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3 May 2011

To: ASX Company Announcements Office

AJ LUCAS UPSTREAM INVESTMENTS UPDATE

Please find attached a presentation to be delivered later today at the RBS Morgans Unconventional Oil & Gas Day.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Nicholas JW Swan".

Nicholas JW Swan
COMPANY SECRETARY
AJ LUCAS GROUP LIMITED



AJ Lucas Upstream Investments Update

3 May 2011

- Introduction
- Cuadrilla – European shale gas and liquids prospects
- Monument Prospect – East Texas – Gas and liquids prospects
- Canning Basin – Liquids prospects



Introduction



Upstream Investment Philosophy

- Philosophy with oil and gas plays revolves around world demand for transportable energy
- Hence all plays relate to either oil, gas, liquids or elephant shale gas plays
- Unconventional plays with view to prove science, demonstrate methodology and early exit
- High risk, high return. Demonstrable track record in Australia
- Risk management through mix of conventional (oil & liquids in USA) and unconventional (shale and liquids in Europe) hydrocarbons
- Total amount currently invested: Europe \$60.8M, USA \$87.5M and Australia \$0.1M
- Likely to sell down/out of some assets within 12/18 months, once further matured





Investment Overview

Realised Investments

	Period of Ownership	Investment \$M	Sale Proceeds \$M	IRR %
Gloucester Basin	2002-2008	43.2	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	_*	0
* Investment Written Off				

Current Investments

	First Date Invested	Investment \$M		
Cuadrilla & European Shale	2009	60.8		
Monument Prospect, East Texas	2009	87.5		
Canning Basin	2009	0.1		



Cuadrilla – European Shale Gas
and Liquid Prospects



Investment Summary

- 41% ownership of Cuadrilla Resources
- 25% direct ownership of each of Bowland and Bolney prospects in the UK
- Effective equity ownership of each of Bowland and Bolney prospects is 55.7%
- Cumulative investment to date of circa \$60.8M
- Diversified acreage portfolio across Europe
- Ownership of own drilling and fracking rigs to reduce reliance on external service providers
- Drilling and fracking commenced at Bowland – expect initial reserve estimates by end of calendar 2011 / beginning of 2012



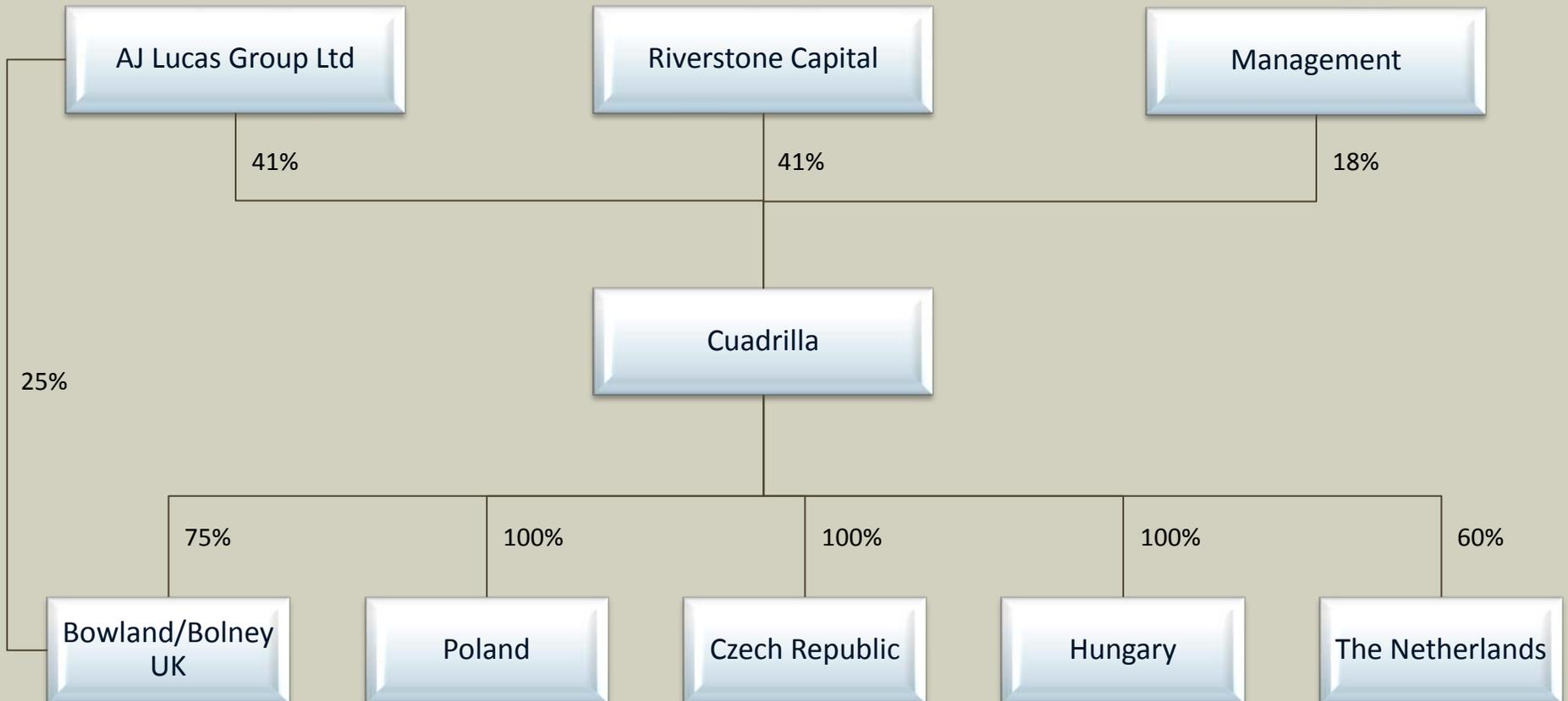
Cuadrilla Business Overview

- Amongst the largest land holdings in Europe outside majors (net 1.12m acres awarded, a further 0.8m acres pending)
 - 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
- Proven management team and highest quality technical team, multiple decades of experience
- Vertically integrated to control all aspects of its drilling and developmental programme
- No reliance on third party service providers – world class drilling and fracking equipment, designed for European and US specifications, built specifically for Cuadrilla



