LUCAS

2015 ANNUAL REPORT

About us

AJ Lucas is a leading provider of pipelines, specialist infrastructure, construction and drilling services to the energy, water and wastewater, resources and public infrastructure sectors. We are the largest supplier of drilling and gas management services to Australia's coal industry, and a proven developer of unconventional hydrocarbon assets. This year we also achieved new records for safety across the business. Read more >

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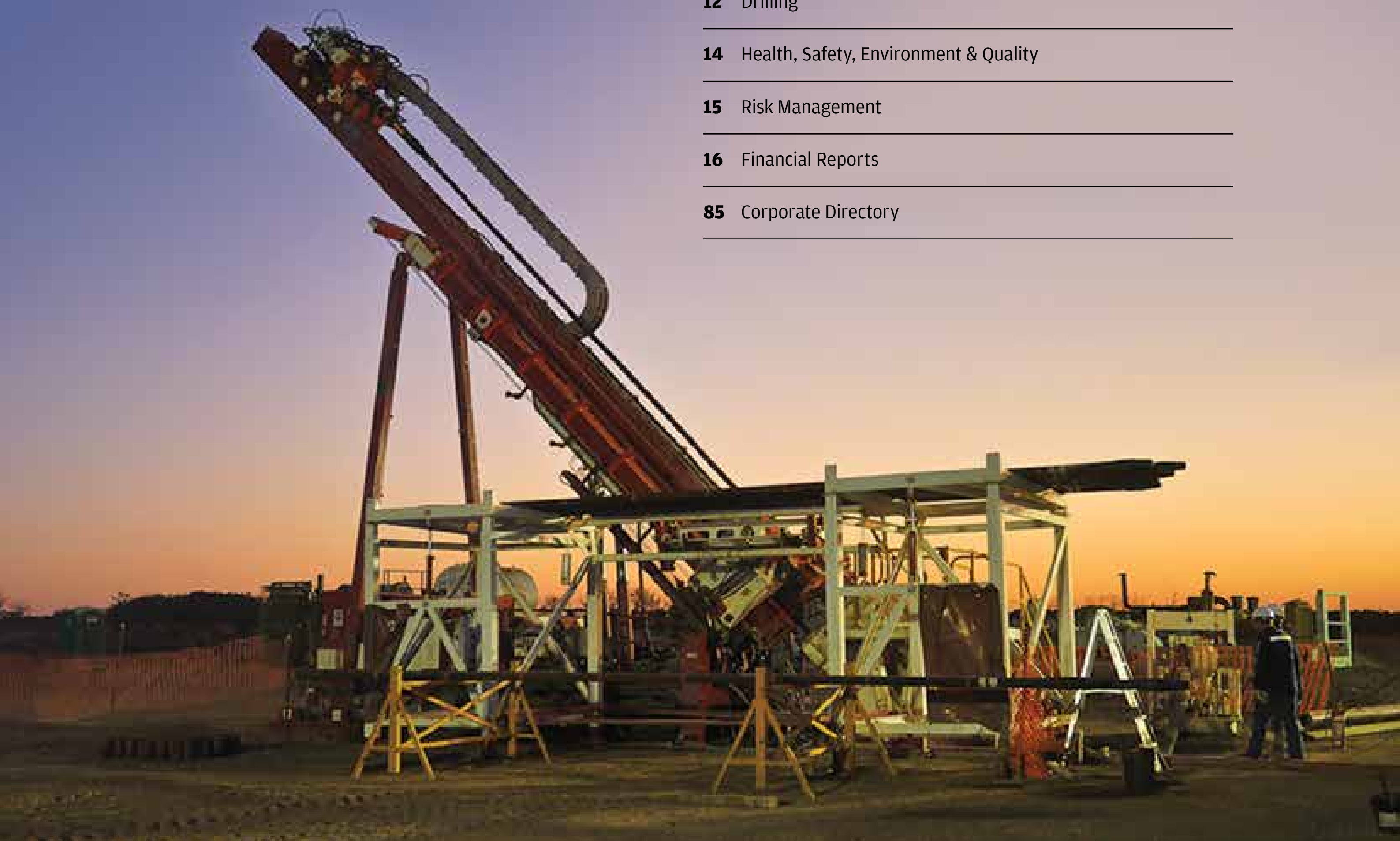


Our 3 Areas

OPERATING BUSINESS UNITS		INVESTMENT
Drilling Services (LDS)	**Engineering & Construction (LEC)**	**Oil & Gas**
Largest 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 shale gas and oil opportunities and then prove up the relevant reserves
Delivering intelligent and practical solutions to support a sustainable Australia.		**Largest acreage position in Europe outside of majors**
A focused provider of surface to inseam (SIS) coal mine gas extraction and well field services	A strong pipeline contractor with complementary infrastructure construction capability including Horizontal Directional Drilling	Focused on unlocking value in the untapped unconventional oil and gas resources of the UK and Europe

Letter from the Chairman

"Cuadrilla, AJ Lucas and Centrica remain fully supportive of progressing the Bowland project in order to delineate a potentially world class shale gas asset."

I am pleased to present my second report as Chairman of your company. 2015 has been a year of continuing change and consolidation of the restructuring initiated in the prior year. As I predicted in my comments and address last year, the company's operating business in Australia continued to experience a depressed market. To mitigate this we continued our focus on working capital, the shedding of overheads, the careful balancing of risk and return in contracts and projects and most importantly the continued focus on the safety of our people and assets. The focus on overhead reduction, productivity initiatives and securing quality business contributed to an improved EBITDA of $9.4 million. While this remains below our aspiration of long term returns for the Australian operations, it nevertheless represents a significant and welcome step in ensuring the sustainability of those operations, especially in the face of an ongoing tough business environment. The Group is now better positioned should a market recovery occur.

During the year your board invited John O'Neill to join as a non-executive director. John's addition, further supports both the Board "refresh" undertaken last year, as well as bringing John's considerable experience in the oil and gas market from his previous corporate activity.

In addition, during the year Austen Perrin joined AJ Lucas as Chief Financial Officer. His extensive change management experience and strong focus on achieving best practice in the efficiency and accuracy of our reporting processes has had an immediate effect. The operating divisions are now able to make timely and more accurate business decisions in part leading to our better result.

Safety

The safety performance of the group has continued to improve and AJ Lucas remains at the forefront of safety performance in the industry. It is therefore especially pleasing to report that your company has been free of Lost Time Injuries (LTI's) for over 12 months. This level of performance is key to assisting the company in keeping our staff safe, in maintaining good relations with our existing and potential customers and in avoiding the significant additional costs incurred by incident investigations and stand downs that result from any infield incidents and injuries. Safety management and the associated recognition and mitigation of physical and operational risks remains the primary focus of the company.

