



## AJ Lucas Group Limited

Annual General Meeting  
13 November 2015



- Welcome
- Chairman's Remarks
- CEO Presentation
- Human Resources Nomination Committee Chair
- AGM
  - Financial Results
  - Remuneration Report
  - Director Elections
- Meeting Close

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- Underlying EBITDA of \$9.4million, compared to breakeven last year, a result of hard work by everyone
- Resource sector remains tough, specifically coal mining sector on the East Coast
  - Production volumes increasing but the sector is suffering from a downturn in coal prices
- Drilling division has established a reputation for high quality service and an exemplary safety record, both factors that attract customers
  - Our expertise in Directional Drilling positions us as the technical leader in this complex service offering
- Pipelines business benefitted from JV partnership with internationally recognised Spiecapag
  - We expect to develop this partnership further over the coming years

- Our UK investment in Shale Gas exploration setback with rejection by Lancashire County Council of applications to develop Preston New Road and Roseacre Wood sites in the Bowland Basin
- These decisions are currently under appeal and we expect a decision by Q2 CY2016
- Optimistic about the future for the project and a positive outcome should see operations commence in the H2 CY2016
- Optimism is reflected by our partner Centrica
  - In August, Centrica reaffirmed its commitment to the Bowland project

- Board and management proactively engaged in reviewing all funding requirements and options for the coming years
- As highlighted, the Australian businesses have improved significantly compared to the last couple of years and AJ Lucas continues to meet its obligations
- Supportive shareholders

## CEO Address



- As anticipated, 2015 was a tough year:
  - Customer confidence was low, leading to reduction in amount of discretionary work offered for tender
  - Curtailed capital investment in mining and infrastructure projects
  - No early return to 'boom days'
- \$9.4 million underlying EBITDA was a strong outcome, resulting from great project execution coupled with a necessary restructuring of the operational businesses in Australia :
  - Reduced our fixed cost base
  - Improved our operational flexibility
  - Refined our project execution capabilities
- Completed a review of operational, commercial, financial and systematic risks facing the business and identified actions required to mitigate these risks
- AJ Lucas is positioned well to face the challenges of 2016 and to deliver improved financial, safety and operational performance in the years ahead



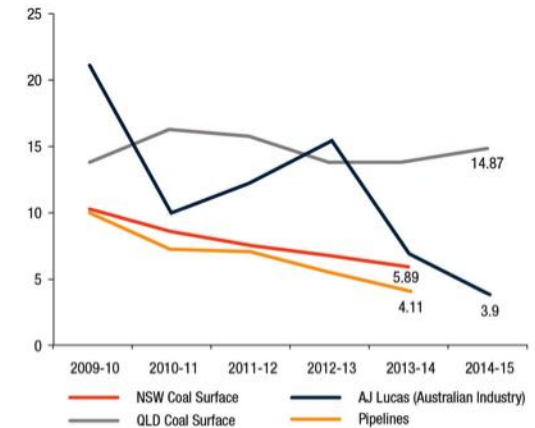


# Safety in 2015

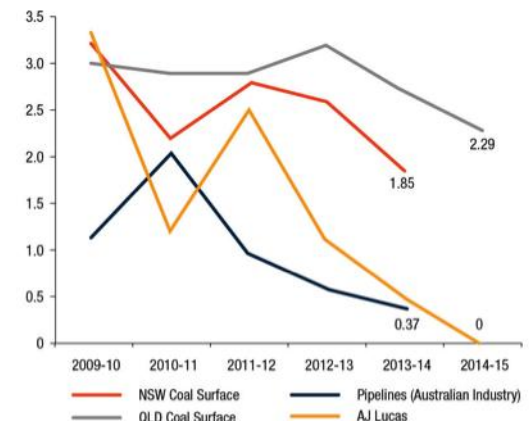


- Our vision is “*injury free every day*”
- Protection of our people and our assets is the primary focus of management
- To do this we must
  - Must maintain proactive approach to HSEQ
  - Provide visible leadership at all levels
  - Have effective management systems in place that reflect the operating environment and community standards
  - Ensure right culture is embedded throughout the organisation
- A great result but reflective of more than just one year’s focus on safety and in today’s market *great safety performance is no longer a differentiator, it’s a necessity*