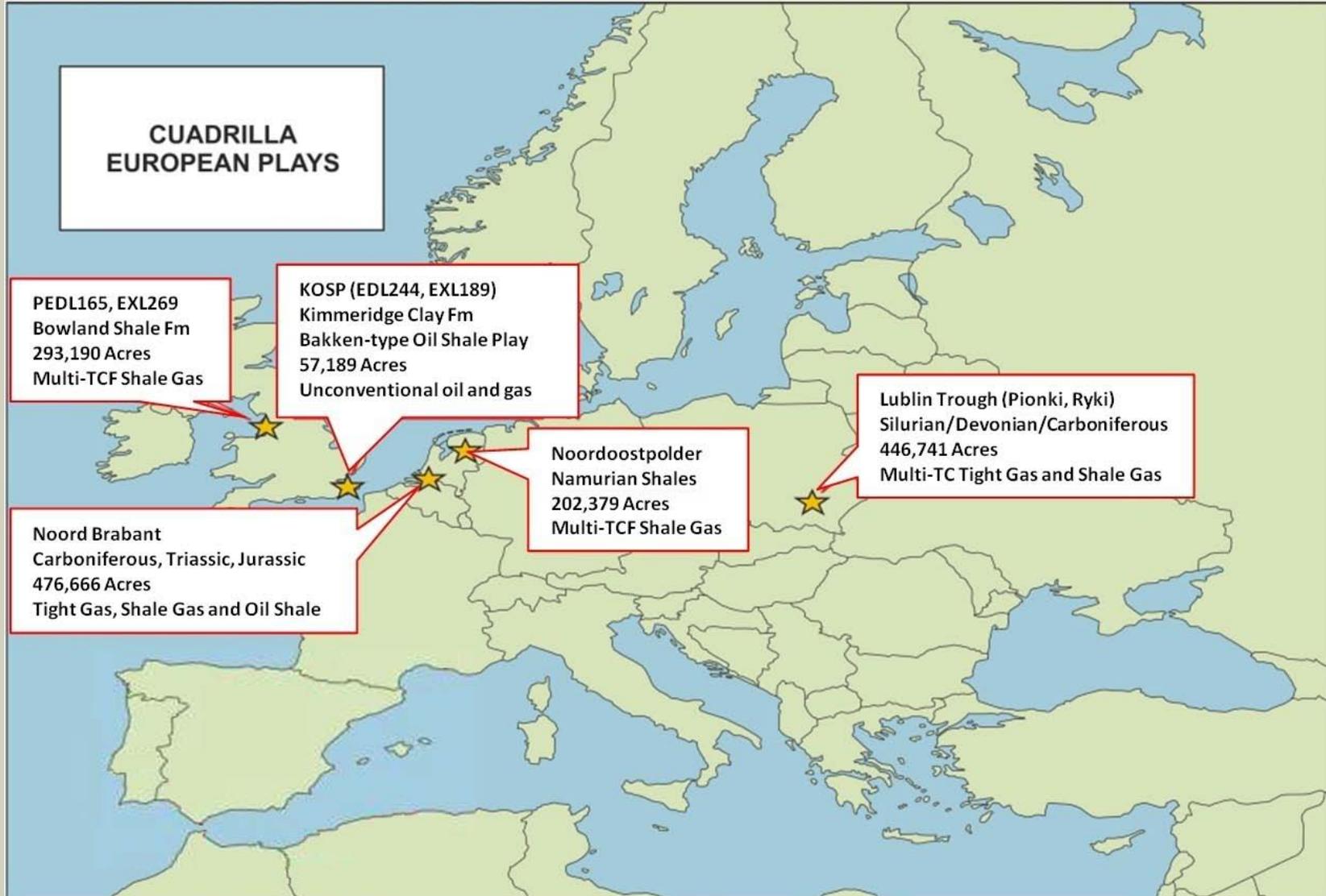


Cuadrilla Ownership





Cuadrilla Acreage





Cuadrilla Licences and partners

Prospect or License	Country	<u>All Applications</u>		<u>Of Which Awarded</u>		Partner (% WI)
		Gross	Net	Gross	Net	
		Acres ('000)	Acres ('000)	Acres ('000)	Acres ('000)	
Bowland Shale	UK	293	223	293	223	AJ Lucas (25%)
Bolney KOSP	UK	57	43	57	43	AJ Lucas (25%)
Noord Brabant & Noordoostpolder	Holland	679	407	679	407	EBN (40%)
Lukow/"M" Block & Pionki	Poland	662	662	447	447	Pionki Pending
Other Areas	Holland, Hungary & Czech Republic	1,131	839	0	0	Application to be Submitted or Transaction Pending
Total		2,822	2,174	1,476	1,120	



Cuadrilla - Current Status

- Bowland
 - Drilling progress to date at Bowland slowed due to geological, weather and regulatory factors
 - Undated exploration and approval drilling plan developed to fast track assessment of commercial value including:
 - Integration of results of three original wells (drilled prior to granting of acreage to Cuadrilla)
 - Identification of sites to drill additional wells
 - Preese Hall #1 drilling completed; Grange Hill #1 drilling at advanced stage
 - Sites for an additional four (4) wells awarded
 - Sites for a further eight (8) wells being assessed
 - An additional two wells to be drilled at Bowland by end of calendar 2011
 - Fracing continuing at Preese Hall #1 with completion expected by mid to late May 2011
 - Fracing at Grange Hill #1 projected to commence in late August 2011
 - Fracing rig to be deployed to Hungary
 - Engaged Netherland Sewell & Associates to commence assimilating drilling, geological, engineering and rock mechanics data

Cuadrilla - Current Status

- Bolney
 - Well fraced at Cowden – result inconclusive. Further hole to be drilled later this year
- 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 May required prior to licence award





Cuadrilla Management

Management Team

- **Mark Miller (CEO)** was the President of Eastern Reservoir Service (ERS), a leading US testing company prior to its acquisition by UTI Inc in 2005. Prior to forming ERS he was a regional manager for Schlumberger working throughout Europe and the Middle East. He is widely recognized as one of industry's leading unconventional well test analysts and has worked extensively on many of the Shale Gas and TGS plays of North America. He holds a B.Sc. in Engineering from Penn State University.
- **Dennis Carlton (Executive Director)** was the founder, COO and Director of Evergreen Resources prior to its \$2.1B acquisition by Pioneer Natural Resources in 2004. Over 30 years experience, worked on CBM, TGS and Shale reservoirs throughout North America and Europe. Widely credited with leading successful development of Raton Basin CBM field in SE Colorado. Holds a B.Sc. and M.Sc. in geology.
- **Marc Bustin (General Manager Technology)** is Professor of Petroleum Geology and Organic Petrology at the University of British Columbia. Widely recognised as one of the industry's leading unconventional resource technologist, he was a founder of CBM Solutions prior to its sale to Trican Well Service in 2005. The recipient of numerous prestigious international awards and the author of over 170 publications, he holds a B.Sc and PhD in geology, and is an elected Fellow of the Royal Society of Canada.
- **Peter Turner (VP Exploration)** was a Reader in Sedimentology and former head of the Petroleum Geosciences Unit at the University of Birmingham. Worked extensively in petroleum industry, specifically on clastic reservoirs of the Rotliegend, and the Permo-Trias of Europe, North Africa and the Middle East. Author of over 150 publications, past winner of the Wollaston Fund of the Geological Society of London, holds B.Sc and a PhD in Geology, awarded honorary D.Sc. by University of Wales.



