LUCAS ENERGY

Gloucester Basin

An emerging CSG supplier to the NSW Market

Paul Bilston – General Manager
Lucas Energy

PESA 8th July 2008.

Agenda

- AJ Lucas Group
- Overview of Lucas Energy
- Geology of Gloucester Basin
- Exploration & Appraisal Activity
- NSW Gas Market
- Initial Development Plan

AJ Lucas Group

Business Model

- Specialist engineering, infrastructure and mining services business focused on:
  - Oil & Gas
  - Water & waste water
  - Resources
  - Property
- Developer of key assets as owner using intellectual knowledge and practical expertise:
  - Energy
  - Water

Operating Business Divisions

- Pipelines
  - Major Gas & Water Pipelines
    - Western Corridor Water Project $450m (Alliance with Transfield)
    - Bonaparte ($140m) gas pipelines
- Drilling
  - Largest specialist Coal and Coal Seam Gas drilling provider (56 Rigs)
    - Very strong demand – Driven by growth in CSG in NSW/QLD as well as the strength of coal exports and global energy demand
    - 4 proposed LNG projects in Queensland, all require significant ramp up in drilling activity to deliver required reserves and production
  - Major Horizontal Directional Drilling contractor
- Construction & Civil
  - $70m Ivy Entertainment Centre, $40m Hyundai Group Headquarters

Lucas Energy

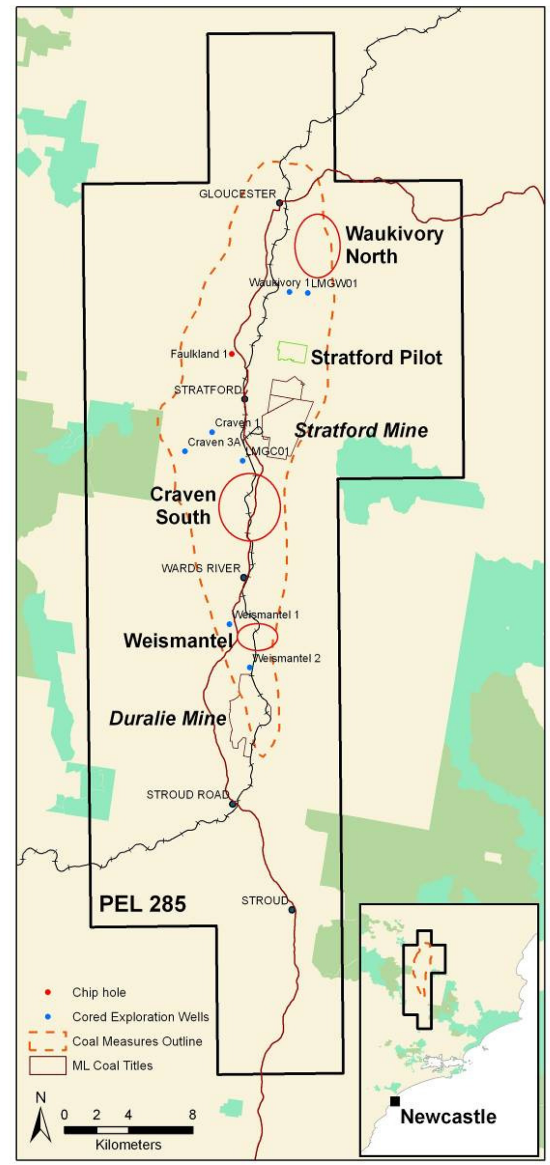
Lucas Energy – Overview

Four initial investments:

- PEL 285 – Gloucester Basin
  - Key focus for Lucas Energy
  - 1,050 km^2 including approx 200 km^2 of coal measures
  - Lucas operator & 70% owner
- ATP 651 – Woleebee Creek
  - 375 km^2 in the Walloons Fairway
  - Lucas 15% owner (QGC 68%, BG 17%)
  - Initial reserves booked July 08 - (Lucas 2P 39.6 BCF, 3P 120.8 BCF)
- Arawn Energy (BC) Limited
  - 60% of Canadian investment vehicle
  - Arawn earning 43,390 acres in Grizzly & Red Deer prospects in Eastern British Columbia (near Fort St John)
- Sydney Gas (SGL)
  - 16.54% shareholding plus options over 10% (subject to conditions)
  - Technical & Drilling services agreements