**Total Recordable Injury Frequency Rate**



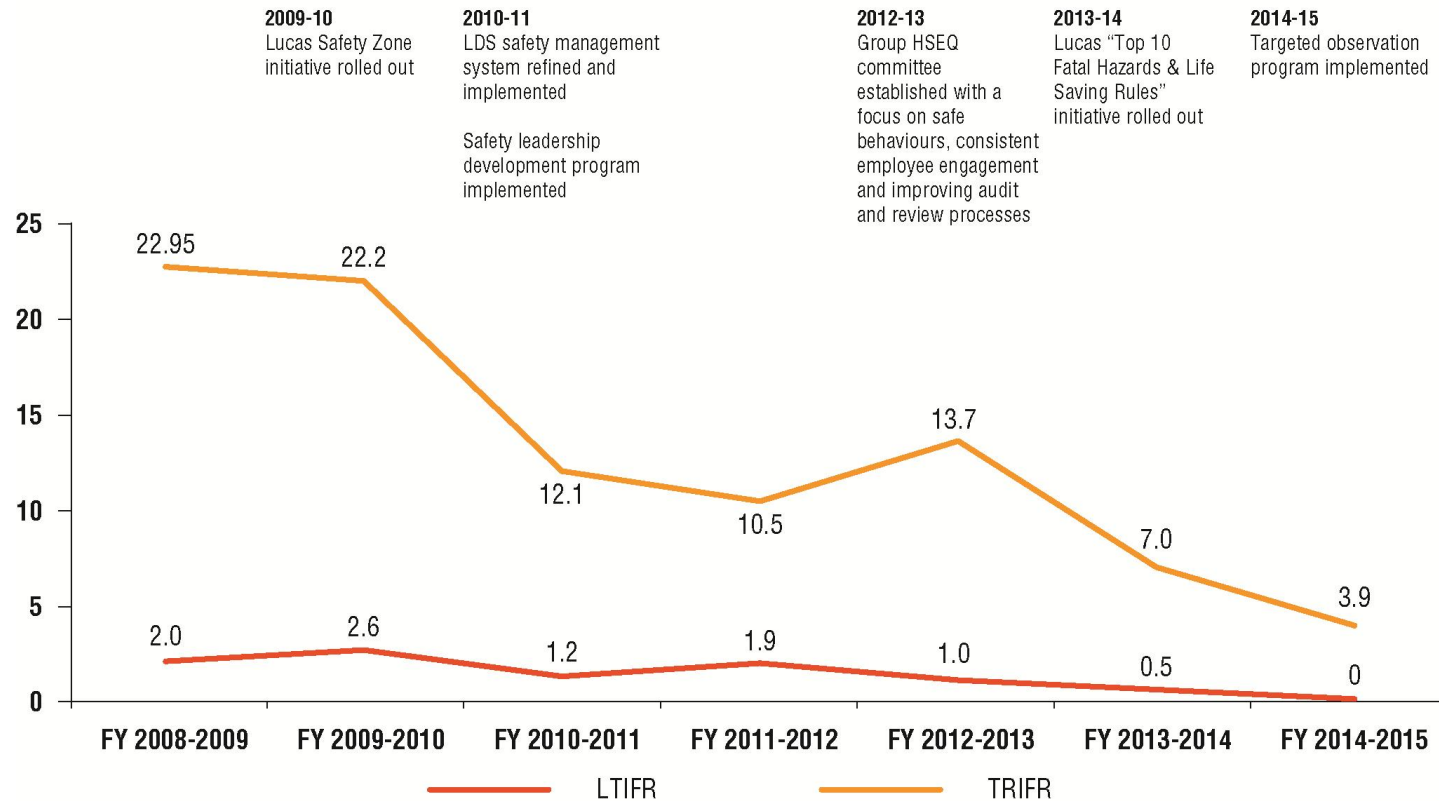
**Lost Time Injury Frequency Rate**



# Developing a culture focused on safety



- Requires consistent and continuous focus on
  - Developing a culture of safe behaviours
  - Building and utilising best in class systems and procedures