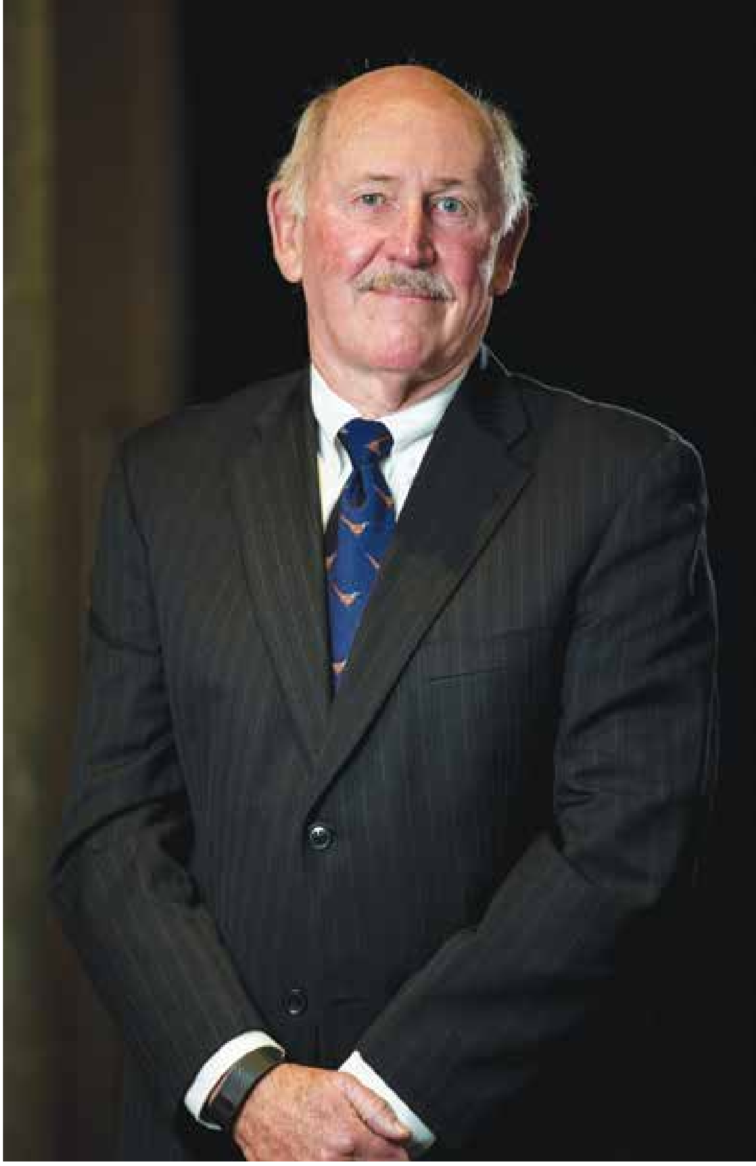
Australian Operations

In light of the continuing tough market, the fact that both operating Divisions achieved positive EBITDA contributions is pleasing, especially given the significantly lower level of sales revenue compared with prior years. This result, in part due to the significant restructuring undertaken during the year, was also a result of our targeted customer work strategies, such as the small scale infrastructure work in LEC, our partnership with Spiecapag a larger pipeline contractor and increased technical drilling in LDS, together with a reduction wherever possible of the "break even" commodity services such as exploration drilling.

LEC performed well with the successful execution of the Jemena pipeline project in Queensland and, in conjunction with our international pipeline partner, the winning of the APA Eastern Goldfields Project in Western Australia. In LDS we are now actively engaged with every major coal producing company on the East Coast, with gas drainage and technical drilling operations key in underpinning our revenue.

Suppliers to the coal industry continue to suffer from relentless price pressure from clients. It is important that we continue the good work in maintaining strong relationships and delivering outstanding results to our clients in our desire to again improve our business performance.

"Despite setbaks in our plans to commence drilling operations this year, we remain optimistic about the future of our UK shale gas investment."



UK Shale Gas

Our investment in European shale gas (held via our shareholding in Cuadrilla and our direct interest in the Bowland and Bolney licenses) has continued to progress during the year and continues to be a key focus of the Board and senior management. The rejection of our application to the Lancashire County Council to drill, frac and flow test wells was especially disappointing given the fact that the Council's planning officers recommended that the Council should approve the Preston New Road application.

As a result, Cuadrilla has lodged an appeal of all decisions and we are optimistic of a positive outcome. These appeals will go before a hearing which is expected to begin in February 2016 and these are anticipated to take between two to three months before an outcome is known.

Subsequent to the balance date Cuadrilla, AJ Lucas and Centrica reached agreement on revised terms of the carry and contingent payment arrangement in relation to the Bowland tenement. This demonstration of commitment, by our partners to Bowland underscores the value inherent in this asset.

There have been a number of positive developments in the UK market and regulatory environment during the latter part of the year that further buoys our confidence in both Cuadrilla's prospects and that of shale gas development in the UK generally. On 12 February 2015, the Infrastructure Act became law, an Act which makes the maximisation of the economic recovery of UK petroleum a principle objective of the Government, and aims to make it easier for companies to drill and frac (stimulate) for shale gas. On 13 August 2015, the UK government announced plans to "fast track" shale gas planning applications through a new dedicated planning process. These recent developments and other statements, highlighting the UK's government's commitment to energy security and shale gas development bolster our confidence in our investment in the sector. Furthermore, in August 2015 the UK government announced it had made offers to award new exploration licences under the 14th onshore licensing round. Cuadrilla was offered two licences one of which will be in partnership with energy company, Engie.

In summary, your Company is now better positioned to meet the ongoing commercial and operational challenges of the Australian marketplace and the Board and management continuously reviews the company in this regard. With respect to our UK activities, along with our partners, we hold the preeminent position in the developing UK shale gas market. While we continue to face challenges in both these markets, the leaner more focused Australian operations and the breadth of Board and management experience supporting Cuadrilla gives me great confidence in our ability to take advantage of opportunities as they arise.

Finally, I continue to be humbled by the effort, commitment and dedication shown by our staff over the past year. In difficult times, they continue to provide a vital contribution in striving to achieve the ongoing safe commercial success of the company.

I thank them for all their efforts over the year and in anticipation of their continuing efforts in the years ahead.

Phil Arnall
Chairman

Chief Executive Officer's Report

"The ability to offer our clients the broadest product and service offering, together with the confidence of our safety performance, is proving to be a key difference in the market."

It is pleasing to be able to report that in my first full year as CEO of your company both our financial and safety performance have continued to improve significantly.

As I foreshadowed last year, 2015 was always going to be a tough year with business confidence low, and in our markets, no early return to the boom days of significant capital investment in mining and infrastructure capacity. In light of this, the $9.4 million underlying EDITDA result was a great outcome. However, it was a result that only came about following significant restructuring of the operational business. It speaks to the strength of both our systems and procedures, as well as to the single-minded focus on safety, that during these turbulent times, we have not suffered a single Lost Time Injury all year. These results demonstrate clearly the commitment all AJ Lucas employees and contractors show to the delivery of excellent service in the safest manner possible.

Safety

2015 has been an outstanding year in terms of our safety performance. The result was built on the back of the commitment and capability of our people, to not only work safely, but also to continuously review our activities and procedures for both risks to mitigate and opportunities to drive efficiency gains. In 2015, this has driven a reduction in incidents and injuries over previous years to where we can report a Group Lost Time Injury Frequency Rate (LTIFR) of zero.

Similarly, the 44% reduction in Total Recordable Injury Frequency Rate (TRIFR) to 3.9 is an outstanding result; especially at the same time the absolute number of reports has increased in line with our focus on risk awareness.

Operations

2015 was a tougher year than anticipated with a reduction in the amount of work offered for tender by clients and, even when won, significant delays in the timing of that work commencing. While acknowledging that this operational uncertainty is not the preferred style of business for our clients, it is reflective of the changes in the market environment from previous years and likely typical of the environment for the foreseeable future. As such, our focus during the year to reduce our fixed cost base, improve our operational flexibility and refine our project execution capabilities has in no small part contributed to both our improved financial performance and our positioning of AJ Lucas for the future. Under the respective management of Brett Tredinnick and John Stuart Robertson, Lucas Drilling Services (LDS) and Lucas Engineering & Construction (LEC) enjoyed positive results in a tough market.

LDS continues to position itself as the 'go to' drilling operator on the East Coast. The ability to offer our clients the broadest product and service offering, together with the confidence of our safety performance, is proving to be a key difference in the market. We are now offering gas drainage, drilling and management, technical (large diameter) drilling, exploration drilling and well servicing to an increasing client base, consistent with our strategy targeting the major coal producing groups on the eastern seaboard. In addition, we are also discussing the innovative use of LEC's Horizontal Directional Drilling (HDD) capabilities as part of gas drainage solutions.