Cuadrilla Management

Management Team (Continued)

- **Chris Cornelius (Technical Director)**, founder, over 20 years international experience in the well service and E&P sectors. Former Engineering Manager of NOWSCO Well Service Inc. and Technical Director of Evergreen Resources, founded Cuadrilla as a standalone European TGS and Shale Gas exploration company in 2007 with AJ Lucas Group. Formed DESC Resources (2004) to evaluate global unconventional resource plays. Holds B.Sc. from Manchester University and a PhD from Aston University.
- **Eric Vaughan (VP Well Services Group)** over 25 years experience, former US and European regional manager for NOWSCO Wells Service Inc managing some of the worlds largest onshore oilfield service operations. He established Evergreen Well Services Inc as a flag ship for internal service provision, building a seamless vertically integrated drilling and completion service subsidiary into the parent operating company.
- **Mike Much (VP Engineering & Completions)** over 30 years in drilling, completion and production operations as well as well services management. Former Regional Engineer for BJ Services (USA), Operations Manager for Evergreen Well Services, Division Engineering Manager for Pioneer Natural Resources, and Vice President of Exploration and Production for Lucas. Holds a B.Sc. in Petroleum Technology from Oklahoma State University.

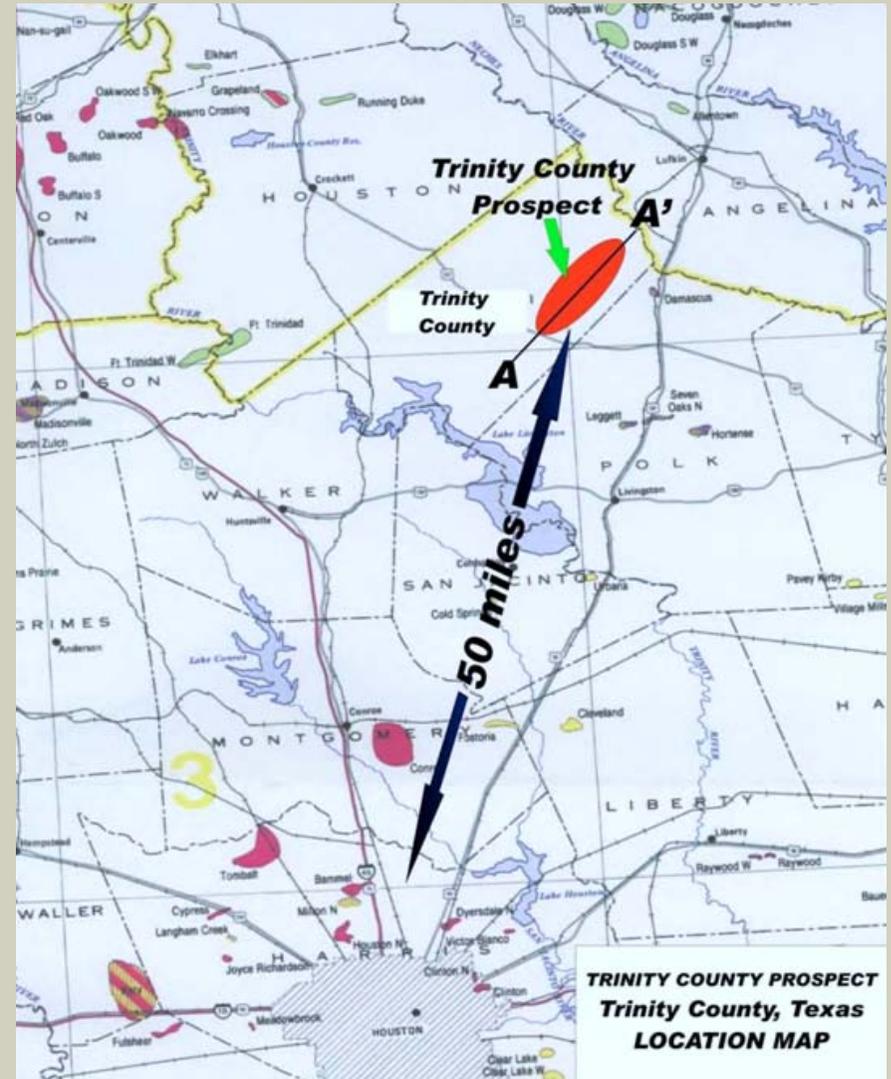


Monument Prospect – East Texas



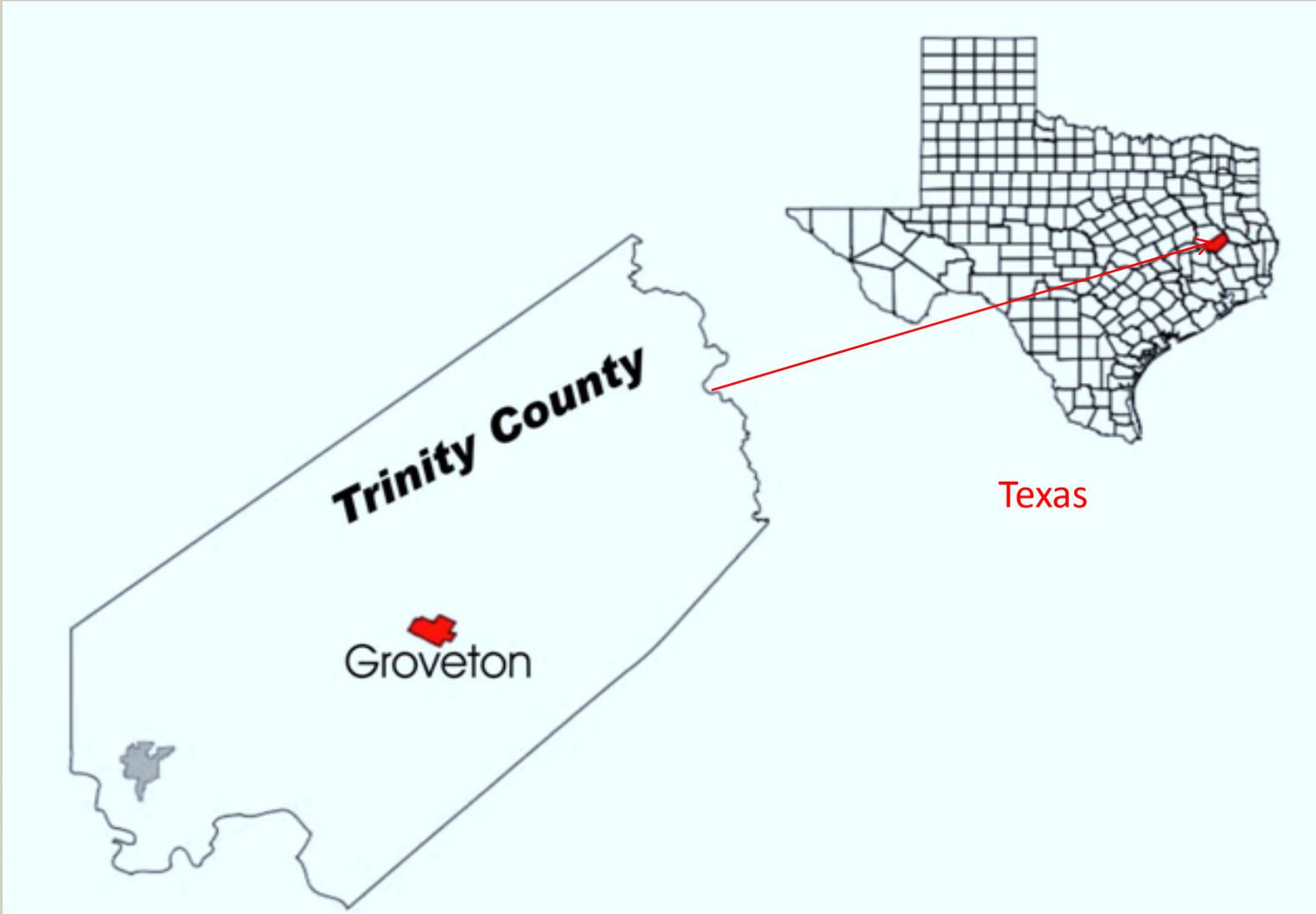
Monument Prospect - Summary

- 62, 560 acres (net to Tekxon Monument Oil & Gas LP) located in Trinity County, East Texas (Monument Prospect AMI) in East Texas Basin
- Significant drilling occurring in close proximity to AMI
- East Texas Basin has a long history of oil production
- Lucas holds a 10% net profit interest
- 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