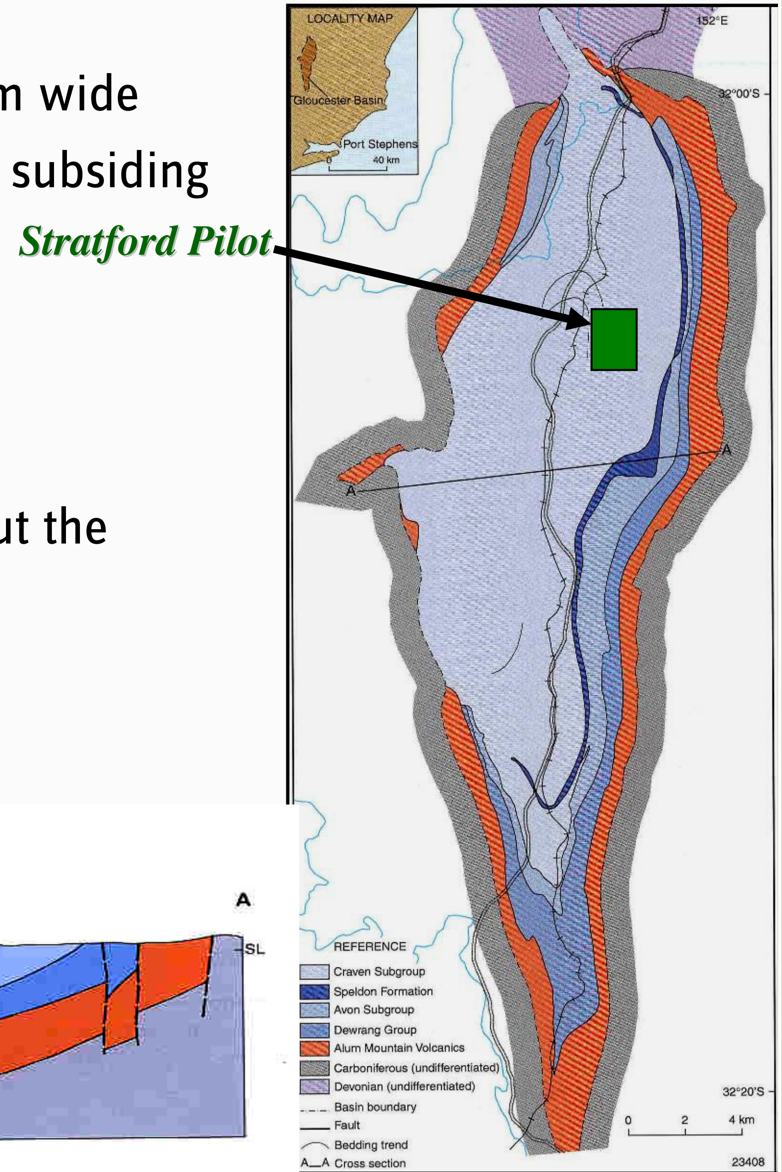
Gloucester Basin - Overview

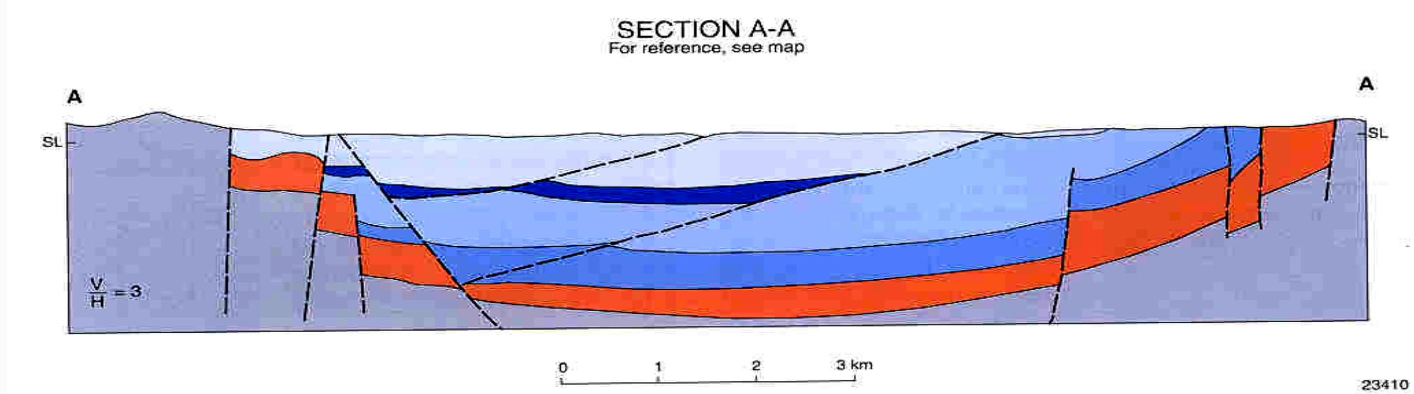
- Rural location 100 km north of Newcastle (NSW)
- Coal properties
  - 200 km^2 coal bearing sequence
  - 11 major seams >2.5m thick
  - Average total thickness 30-60m
  - Gas contents 12 - 25 m^3/t (daf)
  - 5 Well pilot recently commenced testing with encouraging results
  - Proven production (3 wells in excess of 1.0 Mcf/d)
- Initial Reserves Certification 100% (NSAI Feb 2008)
  - 1P 14.9 BCF
  - 2P 170.2 BCF
  - 3P 359.2 BCF
  - Contingent Resource 166.2 BCF
- JV estimate OGIP 2.5 - 3 TCF



Geological Overview

- Canoe shaped trough 50km long and 12km wide
- Permian sequence deposited in an actively subsiding graben structure
- 2 major coal bearing sequences
  - Gloucester Coal Measures
  - Dewrang Group
- 30 seams which extend laterally throughout the basin
- Approximately 30-50m coal





