCTION (LEC)**



# Lucas Engineering & Construction (LEC) Overview

## Business Highlights

- Specialist civil engineering contractor focused on pipelines; a leader in Australia in horizontal directional drilling (HDD) and trenchless technologies for services to the resources, energy and water sectors.
- 20+ year relationship with Spiecapag, world's leading international pipeline and facilities specialist contractor.
- Market leading safety record
- Previous management strayed in general contracting and business lost its way as seen in the financials.
- Lack of focus and controls resulted in operational and financial issues prior to turnaround implemented by the new management team.

Financials and other key data					
<i>Year ended 30 June - \$mm</i>	<i>2012A</i>	<i>2013A</i>	<i>2014A</i>	<i>2015A</i>	<i>HF2016A</i>
Revenue	315	131	134	61	18
Reported EBITDA	(16)	(29)	(2)	7	5



# Historic Balance Sheet - Overview

## Financial information

Year ended 30 June

Balance sheet summary	2011	2012	2013	2014	2015	HY2016
	\$M	\$M	\$M	\$M	\$M	\$M
Cash	1.3	4.3	9.7	29.3	16.0	17.1
Receivables and inventories	114.1	113.0	68.8	48.4	40.3	24.7
Plant and equipment	136.9	133.6	110.0	79.1	53.2	44.9
Cuadrilla and exploration assets	60.6	89.7	102.1	98.3	120.5	126.6
Intangibles	112.9	67.6	39.5	0.0	0.0	0.0
Other	13.0	7.1	3.3	0.9	1.3	1.4
<b>Total</b>	<b>438.9</b>	<b>415.4</b>	<b>333.4</b>	<b>256.0</b>	<b>231.3</b>	<b>214.7</b>
Payables	88.4	120.3	61.7	45.2	37.4	25.4
Debt	112.5	133.1	89.1	58.0	73.6	83.8
Tax liability	53.6	32.7	39.5	38.1	35.8	32.8
Other liabilities	8.6	15.8	11.4	7.2	5.0	4.6
<b>Total liabilities</b>	<b>263.0</b>	<b>301.9</b>	<b>201.7</b>	<b>148.5</b>	<b>151.8</b>	<b>146.7</b>
<b>Shareholder equity</b>	<b>175.9</b>	<b>113.5</b>	<b>131.6</b>	<b>107.5</b>	<b>79.5</b>	<b>68.0</b>
Share capital provided by Kerogen	0.0	45.7	135.4	168.6	178.6	178.7
Share capital other shareholders	91.9	92.8	140.2	171.1	161.1	161.0
Reserves	83.9	(25.0)	(144.0)	(232.2)	(260.2)	(271.7)
<b>Total shareholder equity</b>	<b>175.9</b>	<b>113.5</b>	<b>131.6</b>	<b>107.5</b>	<b>79.5</b>	<b>68.0</b>