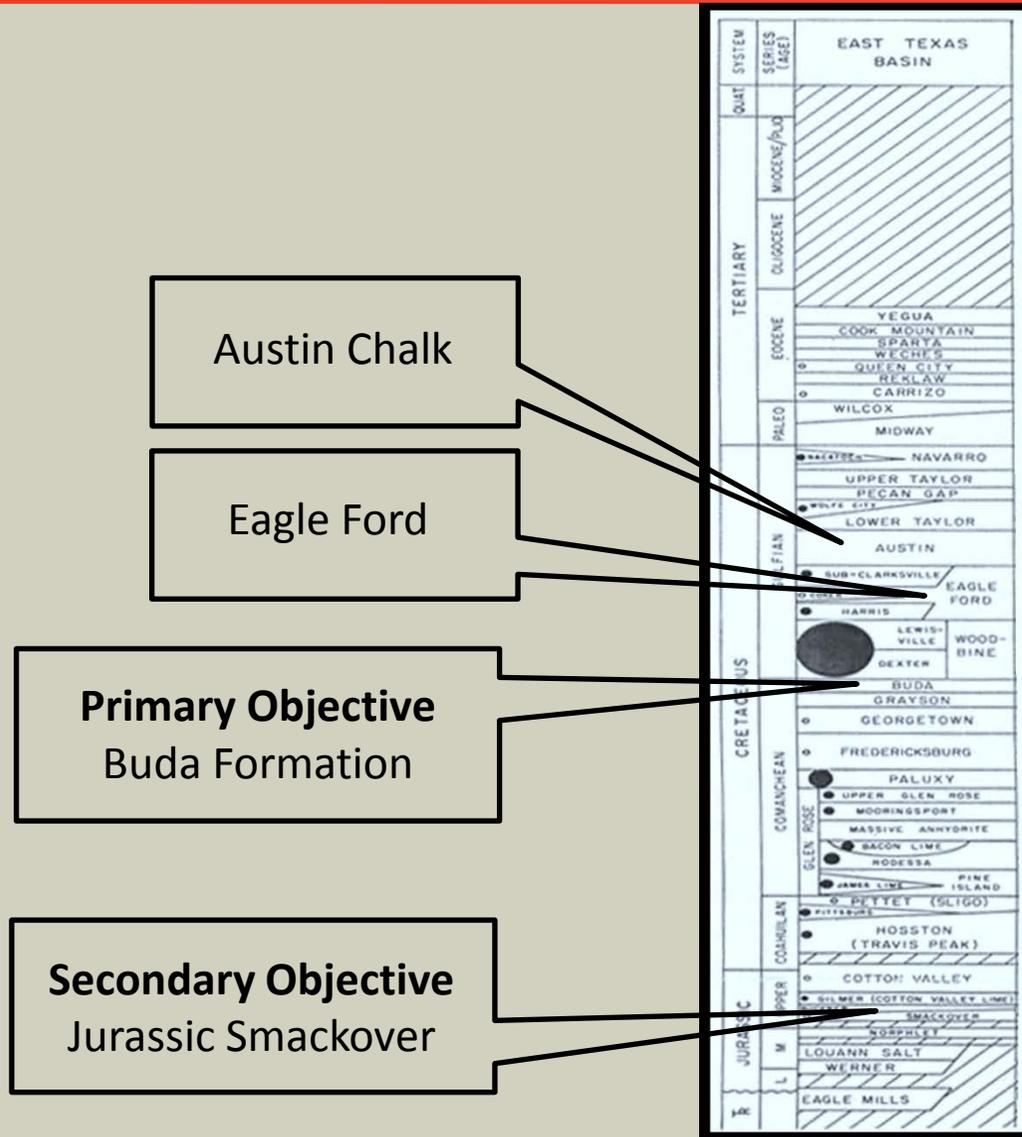


Location of Trinity County in East Texas





Stratigraphic Column (East Texas Basin)





Drilling History

- **Primary Objective: Buda Formation (shallower than 10,000 feet)**
 - Nine (9) conventional vertical (i.e. unfracted) wells drilled within Tekxon’s acreage between 1978 and 1984 (before horizontal fracing technology)
 - Targeted Buda formation and Georgetown limestone
 - Gas and condensate tested in 5 of the wells

Well	Operator	Results (Unfracted)
Joyce “A” #1	American Natural Gas Pipeline Co.	1.309 mmcf/d
Joyce “B” #1	American Natural Gas Pipeline Co.	0.101 mmcf/d and 18 bopd
Temple Eastex #2	Shell	2.738 mmcf/d and 72 bopd
Temple Eastex #1	Shell	1.055 mmcf/d and 300 bopd
PB Robinson #1	Robinson Drilling	1.220 mmcf/d