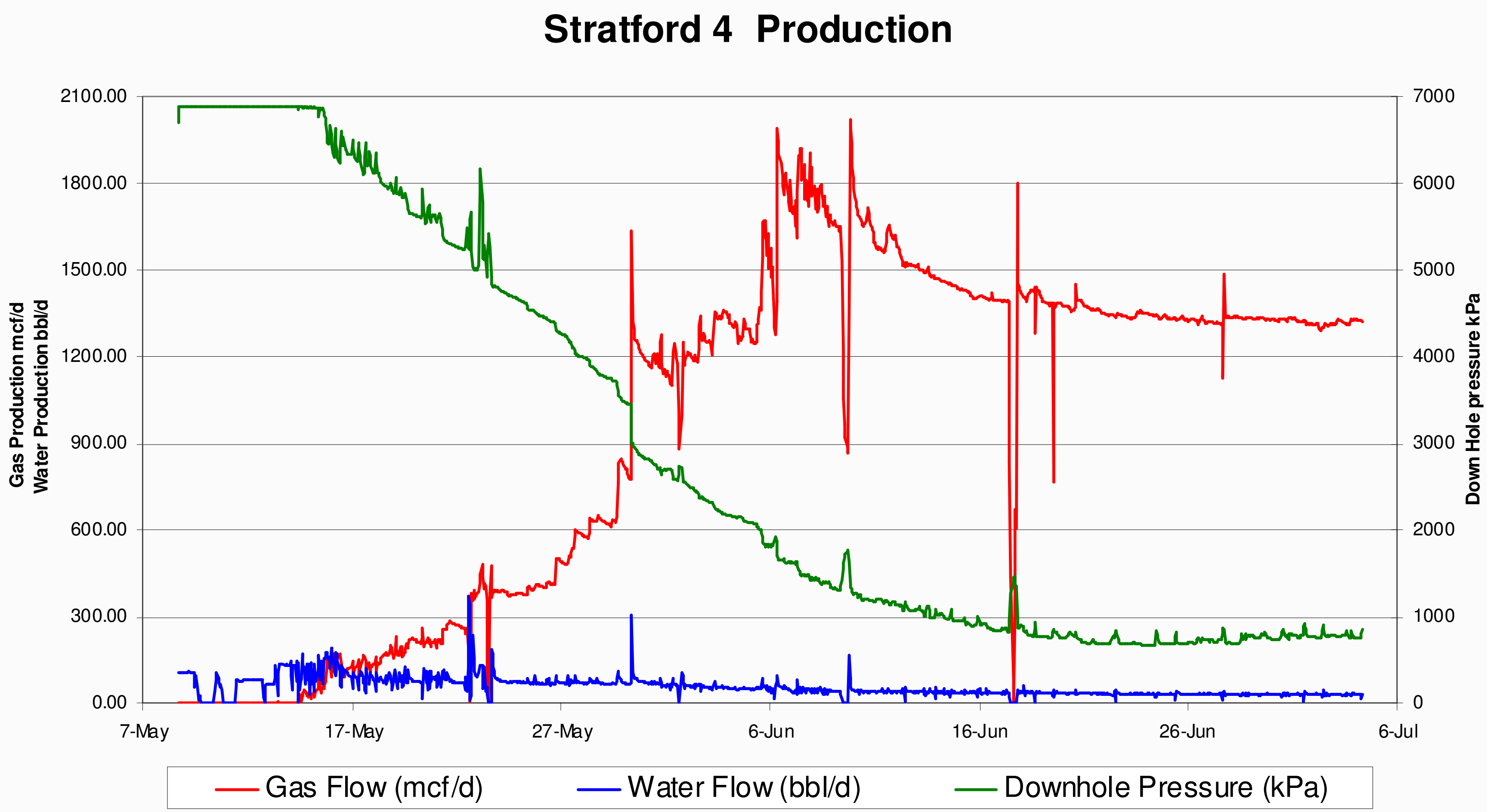
Stratford Pilot

- Total of 6 Wells
  - Stratford 3 (LMG 03) drilled & completed in 2004, excellent production in excess 1,000 mcf/d. Currently testing shallow Bowens Road seam (primary source of water in well)
  - Stratford 4 & 8 completed to test deeper coals > 500 m
  - Stratford 5 & 6 completed to confirm production from shallower seams and test additional coals. Commenced testing past week