SOURCE: AJ LUCAS MY OSH SAFETY DATA

## Lucas Drilling Services (LDS)



# LDS - the “*go to*” drilling operator on the East Coast

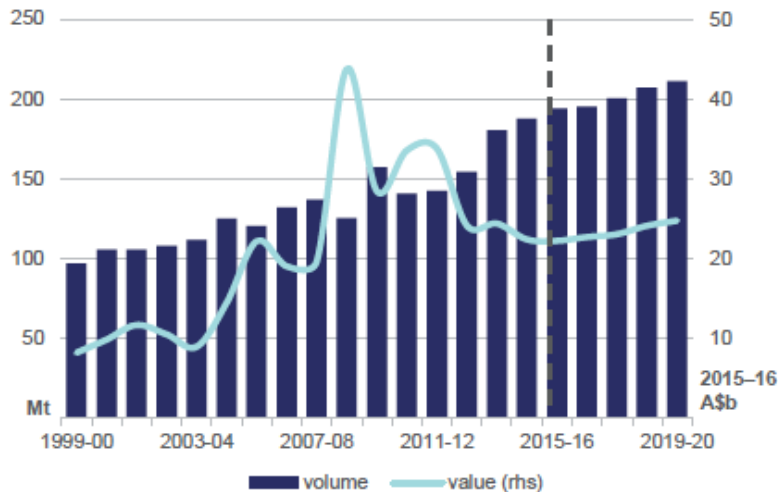


- Achieved targets on safety – no LTI’s in 2015
- In tough market conditions, LDS increased market share in drilling services to the coal sector
  - Actively engaged with every major coal producing company on the East Coast
  - Developed new customer relationships leading to significant contracted wins/work
- Focus on “non-discretionary” mine expenditure
  - Underground drainage
  - Technical drilling
- Good customer relationships
  - We continue to be sought out by customers looking for innovative drilling solutions
  - Existing customers have a long history of engagement with LDS

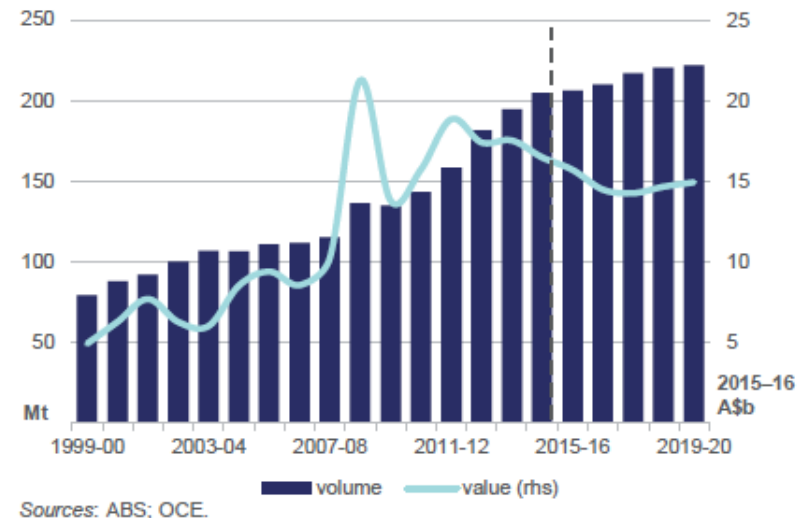


- While the major commodity we are exposed to is under price pressure, current forecasts show continued volume growth albeit at lower rates than recent history
- Australian underground mines continue to be competitive internationally
- Confident LDS will maintain its leading market position

Australian THERMAL coal volumes and value



Australian METALLURGICAL coal volumes and value





## Lucas Engineering & Construction Services (LEC)





- Niche focused specialist engineering and infrastructure construction business
- The market is tough and currently growth is not as strong as anticipated
  - Reluctance to initiate new projects
  - Pent up demand for infrastructure refurbishment and development slower to come to the market than expected
- However LEC is performing well, is scalable and has the assets and contacts in place to ramp up for new jobs/contract activity
- Completion of a number of smaller scale infrastructure projects in electrical and fuel distribution networks achieved on time and on budget in 2014
- Similar anticipated in FY15