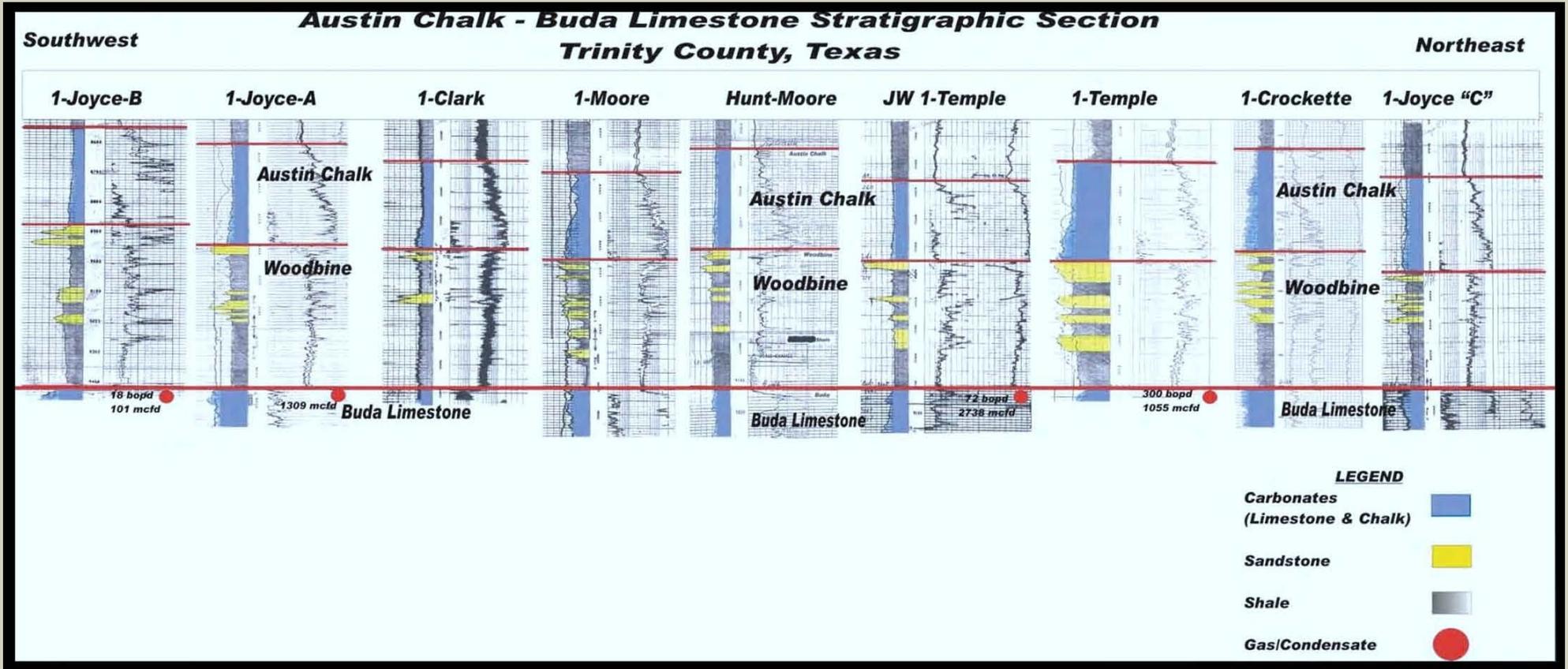


Drilling History

- **Secondary Objective: Jurassic Smackover (deeper than 10,000 feet)**
 - Eighteen (18) deep wells previously drilled in the area of Monument Prospect of which nine (9) reached the Jurassic Smackover (before horizontal fracking technology)
 - Closest proximity wells to Monument Prospect are:
 - Shell #1 Temple located six (6) miles north of the AMI, drilled to a depth of 19,468 feet and bottomed in the Lower Cotton
 - Hunt Moore drilled by Hunt Oil, nine (9) Miles south west of the AMI in the Bossier shale to a depth of 18,731 feetBoth wells had numerous hydrocarbon shows
 - Drilling currently being undertaken by other operators into the Smackover eight (8) miles to the north of the AMI



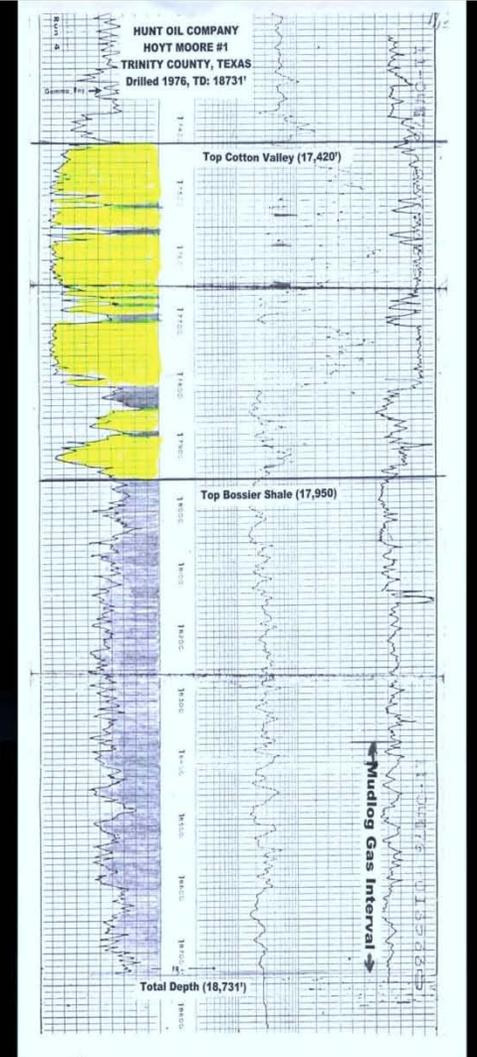
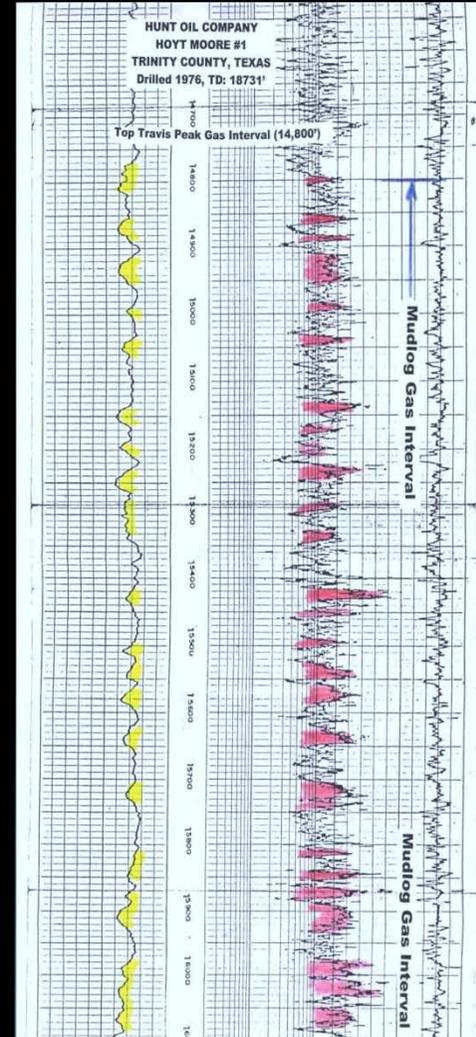
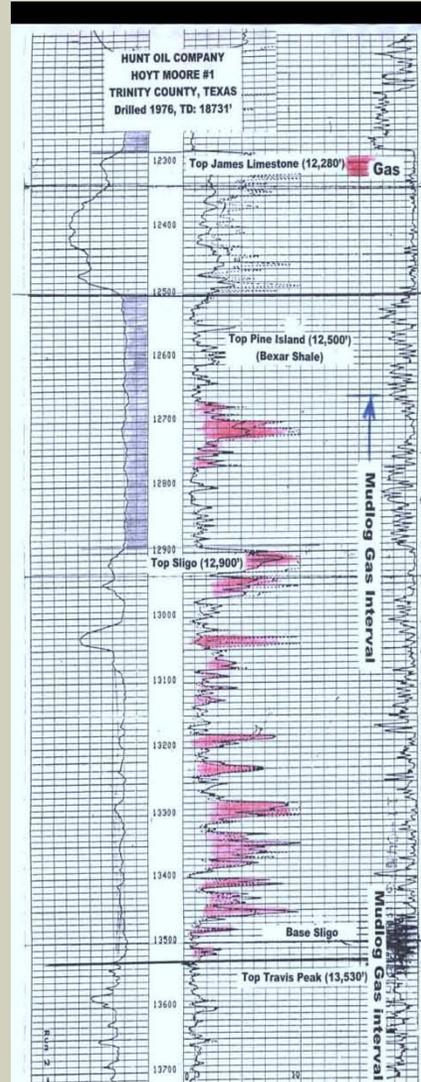
Well Stratigraphic Sections