For LEC, 2015 has been a year of significant success, tempered by the low market demand. The execution of the projects we won, both on our own account (Jemena QLD Project) and in joint venture (Eastern Goldfields Pipeline) with our international partner Spiecapag, has re-established AJ Lucas as a significant performer in pipeline construction. At the same time, our reduced overhead base and flexible project resources has enabled LEC to provide a significant contribution to group profitability despite lower revenue.

As stated earlier, to support this financial result we have streamlined our operations, improved our execution planning, as well as completed a review of all our business process. These activities have resulted in a further 25% reduction in staff numbers from 384 to 265, new and refined project risk and project management processes and a recommendation to migrate from our overly large, complex and expensive ERP system to a low cost fit-for-purpose solution in 2016.

During the year, the management team also undertook a complete review of the operational, commercial, financial and systemic risks facing the business. Against each of these we have identified either tactical or strategic actions required to mitigate these to the highest degree possible by the business. We anticipate that this continuous review and restructuring of the business will be necessary as we strive to maintain and improve our safety and financial performance.

This internal focus has been balanced by our engagement with customers, engagement that has been made easier by our positive safety performance and outstanding project execution. As I visited sites and spoke to customers during the year, the positive feedback about our staff and their performance was without fail extremely positive. Within LDS, the partnerships developed across, in some cases, years of continuous work is hugely beneficial to both AJ Lucas and our customers. Continuous and direct communication, pragmatic problem solving and a desire to "get it done safely", can only deepen the existing positive relationships.

LEC on its own account and in joint ventures with our international partner is building a similar reputation. The success of both the Jemena (QLD) Pipeline Project and Eastern Goldfields Project for APA can only enhance and confirm this reputation.

The Year Ahead

As we enter into FY2016, AJ Lucas will continue to improve the performance of its existing operations. However, the current environment does not indicate a return to boom levels of industry activity in the near term. Our continuing increase in market share in the drilling business, and the strategic wins in the engineering and construction business positions us well in the broader challenging business environment. We will continue to ensure all resources in the business are fully engaged and where we can, we will continue our strategy of focusing on "non-discretionary" mine expenditure in our LDS businesses and major pipeline and medium scale infrastructure customers for our LEC business.

As a result of the work done this past year, your business is again better positioned to face the challenge of the year ahead and I look forward to reporting a similar level of improvement in both financial, safety and operational performance for the FY16 year as we saw last year.

Finally, I would like to acknowledge all AJ Lucas staff and consultants for their continuing effort and commitment through 2015. Despite what have been trying times, they have always strived to do their best and I thank them all for their efforts.

Russell Eggers
Chief Executive Officer

Oil & Gas

Along with our partners, we hold a preeminent position in the developing UK shale gas market.

Business highlights

Bowland licence (AJL's total effective interest is 47%) at 31 August 2015

The most advanced shale gas asset in Europe
- Over 200 tcf GIIP
- Partnership with Centrica Plc (owns British Gas – residential and business energy and services provider in UK)

Revised carry and contingent consideration arrangement demonstrates the Joint Venture's commitment.

Business description

Cuadrilla (45% AJL interest)	Cuadrilla is an exploration and production company focussing on unconventional sources of oil and gas in Europe. Prospects include: • Bowland Prospect 51.25% as at 31 August 2015 (293,190 acre shale gas deposit) and operator • Bolney Prospect 75% (57,189 acre shale gas deposit) Cuadrilla has recently been awarded two exploration licences in South Cleveland Basin and Gainsborough trough in the UK, with energy company Engie also holding 30% in the South Cleveland Basin licence. Cuadrilla's other investors are Riverstone (45%), Management (10%)
Direct UK shale gas interests	• Bowland Prospect 23.75% • Bolney Prospect 25%

Cuadrilla rig at Anna Road

Investment locations

Financials and other key data

Year ended 30 June	2012A	2013A	2014A	2015A
Cuadrilla				
AJL interest	43.0%	43.7%	45.0%	45.0%
Carrying value ($m)	73.6	95.8	87.6	104.0
Direct exploration asset				
Carrying value ($m)	16.1	6.3	10.8	16.5
Total carrying value ($m)	**89.7**	**102.1**	**98.3**	**120.5**

Oil & Gas

Key Highlights

Cuadrilla Resources

AJ Lucas continues to focus on making further progress on its strategic investment in the Bowland Shale gas asset in the UK.

At the beginning of 2015, the Environmental Agency granted Cuadrilla all of the environmental permits required to carry out operations at the proposed shale gas appraisal sites at Preston New Road and Roseacre Wood.

Unfortunately in June 2015 Lancashire Council denied Cuadrilla's planning application to drill, hydraulically fracture and flow-test gas from up to four wells on each of two sites. The planning applications for Preston New Road were denied on grounds of noise and visual impacts and in relation to Roseacre Wood on grounds of traffic concerns only. The denials were disappointing particularly given the Council's own Planning Officer had recommended approval of the Preston New Road application and concluded that the proposal was acceptable in all respects.

As part of its applications Cuadrilla completed one of the most comprehensive Environmental Impact Assessments ever for operations of this kind, with input from a number of independent environmental scientists and specialist engineers. In addition, the Company has been in regular liaison with the local community, organising and presenting at a number of events to hear and address issues and concerns.

Cuadrilla, AJ Lucas and Centrica consider the denial a temporary setback and remain fully supportive of progressing the Bowland project in order to delineate a potentially world class shale gas asset, which could improve domestic energy security, stimulate the Lancashire economy and generate significant local tax revenues. In this vein, Cuadrilla is appealing the Council's decision and a hearing will likely occur in the first half of 2016.

The Joint Venture's commitment to progressing the asset was demonstrated by the revised carry and contingent consideration arrangements announced in August 2015. Prior to this revision Centrica had the option to put back its 25% equity interest in the Bowland Licence that it had purchased in June 2013. Had Centrica exercised this put option it would have been able to walk away from the remaining GBP30 million portion of its commitment to fund GBP60 million of future expenditure.

Under the revised agreement, it was agreed that the Bowland Joint Venture partners will fund expenditure during the appeals process on a pro-rata basis and upon a successful appeal, Centrica's carry on the remaining GBP30 million would be re-instated.

The contingent consideration payable by Centrica of GBP 60 million was converted into a GBP 46.7 million contingent carry to be applied against various appraisal and development activities.

Concurrently, AJ Lucas' direct equity interest in the Bowland Licence was increased by 5% to 23.75%. Cuadrilla's equity interest has been reduced by 5% with AJ Lucas' and Cuadrilla's entitlements to the revised carry and contingent carry arrangements adjusted proportionately.

A number of other positive developments have taken place during the year. In February 2015, the Infrastructure Act became law in the United Kingdom. This law makes it a principal objective of the UK Government to maximise the economic recovery of UK petroleum and makes it easier for companies to drill and frac for shale gas. In August 2015, the UK government's Energy Minister announced plans to fast track shale gas planning application through a new dedicated planning process. The measures include:

- The Communities Secretary being given the ability to "call in" shale gas planning applications and recover appeals
- Identifying councils that repeatedly fail to determine oil and gas applications within the 16 week statutory timeframe requirement
- Ensuring "call ins" and appeals involving shale applications are prioritised by the Planning Inspectorate
- Taking forward work on revising permitted development rights for drilling boreholes for groundwater monitoring.

The UK government's support was also reaffirmed by the announcements of awards in the UK's 14th onshore licensing round in which several industry participants were involved. Cuadrilla was offered two new exploration licences in Yorkshire in areas which are also considered to be prospective for shale gas. In one of the awards, Cuadrilla will partner with the major energy company, Engie (formerly GDF Suez). The licences awarded to Cuadrilla each cover an area of approximately 100km^2 and will bring scale to Cuadrilla's portfolio. Initial work on these new licence areas will largely centre on desktop studies and in some cases carrying out seismic surveys.