  - Stratford 9 – Drilled & completed in Avon seam @ 900m awaiting pumping equipment.
- Results very encouraging with wells dewatering quickly, and first three (ST 3, 4 & 8) wells all exceeded 1050 mcf/d during initial flow testing.

Stratford Pilot

Stratford 4 Production

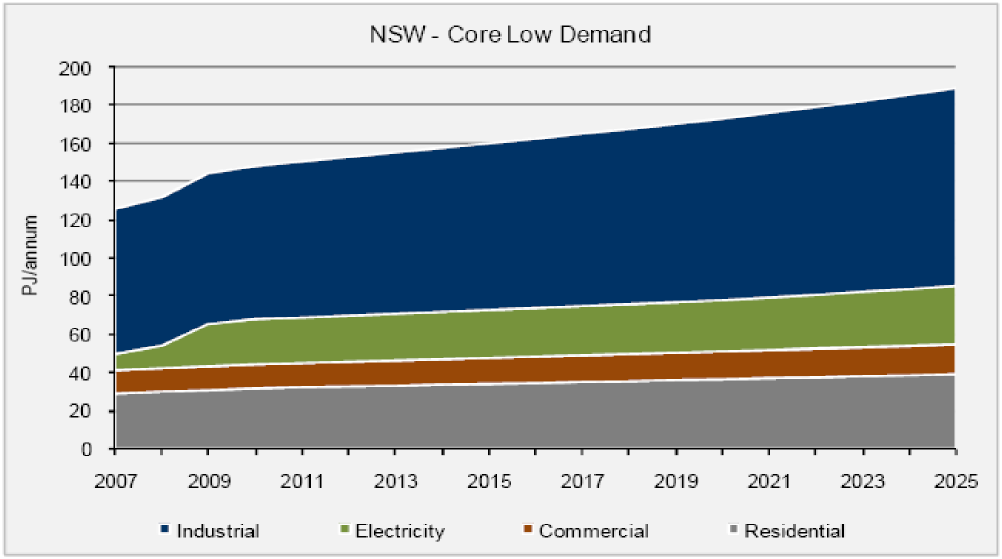
- 12m coal completed between 515m & 739m
- Production stabilised @ ~ 1350 mcf/d.