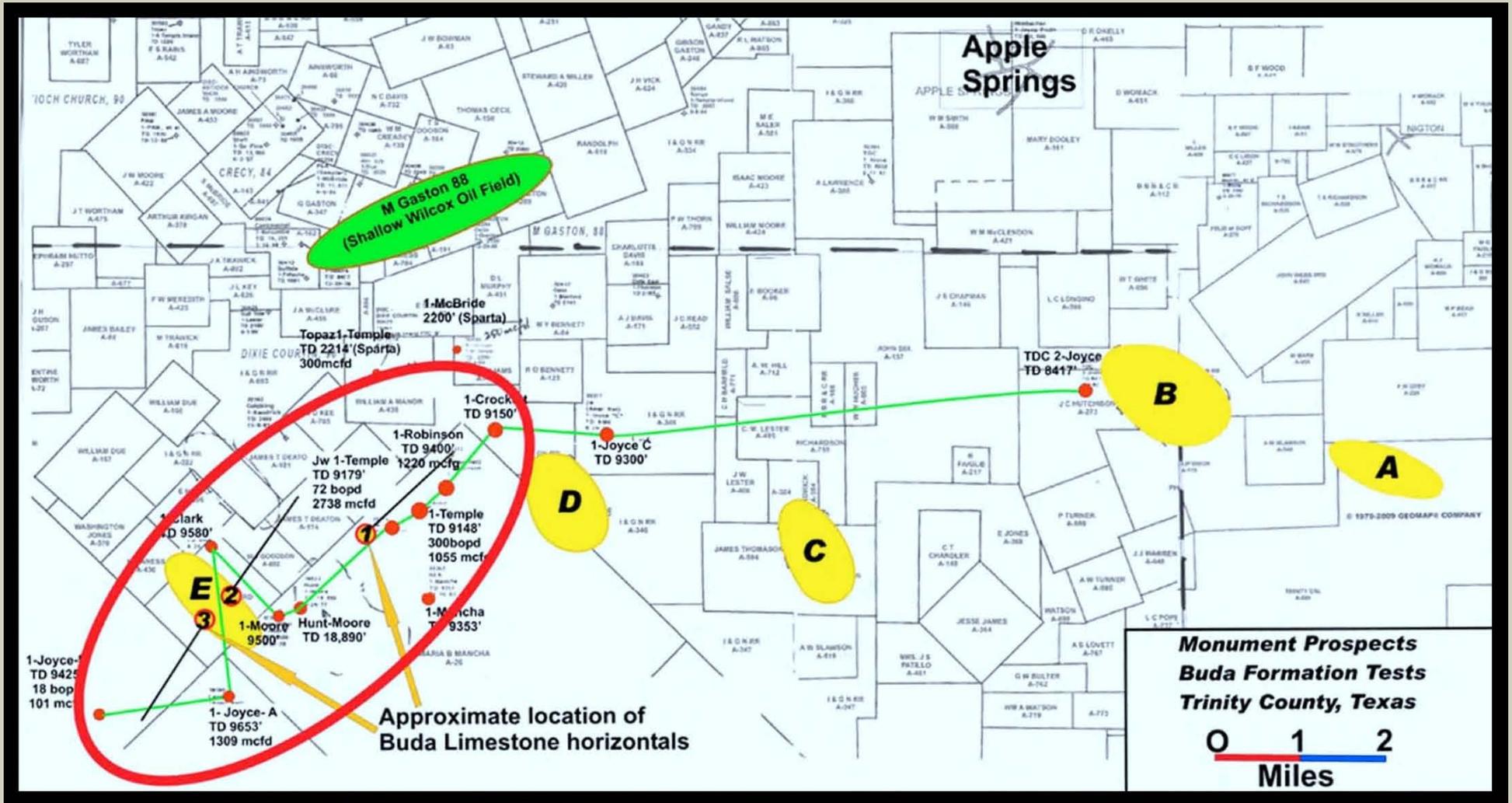




Hunt Well Stratigraphic Sections

Significant gas shows at depth throughout well

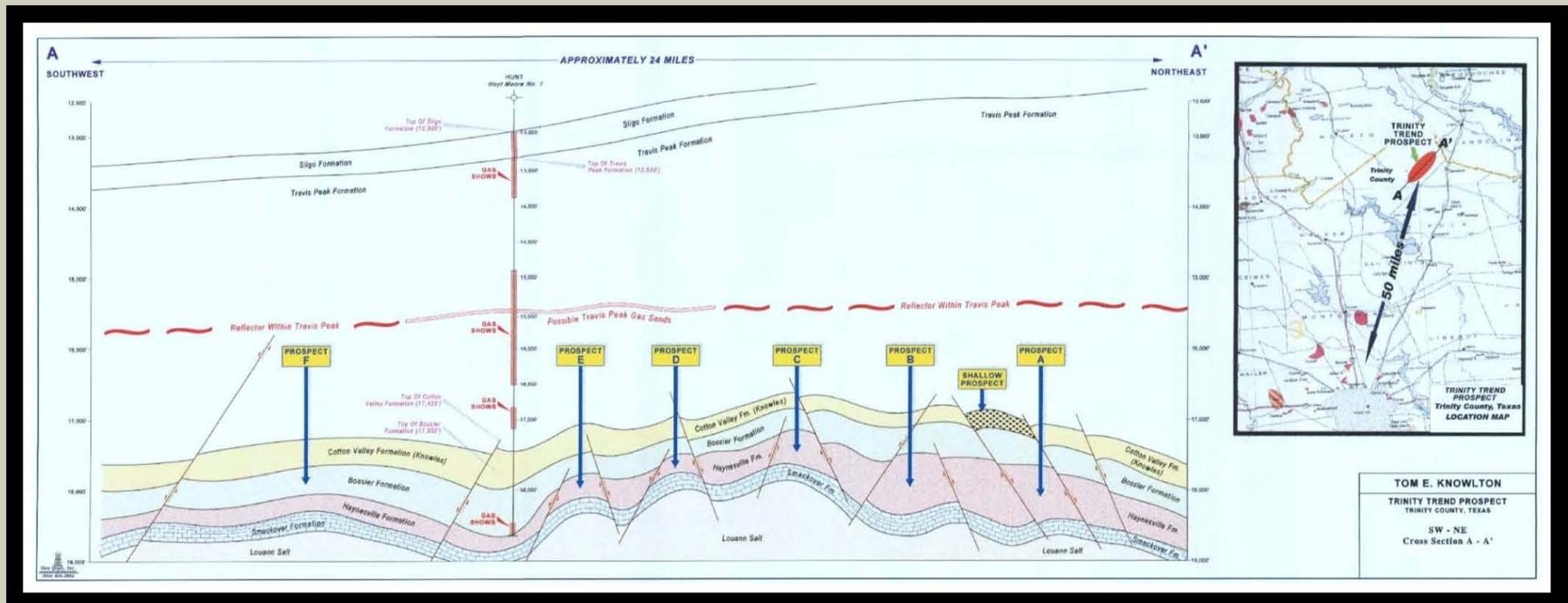






Prospect Structural Section

- High potential hydrocarbons trapped in compartmentalized reservoirs
- The hydrocarbon source rocks, especially the Haynesville, Bossier and Cotton Valley, overlie a massive salt formation
- Salt at high pressure and temperature has the ability to be fluid and creeps or flows
- Salt movements crack and move over underlying rock formations causing traps that can hold or “trap” hydrocarbons in place in compartments
- It is this trapping mechanism the Trinity County play is about