In the year ahead, Cuadrilla and AJ Lucas are focused on achieving a successful appeal so that operations can commence on a potentially transformational appraisal programme at Bowland which could generate significant value both to the local economy as well as to shareholders.

Engineering & Construction

Lucas Engineering and Construction is an industry leader in the delivery projects for major pipelines and facilities for gas, water and petroleum products, horizontal directional drilling (HDD) and civil construction for the water and power industry.

Business highlights

- More than 12 months Lost time injury (LTI) and (MTI) medical treatment incident free
- In excess of 1,000,000 man hours MTI and LTI free in our Spiecapag Lucas Joint Venture
- Excellent performance on the construction of APA's Eastern Goldfields Pipeline
- Successful completion of QGP pipeline upgrade for Jemena
- Completion of a number of smaller scale infrastructure projects in electrical and fuel distribution networks

Safety focus – from beginning to end

The safety of our people is management's primary concern and focus. With a goal of zero incidents with respect to personnel and the environment our result indicates that our approach of talking safety, thinking safety, acting safely and continuously removing risks from the business is paying dividends. We have now been free of recordable injuries across Engineering and Construction for more than 12 months and have exceeded more than 1,000,000 man hours medical treatment incident (MTI) and lost time injury (LTI) free in our joint venture with partner Spiecapag.

Partnering Approach

Our Engineering and Construction business continues to approach opportunities in the market from the perspective of a partner looking to exceed our customers' expectations through the use of innovative and flexible contracting practices. We feel the traditional approach to contracting, with a narrow focus on project "mechanics" and typically a legalistic and win - lose relationship, is value destroying and in our view obsolete.

Our Engineering and Construction business provides a flexible approach to the customer's project requirements and works in collaboration at the front end of the process. It allows for upfront planning and optimisation of the project details, and we believe it facilitates and optimises the project's value for all parties. In our experience it provides a better result than the traditional rigid form of contracting. Our successful execution and delivery of the Jemena QGP looping project and the performance to date on APA's Eastern Goldfields project is a testament to the success of this approach.

Industry Leader

As a niche-focused specialist engineering and infrastructure construction business, along with our safety, our emphasis is quality. Quality in service execution that is integral in all interactions with staff and customers. Quality that causes us to be the first choice for clients and employees. Reflecting our leading position in the market we participate in the Australian Gas and Pipeline Association and contribute to industry research through several cooperative research centres. Participation in these organisation allows us to voice our views with respect to the interests of pipeline owners, operators and constructors while looking to assist in the commercialisation of innovative advances in the industry body of knowledge. Our leadership in horizontal directional drilling (HDD) is reflective of the development of innovative ideas to commercial success, and our engineering background drives us to continue pushing the technical boundaries of HDD activities.

A Year of Successes

During the year, the Company successfully completed the upgrading of Jemena's Queensland Gas Pipeline (QGP), enhancing both transmission and storage capacity. This is the second expansion project we have completed for Jemena in the past 5 years. The works involved the installation of a duplicate 35km section of 400mm diameter pipe near to Rolleston. The QGP transports Gas from the Surat and Cooper basins, the Denison Trough and the southern Bowen Basin to Gladstone and Rockhampton.

Following the completion of the Tomago to Hexham pipeline for AGL, two further stages were completed comprising a low pressure lateral pipeline and facilities inclusive of civil, mechanical, electrical and instrumentation works. The project being developed by AGL is required to meet peak gas market requirements over winter and to provide additional security of gas supply during supply disruption events.

In Joint Venture with international pipeline construction contractor Spiecapag, the Company was awarded the construction contract for APA's $140 million Eastern Goldfields pipeline project. The project will connect to the Murrin Murrin Lateral pipeline, to transport gas to Anglogold Ashanti's Sunrise Dam and Tropicana gold mines. The project achieved significant milestones during the year and is due for completion in November 2015.

Our small scale civil construction capability remains in demand. Works carried out during the year included several electricity substations water and wastewater facilities in remote regional areas where our highly accredited quality systems and OHS management tools are highly regarded. These projects are being completed for repeat customers where we remain on preferred contractor panels.

Drilling

In prevailing market conditions our Drilling business has won new work, maintained its strong safety culture and, through its proven delivery cabability and multi disciplined service offering, positioned itself well for the future.

Business highlights

Best in class safety performance

- No lost time injuries (LTI's) in 2015
- Lost time injury frequency rate (LTIFR) of 3.9
- Successfully engaged with all major coal producers on the east coast
- Continue to be sought out by customers looking for innovative drilling solutions.

Lucas Drilling Services

In the prevailing tough market conditions, Lucas Drilling Services has achieved its targets on safety and won projects during the year that have increased its market share in drilling services to the coal sector on the eastern seaboard.

Market conditions remain challenging in Australia with subdued coal and energy prices, and cost pressures continuing to be applied by coal producers. Despite this landscape, Lucas Drilling Services has continued to carve out a unique niche in the market providing experience, equipment and innovation to deliver sucessful customer-focused project execution.

We believe our customers want and need certainty from service providers. They are looking for companies that are stable yet nimble, have proven project delivery history, are trusted by the market with good staff retention, can deliver on time, on budget, incident free and in specification. We believe this is what Lucas Drilling Services is to its customers.

During these difficult market conditions Lucas Drilling Services management is focussed on ensuring all those key elements that contribute to the sustainability of our business and are equally balanced through;

- Ongoing development of safety culture;
- Ongoing focus on cost management and control;
- Continued tuning of lean project and plant management systems;
- Effective resource utilisation of technical and project management experience; and
- Focussed strategic growth initiatives' into new markets

Lucas Drilling Services management are extremely experienced in business and technical operations across its chosen sectors allowing for the creation of a core competency unique to AJ Lucas, proven over many years and unmatched by our competition.

Lucas Drilling Services management remains focussed on those core competencies being;

- Solving the surface and sub-surface drilling problems of our targeted customers base no matter how large or small;
- Engineering cost efficient solutions for all those highly technical vertical and horizontal boreholes; and
- Providing a value adding offering, aligning the AJ Lucas Group's capability to the customers challenges.

Focusing on what has been a proven recipe for Lucas Drilling Services over many years, has allowed us to increase market share in recent times. As such, Lucas Drilling Services has established itself as a preferred drilling services provider to five top tier major coal producers. Based on this, we believe Lucas Drilling Services has a solid platform for strategic growth opportunities.

Our objective is to work with our existing customers to do more on their leases – become more involved upstream and downstream of the borehole – whether it be engineering, planning, civil works or even construction. Lucas Drilling Services has enjoyed long term customer relationships casting back 20+ years and a AJ Lucas Group project CV unmatched by its competitors.

Health, safety, environment & quality

AJ Lucas vision is "injury free every day". To achieve this AJ Lucas recognises it must maintain a proactive approach to health and safety; provide visible leadership at all levels, have in place effective management systems that reflect the operating environment and community standards relevant to AJ Lucas service delivery as well as ensure the right culture is embedded in the organisation. AJ Lucas has many years experience in the energy sector and draws on that experience in the development of systems that can deliver its HSE objectives. AJ Lucas management systems are certified by Bureau VERITAS to comply with the requirements of ISO9001, ISO14001, OHSAS18001 and AS/NZS4801. AJ Lucas works closely with a number of external parties, including the certifying body, to continuously improve its systems. Behavioural specialists are regularly engaged to assist in the development of leadership skills and team building programs. This approach had delivered significant performance improvements over the past five years placing AJ Lucas ahead of industry averages in terms of recordable injury rates, currently 3.9, down from 7 in 2013-14. Most importantly, conformance with AJ Lucas and client management systems, implementation and monitoring of risk reduction measures and observed behaviours continue to meet or exceed management expectations.