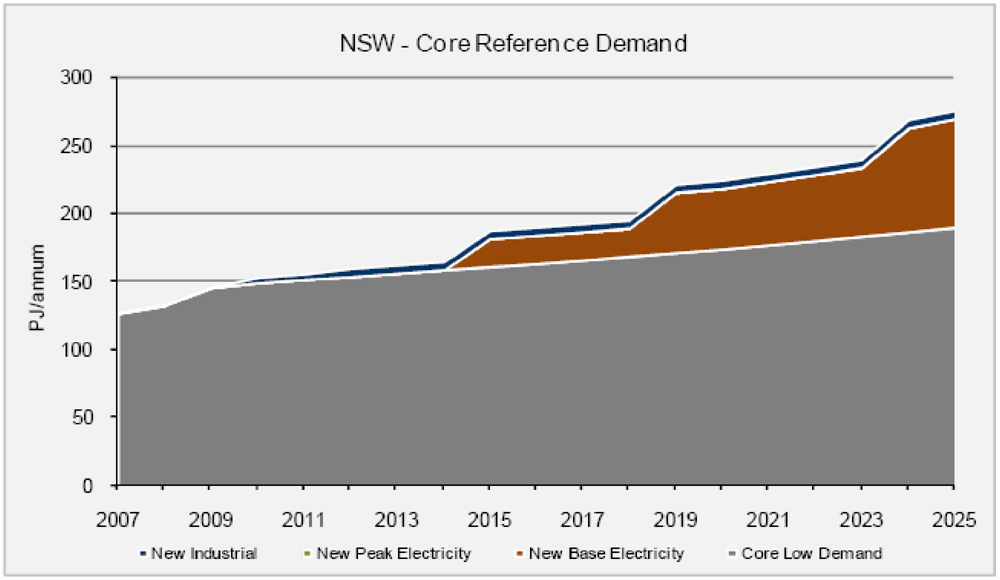


Gas Supply & Demand

NSW Supply & Demand

- NSW supply currently predominately from Cooper Basin & Longford
- CSG supplied to NSW via swaps with Ballera to Moomba link being completed
- Overall underlying demand is growing generally with CPI
- Expected demand growth driven by supply of gas into new power generation