- Despite being an industry leader, pipelines also needed to reduce staff numbers and streamline operations to meet market conditions
- The competitive market warranted an innovative approach to service:
  - Customers' expectations consistently exceeded through the use of flexible contract terms, efficient project execution and leading safety performance
  - New communication tools (refer to next slide)
- Strong performance with internationally recognised JV partner Spiecapag
- Despite competitive market, LEC achieved:
  - Excellent performance on the construction of APA's Eastern Goldfields Pipeline in partnership with Spiecapag
  - Successful completion of QGP Pipeline capacity increase for Jemena
  - Completion of Park Fuels Trunkline
- Well positioned on a number of major tenders for FY2016 and beyond

# LEC - pipeline innovation



## SUMMARY OF QHSE STATISTICS

SAFETY HIGHLIGHTS		ENVIRONMENTAL HIGHLIGHTS		QUALITY HIGHLIGHTS	
<p>0 - Lost Time Injuries</p> <p>More than 20,000 Breath Alcohol Tests performed</p> <p>1 - Restricted Work Case</p> <p>2 - First Aid Case</p> <p>Over 500 full Project Inductions</p> <p>355 on site competency assessments</p> <p>6,348 manhours devoted to Training</p> <p>112 Driver Inductions</p> <p>121 workers received nationally recognised competency certificates</p>		<p>No Major Spills on the Project</p> <p>All vehicles Weed and Seed Free certified throughout project</p> <p>1112 Fauna interactions</p> <p>91 Species of Fauna identified on the Project</p> <p>Environmental Pre-starts rolled out across all crews</p> <p>All open trench inspected for Fauna twice per day and prior to lowering</p> <p>Only "Category C" Environmental Items (minor) noted on final punchlist</p> <p>All minor spills contained and neutralised</p> <p>Sandhill Dunnart Tracking Program implemented</p>		<p>Welding Repair Rate of 0.92%</p> <p>ISO re-accreditation audit performed, no items raised against QA</p> <p>No Pipes quarantined due to construction damage</p> <p>No dig-ups on the installed pipeline, all info verified and complete prior to lowering</p> <p>DCVG Testing Completed with no Defects</p> <p>Only minor observations noted on APA QA audits, no areas of concern or Corrective actions</p> <p>All Weld books issued within 2 days of completing a section, to enable review prior to Hydro.</p> <p>All Project and Corporate QA KPI's achieved</p> <p>16,701 pipes tracked through receipt stringing and welding, all pipes accounted for at end of project</p>	
<p><b>Personnel Vs Lead Indicators</b></p>				<p><b>NDT Performed Vs Defects</b></p>	



## Oil & Gas Investments



## Current status

- With total effective interest of 47% in Bowland licence AJL has a preeminent position in the developing UK shale gas market
- LCC's denial of planning permission in June was disappointing but only a temporary setback
  - Cuadrilla is appealing the LCC's decision with a hearing likely in 1H 2016
- Cuadrilla, AJL and Centrica remain fully supportive of progressing the Bowland project
  - Revised carry and contingent consideration arrangement demonstrates JV commitment
- Cuadrilla offered 2 new exploration licences in Yorkshire in areas considered prospective for shale gas
  - Each licence covers approx 100km<sup>2</sup>, bringing scale to the portfolio
- Given success in the appeal process, we believe Cuadrilla could be drilling the Bowland project by second half of 2016

## What we know

- 5 pre-2000 wells; 3 wells drilled by Cuadrilla
  - 3D seismic over 100km<sup>2</sup> acquired in 2012 and reprocessed 2014
- Hydraulically fractured Preese Hall in 2011
- Estimated resource of > 200 Tcf oil and gas in place (OGIP); >1000m of gas charged shale; extensive distribution of shale across PEDL 165
- High quality, contaminant free, gas
- Strong and brittle lithology that will allow effective hydraulic fracturing
- Proof the shale can be hydraulically stimulated and can flow