AJ Lucas project management plans define systems and processes to manage all aspects of the work. Subordinate documents including Safety, Emergency and Environmental Management Plans draw on relevant elements of the AJ Lucas system, to capture critical information arising from project risk assessments and establish a platform to maintain risk at acceptable levels, comply with community standards and conform with client site management systems. These plans identify roles and responsibilities of AJ Lucas personnel, hazards/aspects and control measures unique to the work, as well as define how works shall be conducted.

Established health and safety KPIs are embedded in all project plans, are monitored and performance is evaluated on a monthly basis. Annual analysis of incident and audit data combined with output from management review of system performance and effectiveness provide the foundation for development of improvement initiatives. A HSEQ Leadership Committee provides a leadership role for the achievement of AJ Lucas HSEQ objectives. The committee is chaired by the CEO and membership includes the most senior people from operations and support functions across the AJ Lucas business. Evidence of engagement and commitment by line management is tracked and performance reviewed at the monthly HSEQ Leadership Meetings. Consultative processes are integrated into all levels of the organization, each with communications lines to the HSEQ Leadership Committee.

A risk management framework aligned with ISO31000 supports attainment of AJ Lucas business objectives. Comprehensive risk management processes underpin AJ Lucas activity in all aspects of its operations and governance. Our people are formally trained in hazard identification and risk management at levels appropriate to their roles and responsibilities. Their skills are maintained through daily application of those processes. Well established consultative and communication processes ensure risk is well understood and communicated across the business. AJ Lucas constantly monitors integration of its risk management framework across all of its operations. A targeted observation program provides valuable feedback on integration of and compliance with measures designed to ensure identified fatal hazards are properly managed. There is a significant amount of focus applied to communication and management of these fatal hazards within key processes such as induction, project planning and execution and performance monitoring. Examples of processes which support application of AJ Lucas risk based approach to service delivery include: detailed project planning, hazard and incident reporting and continual improvement, personal risk management programs such as Stop, Look, Assess and Manage (SLAM), Work Method Statements for routine work and tasks with which significant risk is associated, plant management, hazardous chemicals, permitting systems, change management, site inspections/auditing, training, procurement including supplier assessments.

AJ Lucas views monitoring and continuous improvement processes as the keys to ongoing success and as a consequence is about to begin implementation of a comprehensive HSE Information management system that will provide access to a broader range of real time indicators as well as add further transparency and accountability to the corrective and improvement processes.

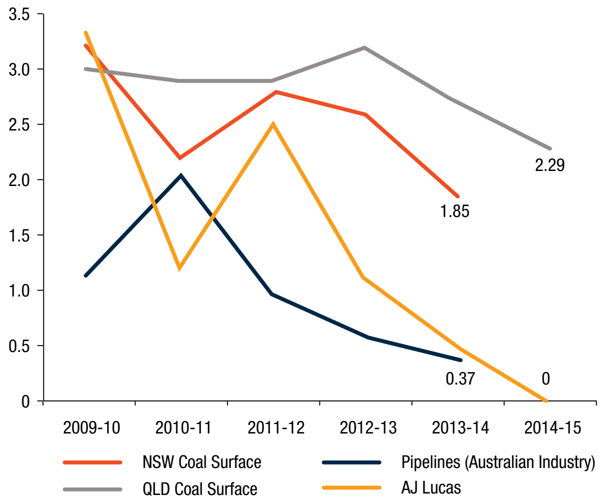


Fig 1 – Lost time injury frequency rate (LTIFR) – Industry Sector (Note: NSW Coal & Pipelines 2014-15 data not available at the present time.)

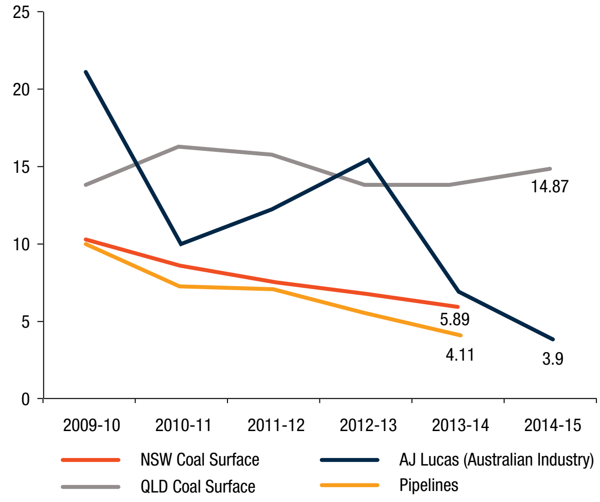


Fig 2 – Total recordable injury frequency rate (TRIFR) – Industry Sector (Note: NSW Coal & Pipelines 2014-15 data not available at the present time.)

Risk Management

AJ Lucas is committed to providing a safe and productive workplace and delivering solutions that exceed its customers' expectations. AJ Lucas recognises that this may only be achieved through effective and responsible management of risk.

AJ Lucas' risk objectives are to promote a risk aware culture that encourages all employees and suppliers to take responsibility for risk and to implement effective systems to assess and reduce strategic, operational, governance and financial risks to acceptable levels. AJ Lucas' risk management system is designed to achieve these objectives.

AJ Lucas is committed to ensuring necessary resources are available to implement and maintain the risk management system.

The HSEQ Committee reviews system performance on an annual basis and more frequently when circumstances change. The AJ Lucas Risk Management procedure clearly identifies roles, responsibilities/accountabilities and how risk management is integrated into AJ Lucas processes. It establishes a framework which encompasses a continuous improvement process for identifying, contextualising, analysing, communicating, resourcing and monitoring and reviewing risk.

A project risk assessment is completed and a Project Risk Register is maintained. The Project Risk Register is a key reference point for development, review and maintenance of the Workplace Health and Safety (WHS) and environmental management plans.

AJ Lucas hazard identification and WHS Risk Management procedures establishes processes designed to facilitate the application of risk management tools at operational levels of the business, development of safe methods of work as well as identification, capture and management of improvements and further risk reduction measures.

All AJ Lucas personnel are trained in the aspects of these procedures relevant to their role and responsibilities including, but not limited to, application of tools such as risk assessments, risk registers and hazard reports.

Financial Report

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The Board of Directors of AJ Lucas Group Limited (the Company) present their report together with the consolidated financial report of AJ Lucas Group Limited, being the Company, its controlled entities, interests in associates and jointly controlled entities (the Group), for the financial year ended 30 June 2015 and the auditor's report thereon.

Directors

The directors of the Company at any time during the financial year and up to the date of this report and their terms of office are as follows.

NAME	APPOINTMENTS
Phillip Arnall	Independent Non-Executive Chairman since 3 June 2014 Interim CEO and Executive Chairman 28 January 2014 to 3 June 2014 Independent Non-Executive Chairman 29 November 2013 to 28 January 2014 Independent Non-Executive Director 10 August 2010 to 29 November 2013
Russell Eggers	CEO and Executive Director since 3 June 2014
John O'Neill	Independent Non-Executive Director since 23 June 2015
Julian Ball	Non-Executive Director since 2 August 2013
Ian Meares	Independent Non-Executive Director since 3 June 2014
Andrew Purcell	Independent Non-Executive Director since 3 June 2014

Details of the current members of the Board, including their experience, qualifications and special responsibilities are set out below.

PHILLIP ARNALL

B Com

Mr Arnall has had a distinguished thirty year career in the mining and steel industries including senior executive responsibility at Smorgon Steel Group, Tubemakers and ANI Limited. Mr Arnall is currently a non-executive director of Bradken Limited and was previously a director and Chairman of Ludowici Limited 2006-2012. Mr Arnall is a member of both the Audit and Risk, and the Human Resources and Nominations Committees.

JULIAN BALL

BA; FCA

Mr Ball is a Managing Director of Kerogen Capital (Asia) Limited, based in Hong Kong, with more than 25 years of experience in investment banking and private equity.