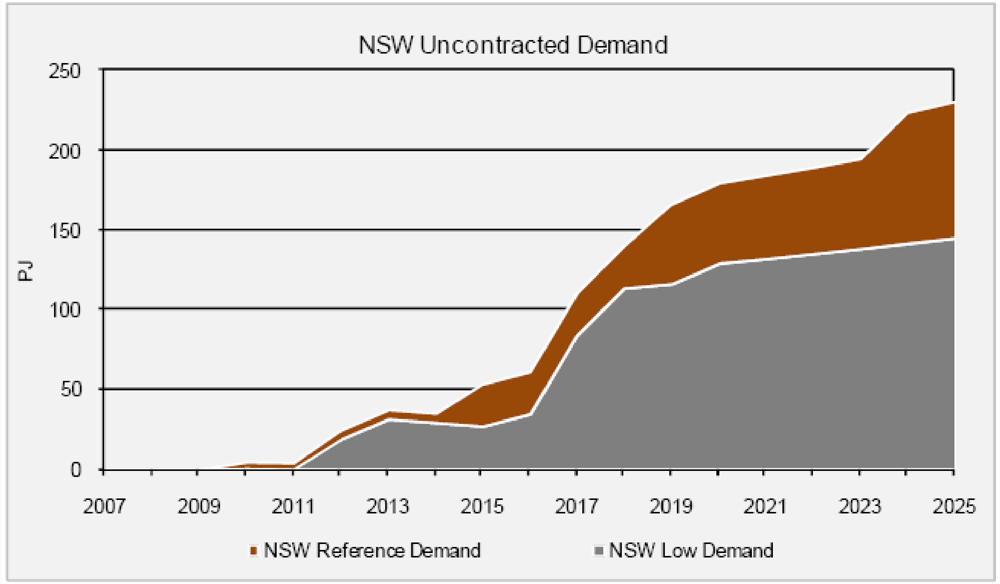


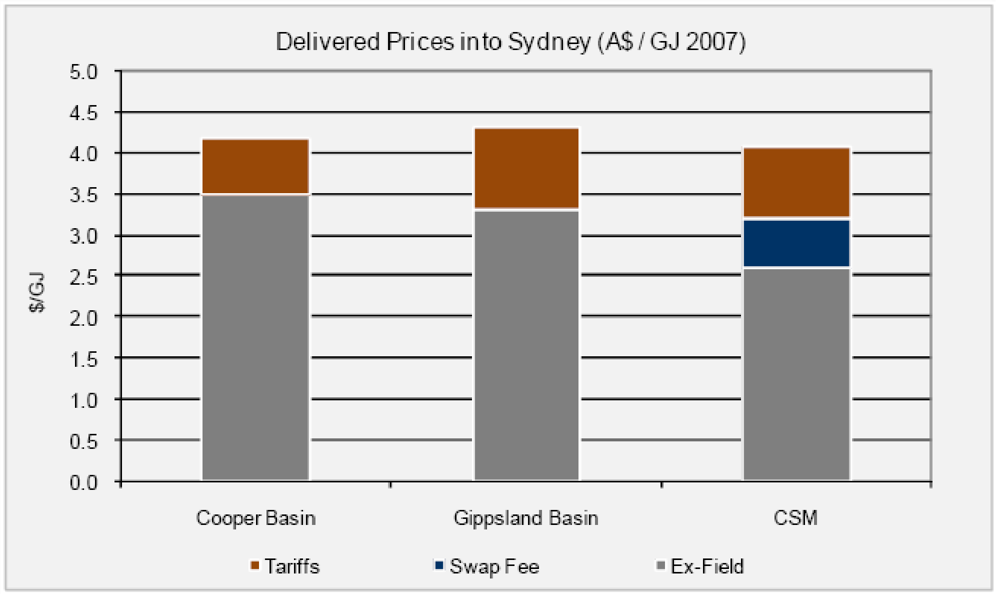


Source: Core Collaborative

NSW Gas Market

- Substantial uncontracted demand for gas in NSW
- Proposed LNG projects in QLD limit potential for gas to supply NSW
- QLD LNG project currently targeting in excess of 500 PJ/a of export
- Proposed LNG & carbon pricing environment are increasing gas prices and likely to continue
- Newcastle prices approx $0.65/GJ higher than Sydney prices





Source: Core Collaborative

Initial Development Plan

- Application Lodged Jun 08
- Concept Application under Part 3A E&PA.
- 3 Components in plan
  - Field Development
  - Compressor Station
  - Transmission Pipeline.
- Part project applications to be lodged progressively
- Targets for Key Dates
  - Project approval 3rd Quarter 2009
  - First gas 2010 (subject to approvals).