Tekxon Management

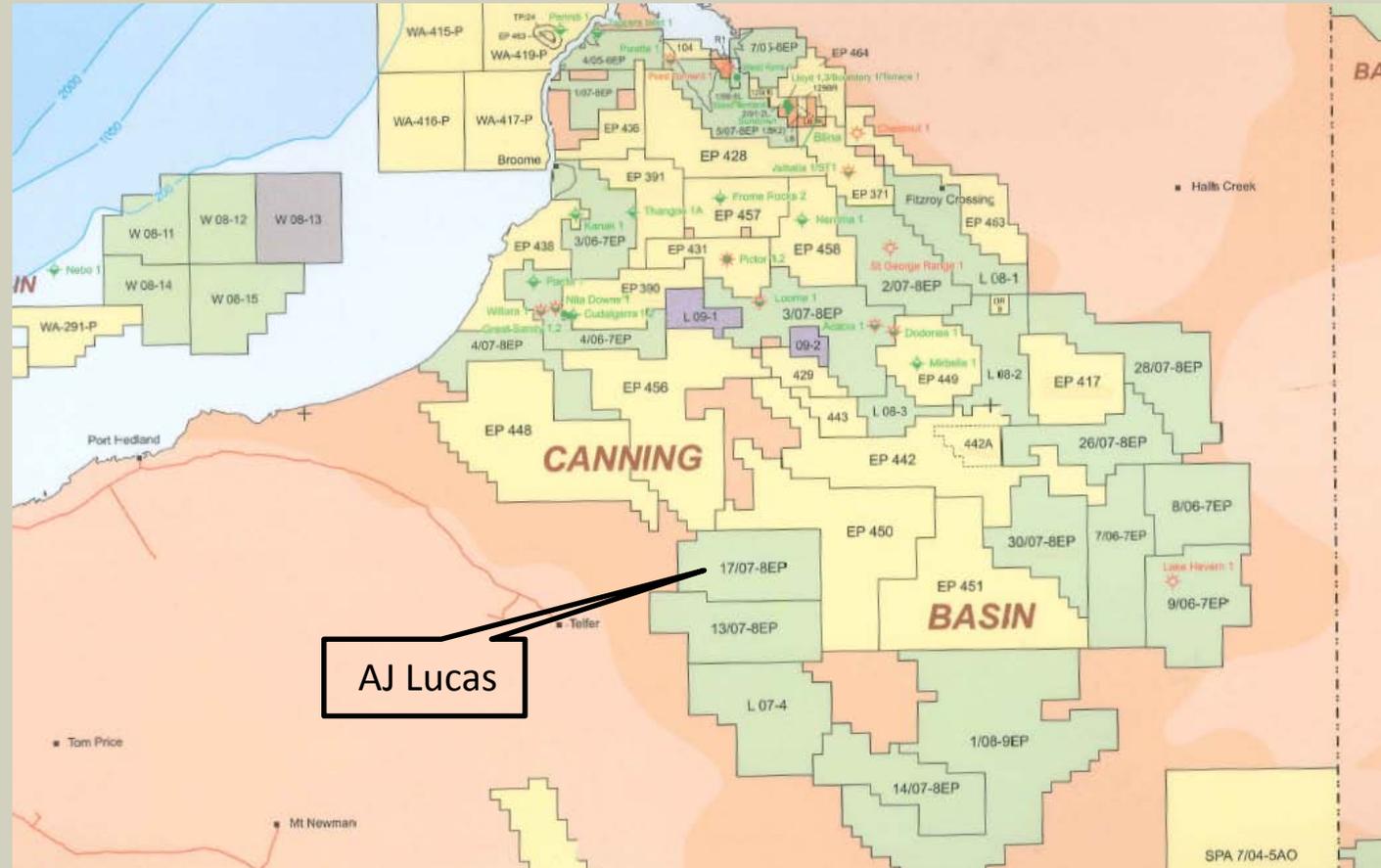
Management Team

- **Tom Knowlton (Owner):** Considerable experience in oil and gas exploration and development around the world including discovery of major fields in Utah and Yemen. Discovery success based on analysis derived from combination of nuclear magnetic resonance imaging technology (developed by Mr Knowlton) and conventional geophysical technology.
- **Charles Meeks (Lead Geologist):** Petroleum Geologist previously with Humble Oil (now Exxon Mobil) and now principal of own consulting firm. World renowned for his discovery of the Jay and Black Jack Creek oil fields in Florida. Other oil fields where he has also contributed geological and geophysical information include Swanson Reservoir in Alaska, the Bentonia, Hale Newsom and South Williamsburg fields in Mississippi and the Greenburg, Liverpool, Moore Sams, Livingston and Denham Springs Tuscaloosa fields in Louisiana.
- **Donald Goddard, PhD (Lead Petrophysicist):** Over 30 years of petroleum experience in significant producing basins within North, Central and South America initially with Gulf Oil Company in Eastern Venezuela and later with Maraven Oil Company in Western Venezuela's Maracaibo region. Recently retired as Associate Professor at Louisiana State University's Centre for Energy Studies.