Mr Ball trained as a chartered accountant at Ernst & Young in London before relocating to Hong Kong. He worked for many years as an investment banker at J P Morgan primarily covering the energy and natural resources sectors prior to working in private equity. Mr Ball is a member of the Audit and Risk and Human Resources and Nominations Committees.

RUSSELL EGGERS

B Eng; MBA; GAICD

Mr Eggers has many years of executive and consulting experience focused on mining and energy services. He also has considerable experience in business improvement and implementation projects. He is a mechanical engineer by background and holds an MBA from Stanford University.

He was previously CEO of Vinidex Pty Ltd, a leading supplier of pipe systems and solutions to the resources, construction and housing industries. He was also a former CEO of Australian Drilling Services (renamed Easternwell), a company providing drilling services to the coal seam gas, mineral and infrastructure industries as well as holding various senior roles at Dyno Nobel, a manufacturer of mining explosives, including as Executive Manager Business Improvement and Senior Vice President Initiation Systems.

IAN MEARES

B Eng (hons); MEngSc; MBA; MAICD

Mr Meares has many years of experience in the global civil infrastructure, mining and energy industries. He brings a deep knowledge of the management and control of complex engineering projects as well as a wide network of industry contacts.

Previous roles include Executive Director, Engineering and Infrastructure, with Brookfield Multiplex where he had responsibility for the delivery of large scale infrastructure projects throughout Australia, responsibility for Mine Infrastructure Delivery at Leighton Contractors, Group Manager Business Development at Clough Limited and Managing Director of Bechtel Australia. Mr Meares is Chairman of the Company's Human Resources and Nominations Committee.

JOHN O'NEILL

B Bus; FCA; FAICD

Mr O'Neill has over 25 years' experience in the upstream oil and gas industry, and was formally Non-Executive Chairman of Pangaea Resources, Australia's most successful private unconventional oil and gas company. In addition, he was previously Chief Executive Officer of the Australian Petroleum Fund, which held a portfolio of exploration and producing oil and gas assets and a pipeline.

Mr O'Neill also has extensive experience in accounting and finance, having commenced his career as a chartered accountant with Coopers & Lybrand (now known as PriceWaterhouseCoopers) and Ernst & Whinney (now known as Ernst & Young) in Sydney and London. Mr O'Neill joined the Board on 23 June 2015 and was appointed a member of the Audit and Risk Committee on that date. He was appointed Chairman of the Audit and Risk Committee on 24 July 2015.

ANDREW PURCELL
B Eng; MBA

Mr Purcell had a distinguished career in investment banking working with Macquarie Bank and Credit Suisse. He is currently a Director of MEO Australia Ltd. and a former Director of Cougar Energy Ltd. and Realm Resources Ltd. in Australia.

More recently, he founded Teknix Capital in Hong Kong, a company specialising in the development and management of projects in emerging markets across the heavy engineering, petrochemical, resources and infrastructure sectors. Mr Purcell also has experience across Asian markets, having been a Director of a number of public companies in the region, including Bangkok Mass Transit System PCL and PT Medco Energi Internasional Tbk.

Mr Purcell was chairman of the Audit and Risk Committee until 24 July 2015, at which stage he stepped down from the role of Chairman temporarily due to the time required on other commitments. Mr Purcell continues to be a member of the committee subsequent.

COMPANY SECRETARY

Mr Swierkowski B Com, CA, MBA (Exec) joined the company in June 2013, and was appointed to the position of Company Secretary on 23 June 2015. Prior to this he has held both senior finance and company secretarial positions in listed companies across mining, investments and facilities management.

Mr Nicholas Swan MA, MBA was appointed company secretary on 15 November 2001, and resigned on 23 June 2015. He also served as the company secretary of several listed public companies as well as for a responsible entity for managed investment schemes.

From left: Andrew Purcell, Julian Ball, John O'Neill, Russell Eggers, Phillip Arnall and Ian Meares.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) held during the financial year, during the period of each director's tenure, and number of such meetings attended by each director is:

	Board of Directors		Audit and Risk Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Phillip Arnall	11	11	4	4	5	5
Julian Ball	11	11	4	4	5	5
Ian Meares	11	11	-	-	5	5
Andrew Purcell	11	11	4	4	-	-
Russell Eggers	11	11	-	-	-	-
John O'Neill[1]	-	-	-	-	-	-

1 Prior to Mr O'Neill's appointment to the Board, he attended three Board meetings as an observer.

PRINCIPAL ACTIVITIES

AJ Lucas Group is a diversified infrastructure, engineering and construction, and mining services group specialising in providing services to the energy, water and wastewater, and resources sectors. It is also an investor in the exploration, appraisal and commercialisation of oil and gas prospects. As a result the Group is structured into three principal operating segments:

DRILLING: Drilling services to the coal industries for the degasification of coal mines and associated services.

ENGINEERING & CONSTRUCTION (E&C): Pipelines and associated construction and civil services. The Group is also a market leader in the installation of pipes including using horizontal directional drilling techniques.

OIL AND GAS: Commercialisation of unconventional and conventional hydrocarbons in Europe and Australia

STRATEGY

The Group's business is to provide specialist engineering and drilling services principally to the energy, resources and water industries in as safe and efficient manner possible. This is to be achieved through the application of a highly skilled workforce in combination with specialist equipment, thus allowing the provision of innovative, cost saving solutions. It is an imperative that the provision of these services and solutions occur within excellent safety, quality and information systems so as to ensure the minimum impact to people, assets and the environment.

The Group is a leader in horizontal directional drilling, with a long history of successful project delivery. This expertise has been leveraged through directional drilling to degas coal mines from the surface, increasing safety and productivity and lowering cost. The Group seeks to increase shareholder returns through application of its skills to early identification and subsequent exploration of oil and gas prospects, particularly for unconventional hydrocarbons, derived from its expertise and knowledge of directional drilling.

The Group has a successful track record in its oil and gas investments with exceptional returns from its investments at Gloucester Basin and in the Surat Basin. This strategy continues with our continued investment in Cuadrilla in the UK and the partial monetisation, via the Centrica "farm-in", of its direct investment in the Bowland Basin, also in the UK.

CORPORATE GOVERNANCE STATEMENT

The Board of directors ("The Board") is responsible for the corporate governance of the Group. The Board considers strong corporate governance to be core to ensuring the creation, the enhancement and protection of shareholder value. Accordingly, the Group has adopted the 3rd Edition of the ASX Corporate Governance Principles and Recommendations, with effect from 1 July 2014.

The Board believes that a company's corporate governance policies should be tailored to account for the size, complexity and structure of the company and the risks associated with the company's operations. The ASX Corporate Governance Council concurs with this view and allows companies to explain deviations from the Council's recommendations. Areas where the Group has deviated from the Council's recommendations at any time during the financial year are discussed below, however the Board believes the areas of non-conformance do not impact on the Group's ability to operate with the highest standards of corporate governance. Any major change in the Group's operations will result in a review of the Group's corporate governance policies.

This statement outlines the main corporate governance practices of the Group. Unless otherwise stated, these practices were in place for the entire year.

FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ROLES AND RESPONSIBILITIES

The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The key responsibilities of the Board include the following:

- Contributing to and approving the corporate strategy for AJL;

- Monitoring the organisation's performance and achievement of its corporate strategy;
- Approving and monitoring the progress of significant corporate projects, including acquisitions or divestments;
- Reviewing and approving the annual business plan and financial budget;
- Monitoring financial performance, including preparation of financial reports and liaison with the auditors;
- Appointment and performance assessment of the executive directors;
- Ensuring that significant risks have been identified and appropriate controls put in place;
- Overseeing legal compliance and reporting requirements of the law;
- Monitoring capital requirements and initiating capital raisings; and
- receiving reports from Committees and business units.