## Next Steps – “Proof of concept”

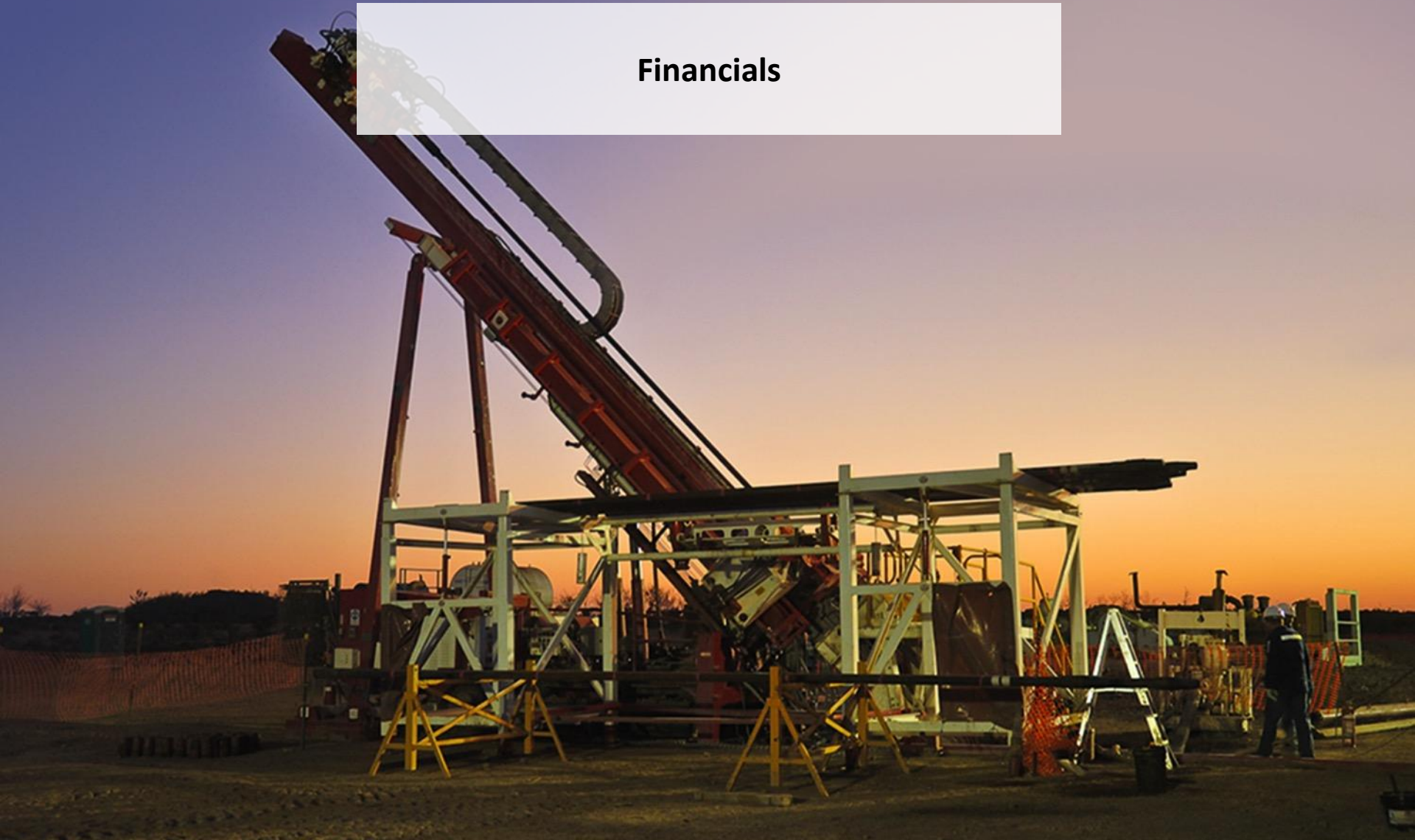
- Comprehensive drilling, formation evaluation, stimulation, and flow testing data collection
- Applied for 2 four well pad sites at Preston New Road and Roseacre Wood (1 vertical + lateral sidetrack and 3 lateral wells)
- Hydraulic stimulation of lateral wells; 90 day flow test the extended flow test