Field Development

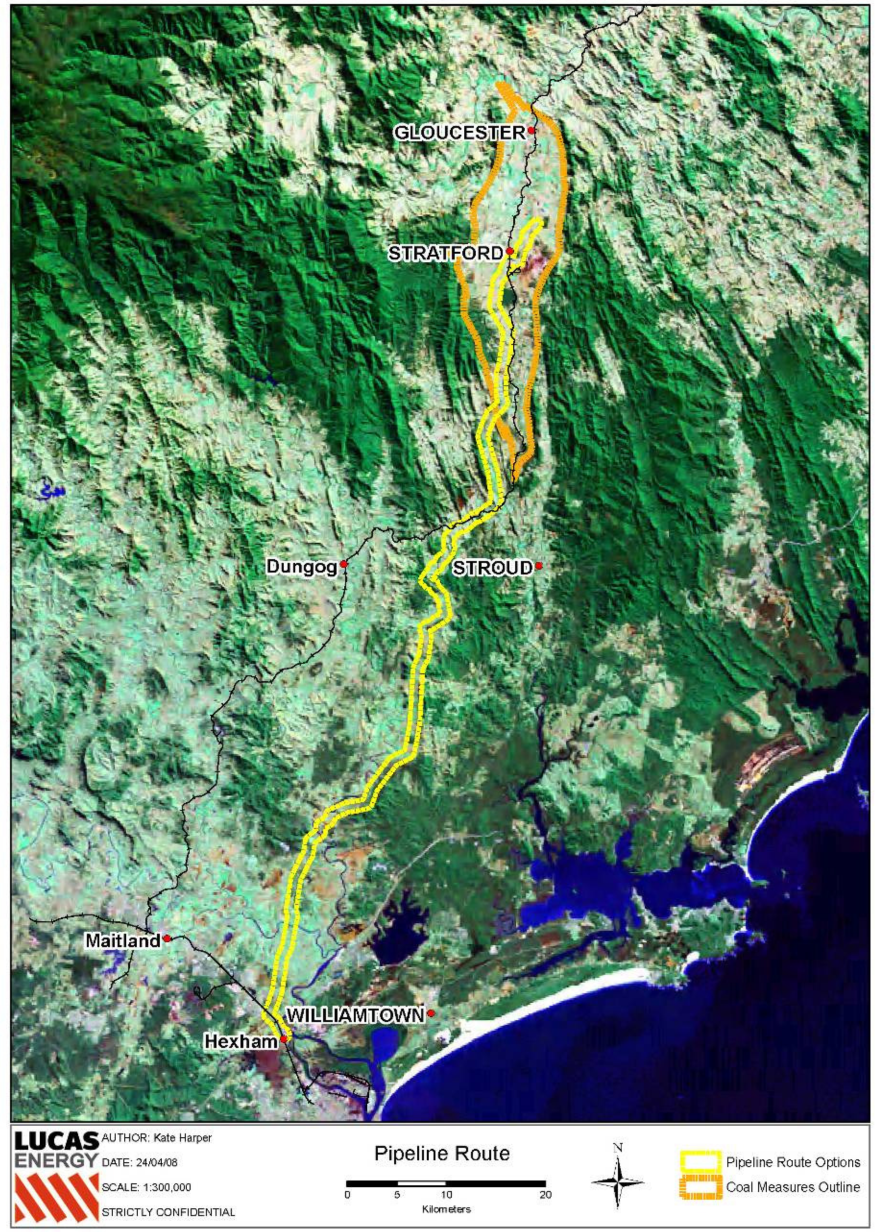
- 15 - 25 PJ/a initial capacity production dependent on ongoing pilot program results
- Initially approx 60 - 80 wells to be completed
  - 600 - 800 m (80 - 160 acres) spacing
  - Vertically fractured completions
- PE gathering lines
  - Large diameter low pressure gas gathering
  - Nth / South Trunk Network
- Initially located in area around Stratford Pilot
- Extensions Nth, Sth & West
- Initial CAPEX $80m - 100m

Compression Plant

- Located on JV land
  - Multiple reciprocating compressor units (approx 3000 HP)
  - Dehydration unit
  - Auxiliary facilities
- Water Treatment to suit outcome of pilot project.
- Initial CAPEX $60m - 70m

Transmission Pipeline

- High Pressure Transmission
- Deliver to Hexham Trunk
- Two options
  - Throughput only (10 " Class 600)
  - Inc storage (16-18" Class 900)
- 250 parcels of land
- 140 Land Owners
- CAPEX $50m-80m



Gloucester Basin – Commercialisation

- Gas sales agreements
  - Range of options
    - Industrial & Commercial Customers
    - Aggregators
    - Power Station Developers
  - Reviewing potential for small to medium scale power generation at Stratford and other locations
  - LNG in QLD & Emissions trading increasing pricing.
- Target first gas to Hexham in 2010

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