The Board's responsibilities are documented in a written Board Charter which is available in the shareholder information section of the Company's website. The Board charter details the functions reserved to the Board, the roles and responsibilities of the Chairman and the responsibilities delegated to the CEO and executive directors who then engages senior management to assist in those delegated functions. The Board Charter also gives the directors the right to seek independent professional advice, at the Group's expense, on matters relevant to carrying out their duties.

The Company Secretary is appointed by the Board with the roles responsibilities detailed in a contract of service or employment. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each Director is able to communicate directly with the Company Secretary and vice versa.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Through periodic reviews of the Board composition and succession planning, the Board seeks to ensure that the skills, knowledge, experience, independence and diversity of the Board are appropriate for the present and future requirements of the Group. The Human Resources and Nominations Committee actively seeks to identify, and recommends to the Board for appointment, directors whose skills and attributes complement and enhance the effective operation of the Board. Following such a review on 23 June 2015 the Board appointed, Mr John O'Neill as an additional independent non executive director. This follows a Board refresh in the 2013 /2014 financial year which saw the retirement of 3 independent non executive directors and the executive chairman and the appointment of three new non executive directors, two of whom were independent, and the appointment of the managing director.

Background checks are conducted prior to appointing any new director, and external consultants are engaged to assist with the selection process as necessary. In addition, each Board Member has the opportunity to meet with the nominated director.

Directors submitting themselves for re-election at a general meeting are reviewed by the Human Resources and Nominations Committee. The constitution requires one third of all directors, excluding the managing director, to retire from office at each AGM and can present themselves for re-election. No Director can hold office for more than 3 years without presenting for re-election, and any Director appointed by the Directors during the year is required to also present for re election at the first AGM following their initial appointment. All information relevant to a decision on whether or not to re-elect a director is included in the Notice of AGM.

REVIEW OF PERFORMANCE

The Board continually assesses its performance and the performance of individual directors, with a structured annual review process undertaken. The Human Resources and Nominations Committee and the Audit and Risk Committee review their performance annually taking into account any assessment or commentary provided by the Chairman. The Board may at times engage the assistance of external consultants to facilitate formal Board performance reviews.

In accordance with the above process, the Board undertook an internal performance review of itself and its members during the year. The process involved each director providing an anonymous assessment, including commentary, of performance against pre determined criteria. Feedback was collated by the Company Secretary and a summary provided to the Chairman. The overall results were discussed by the Board and improvements to the effectiveness and efficiency of the Board were agreed.

The performance of the CEO is reviewed annually by the Human Resources and Nominations Committee. The performance of other Key Management Personnel is reviewed by the CEO. These performance reviews took place during the reporting period.

DIVERSITY

AJ Lucas is committed to a diverse and inclusive workplace which supports business objectives, delivers competitive advantages and benefits shareholders and customers. The Group is committed to ensuring all employees are treated fairly, equally and with respect no matter what their race, ethnicity, gender, sexual orientation, socio-economic status, culture, age, physical ability, education, skill levels, family status, religious, political and other beliefs and work styles. A copy of the Group's Diversity Policy is available in the shareholder information section of the Company's website.

The Group has undergone a transformation to a lower cost base under tough market conditions, culminating with a recent restructure of the business. Staff numbers have decreased by more than 25% to 295 at 30 June 2015. While the Board is committed to achieving gender diversity, it is of the view that imposed targets during such a period of change would not be of benefit and could result in hiring decisions that are contrary to the ultimate goal of 'best fit' for purpose. As such, the Group's Diversity Policy does not at this time require the Company to set measureable objectives for achieving gender diversity and to assess annually those objectives and the progress in achieving them. The Board has decided to re consider implementing gender diversity targets at a later date, once the new management structure has had time to become sufficiently established for meaningful target determination.

The number of men and women on the Board, in senior management and other positions as reported in the Group's 2014 and 2015 Gender Equality Report is shown on the next page:

Level	2015 Male	2015 Female	2015 Total
Board	6	-	6
Executive leadership personnel	3	1	4
Other employees	256	29	285
TOTAL	**265**	**30**	**295**

Level	2014 Male	2014 Female	2014 Total
Board	4	1	5
Executive leadership personnel	2	-	2
Other employees	378	40	418
TOTAL	**384**	**41**	**425**

During the year the Company implemented a maternity leave scheme where a permanent employee who has been with the company for over 24 months can access paid maternity leave following the birth of a child. The Group has in place various other programs to foster career development including training sessions for line managers, sponsoring attendance at executive management training courses, implementation of flexible work place practices, and development and implementation of HR policies and practices to drive workforce participation rates of key diversity segments. The Board will monitor the effectiveness of these various initiatives to meet the Group's diversity plan including supporting women's progress into senior management positions.

STRUCTURING THE BOARD TO ADD VALUE

COMPOSITION OF THE BOARD

The constitution of the Company requires between three and ten directors. Currently there are six directors, five of whom are non-executive of whom four are also independent. This includes the recent appointment of Mr O'Neill as an additional independent non executive director on 23 June 2015.

The table below sets out the independence status of each director as at the date of this annual report.

Director	Status
P Arnall	Chairman & Independent Non-Executive Director
R Eggers	Executive Director
J O'Neill	Independent Non-Executive Director
A Purcell	Independent Non-Executive Director
I Meares	Independent Non-Executive Director
J Ball	Non-Executive Director

The Director's skills and experience, and the period of their appointments with the Company are disclosed in the Directors Report.

SKILLS MATRIX

While recognizing that each director will not necessarily have experience in each of the following areas, the Board seeks to ensure that its membership includes an appropriate mix of skills and experience. A summary of the directors' skills and experience as relevant to the Group as at the end of the Reporting Period is set out below:

	Arnall	Eggers	O'Neill	Ball	Meares	Purcell
Executive leadership	✔	✔	✔	✔	✔	✔
Strategy & risk management	✔	✔	✔	✔	✔	✔
Financial acumen	✔	✔	✔	✔	✔	✔
Health & safety	✔	✔	✔		✔	
Former CEO	✔	✔	✔		✔	✔
Mining services	✔	✔	✔	✔	✔	✔
Oil & gas			✔	✔	✔	✔

INDUCTION PROGRAM

The Company has induction procedures in place to allow new directors to participate fully and actively in Board decision making at the earliest opportunity. A checklist of information has been prepared for incoming Directors, while Board members are also provided comprehensive information on a regular basis by the Executive Leadership Team so that they can discharge their Director responsibilities effectively. The Company Secretary coordinates the timely completion and dispatch of such material to the Board.

Directors are encouraged, and are given the opportunity, to broaden their knowledge of the Group's business by visiting offices in different locations and engaging with management. They are encouraged to remain abreast of developments impacting their duties and offered external training opportunities on an "as required" basis. During the year the Managing Director completed the Australian Institute of Company Directors Course.

ETHICAL AND RESPONSIBLE DECISION MAKING

The Company has a code of conduct to guide the directors and key executives. It includes disclosure of conflicts of interest and use of information not otherwise publicly known or available. Any director with an interest in matters being considered by the Board must take no part in decisions relating to those matters.

The Directors' Code of Conduct is available in the shareholder information section of the Company's website as is the employee Code of Conduct. These codes address the practices necessary to maintain confidence in the Company's integrity, to take account of legal obligations and expectations of stakeholders and the responsibility and accountability for reporting and investigating unethical practices.

The Group operates a zero-tolerance approach to all forms of bribery and corruption, whether direct or indirect. As such the Group has an Anti-Bribery and Corruption policy, also available in the shareholder information section of the Company's website. The policy prevents:

- Making or acceptance of facilitation payments or kickbacks of any kind;
- Payments to trade unions or their officials;

- Any donations to political parties or charitable donations, for the purpose of gaining commercial advantage; and
- the giving or receipt of any gifts or hospitality if it could in anyway be intended, or reasonably interpreted, as a reward or encouragement for a favour or preferential treatment.