## Status

- Secured sites, completed most comprehensive shale gas EIA ever, received all national environmental permits required to operate
- Appealing local planning decision

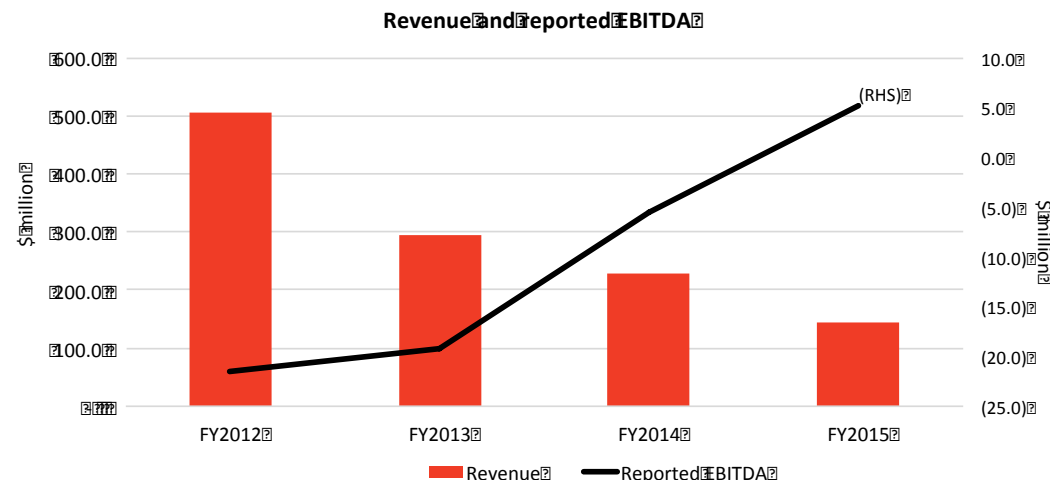


## Financials



- 2015 saw continued improvement in EBITDA performance despite contracted revenues
  - \$5.3 million EBITDA, the first positive EBITDA since 2011
- The group continued to service its tax obligations during the year and received support from major lender, Kerogen, with interest being deferred from April to June 2015
  - The group continues to receive support from Kerogen with further interest payments deferred through to October 2015
- Currently reviewing capital structure to appropriately structure balance sheet to support ongoing needs of investment in Cuadrilla and Australian operations.

Financial Performance	FY2012	FY2013	FY2014	FY2015
Revenue	504.3	294.8	227.9	145.0
Reported EBITDA	(21.5)	(19.3)	(5.5)	5.3
Net profit/(loss) after tax	(110.3)	(127.0)	(91.7)	(45.2)
Cash and cash equivalents	4.3	9.7	29.3	16.0
Total assets	415.4	333.4	256.0	231.3
Interest bearing liabilities & tax obligations	165.7	128.6	96.1	109.3





- Financial Report
- Remuneration Report
- Re-election of Julian Ball
- Re-election of John O'Neill
- Meeting Close

# HR and Nominations Committee

## Ian Meares, Committee Chairman



- The Remuneration report is included in the Annual Report of the company and it is recommended for Adoption
- AJ Lucas' remuneration policy aims to align employee remuneration with the labour market, and to attract, retain and reward people within the business according to their performance
- During the period, the Committee undertook:
  - A review of remuneration packages of salaried employees and contracted staff against industry benchmarks including an annual performance review
  - A revision of employee Code of Conduct document
  - A review of the long term incentive plans of the company resulting in the closure of two plans no longer considered effective
- As a result of not meeting KPI targets, no short or long term Incentive payments, options or rights were paid, granted or exercised from plans in existence during the year.
- Post period end, the Committee widened its remit to include Nominations and its revised charter is available on the Company's website

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