Canning Basin

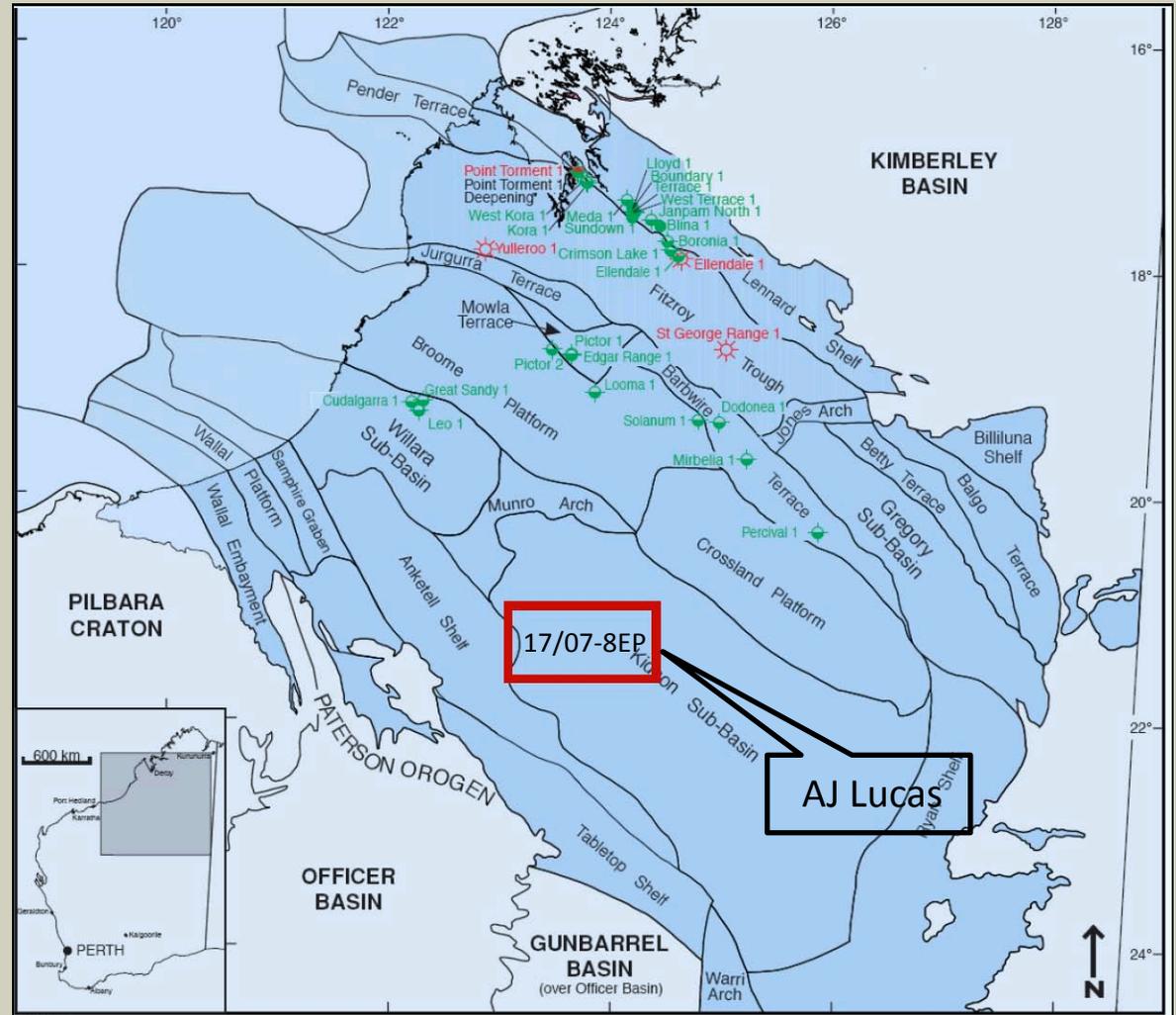
- 100% interest in 8,010 square kilometres of the Canning Basin Exploration Permit Application 17/07-8EP
- Current discussions with traditional landowners in relation to access and future exploration activity
- Conducted review of seismic and data of previous wells drilled in the Canning Basin
- Prospective for shale oil, shale gas and tight gas



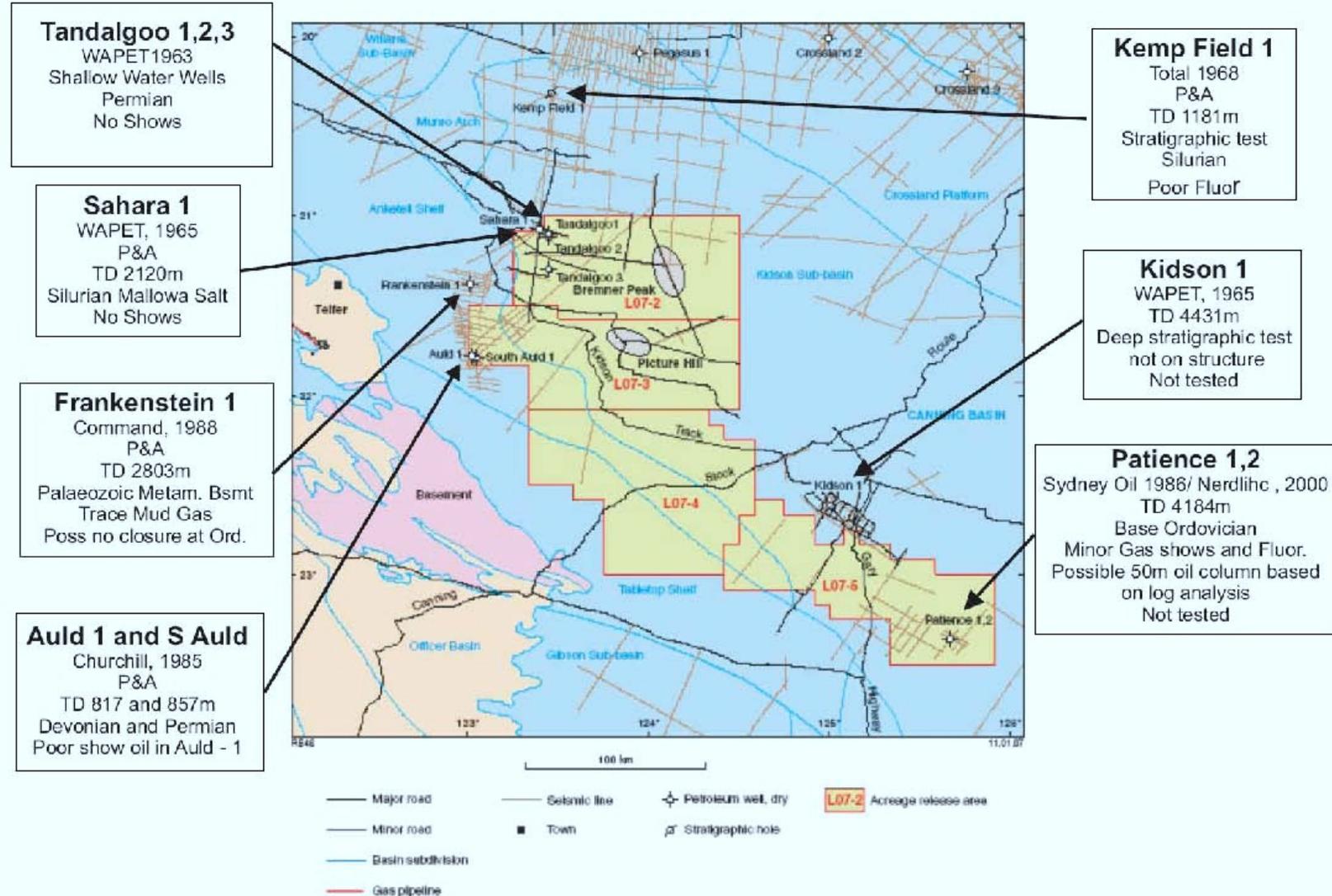


Oil Discoveries / Significant shows in Canning Basin

- Discoveries to north provide an effective source rock, but distribution and quality in Kidson uncertain
- Extensive sub-salt seal
- Shows in Percival – 1 interpreted to have been sourced from Kidson Basin
- Application of horizontal drilling expertise and experience gained on Cuadrilla acreage to identify reserves potential



Well Results Review (Prior to horizontal fracking technology)





Seismic Database Block L07 - 02

Undertaking re-evaluation of previous seismic