HUMAN RESOURCES AND NOMINATIONS COMMITTEE

During the financial year ended 30 June 2015, the Company did not have a formal nomination committee, it being of the view that one was not necessary while the Board was at its current size. The Board recognises the need for the size and composition of the Board to have a balance of skills and experience to allow it to make its decisions having regard to the interests of the various stakeholders of the Company. Following the end of the financial year the Human Resources Committee was re-named the Human Resources and Nominations Committee with its responsibilities expanded as documented in a revised Human Resources and Nominations Committee Charter which is available in the shareholder information section on the Company's website.

The Human Resources and Nominations Committee consists of three members as follows

Committee member	Status
I Meares	Committee Chairman and Independent Non-Executive Director
P Arnall	Independent Non-Executive Director
J Ball	Non-Executive Director

INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit and Risk Committee which provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control systems, risk management systems, regulatory compliance and external audit. The Audit and Risk Committee is governed by the Audit and Risk Committee Charter which is available in the shareholder information section of the Company's website.

The Committee must have at least three members, all of whom are non-executive directors and the majority of whom are independent. The Committee must be chaired by an independent chair, who is not chair of the board. At least one member must have financial expertise and some members shall have an understanding of the industry in which the Company operates.

Members of the Audit and Risk Committee as at the date of this report and throughout the financial year are set out in the following table. Their qualifications and experience are set out in the Directors' Report.

Name	Membership change date	Position at date of report
P Arnall		Independent non-executive director
A Purcell	Chairman until 24 July 2015	Independent non-executive director
J Ball	Appointed member 29 January 2014	Non-executive director
J O'Neill	Appointed member 23 June 2015 Appointed Chairman 24 July 2015	Independent non-executive director

The principal roles of the Committee are to:

- Assess whether the accounting methods and statutory reporting applied by management are consistent and comply with accounting standards and applicable laws and regulations;
- Make recommendations on the appointment of the external auditors, assess their performance and independence and ensure that management responds to audit findings and recommendations;
- Discuss the adequacy and effectiveness of the Company's internal control systems and policies to assess and manage business risks, its legal and regulatory compliance programmes; and
- ensure effective monitoring of the Company's compliance with its codes of conduct and Board policy statements.

The Audit and Risk Committee meets with the external auditors at least twice a year. The Committee is authorised to seek information from any employee or external party and obtain legal or other professional advice.

The Committee co-operates with its external auditors in the selection, appointment and rotation of external audit engagement partners. The external auditor attends the Company's AGM.

The Chief Executive Officer and the Chief Financial Officer have provided assurance in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

TIMELY AND BALANCED DISCLOSURE

The Company has established policies and procedures designed to ensure compliance with ASX listing rules, continuous disclosure requirements and accountability for compliance at a senior level so that investors have equal and timely access to all material information.

The Company has a Continuous Disclosure and Communications Policy, a copy of which is in the shareholder information section of its website.

The Continuous Disclosure and Communications Policy promotes effective communication with shareholders and encourages shareholder participation at AGMs.

COMMUNICATION WITH SECURITY HOLDERS

The Board keeps shareholders informed of all material information relating to the Company by communicating to shareholders through:

- Continuous disclosure reporting to the ASX;
- Its annual reports; and
- media releases and other investor relations publications on the Group's website.

All company announcements lodged with the ASX are available in the shareholder information section of the Company's website. Shareholders have the option to receive communications from, and send communications to, the Company's Share Registry electronically, including the annual report and the notice of annual general meeting. Additionally shareholders and potential investors are able to post questions to the company through the Company's website or by telephone. The Board and senior management endeavour to respond to queries from shareholders and analysts for information in relation to the Group provided the information requested is not price sensitive or is already publicly available.

The Company provides the Notice of AGM to all shareholders and makes it available on the Company's website. The AGM is the key forum for two-way communication between the Company and its shareholders. At the meeting, the Chairman encourages questions and comments from shareholders and seeks to ensure that shareholders are given ample opportunity to participate. Further, the Company's external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

RISK IDENTIFICATION AND MANAGEMENT

The Board is committed to embedding risk management practices to support the achievement of business objectives. As such the Board has established the Audit and Risk Committee which is responsible for reviewing and overseeing the risk management strategy of the Group and for ensuring it has an appropriate corporate governance structure. The Audit and Risk Committee discusses with management and the External Auditors, at least annually:

- Internal controls systems;
- Policies and procedures to assess, monitor, and manage business, economic, environmental and social sustainability risks;
- Insurance program having regard to the insurable risks and the cost of this cover; and
- Legal and regulatory compliance programs.

During the year management under took a review of the Group's risk management framework and reported its findings to the Audit and Risk Committee. A risk register is maintained and reported to the Audit and Risk Committee, detailing likelihood and severity of risks occurring. In addition, management undertook a review of its insurable risks in order to fully consider potential impacts and how they are financed in terms of limits and scope under the Group's insurance program.

Further details of the structure, membership and responsibilities of the Audit and Risk Committee are provided under the "Integrity in Financial Reporting" heading in this Corporate Governance Statement.

Within this framework, management has designed and implemented a risk management and internal control system to manage material business risks. The Chief Executive Officer and Chief Financial Officer provide representation to the Audit and Risk Committee and the Board that the risk management system is operating effectively in all material respects in relation to financial reporting risks.

The Company has, in accordance with the Australian Standard on risk management AS/NZS ISO 31000:2009, developed a risk statement and underlying procedures for the key risk areas of People, Environment, Business and Reputation. The Company has had a number of external audits of particular types of risk during the year. A copy of the risk statement and the risk management policy are available in the shareholder information section of the Company's website.

The Group does not currently have an independent internal audit function, the Board being of the view that the size and complexity of the company does not warrant such a function. The Group's operations and facilities are however subjected to regular audits, performed by a mix of internal safety and auditing experts, and external consultants, under an annual program of Health, Safety, Environment and Quality audits. In addition the Audit and Risk Committee engages external consultants to review areas of the business as it sees fit. During the year various external review were undertaken including a review of the input tax credit claiming process and management's assessment of the Group's ability to carry forward tax losses.

The Group's material exposures to risk, and how the Group responds and manages these risks, is detailed on the following page.

Material Risk	Risk Management Approach
External Risks	
Risks may arise from the flow through of commodity demand or pricing from major markets into our customer base as well as foreign exchange, regulatory and political events that may impact the long term sustainability of our customer's business model.	The broadening of our portfolio of businesses, commodity and geographical exposure is our major strategy to reduce the effect of volatility introduced by these external risks. A key component of this strategy is the focus on increasing our exposure to infrastructure development in the engineering and construction business, to "non-discretionary" mining services and the development of our unconventional energy opportunities.
Business Risks	
Risks include the inherent risk of identifying and proving reserves in our unconventional assets as well as adding or divesting assets and managing project and operational execution across all Group activities.	The investment approval process applies to all capital and commercial projects undertaken with discrete levels of approvals assigned to management positions. This process includes Board approval required to Tender and Bid commercial projects as well as for capital investment and acquisitions. Where required, professional external expertise is utilised in our decision process.
Financial Risks	
Volatility in commodity markets may adversely impact future cash flows and as such our credit rating and ability to source capital from financial markets. In addition our commercial counterparties may as a result of adverse market conditions fail to meet their commercial obligations.	We seek to continuously improve our credit rating and use our broadening portfolio, cash flow and key financial ratio analysis to monitor potential volatility in this area. Similarly all customers and key suppliers are subject to credit limits and review processes before services are established.
Operational Risks	
Cost pressures and reduced productivity could negatively impact both operating margins and our market competitiveness. Similarly a significant adverse and unexpected natural or operational event could impact operations in a materially negative manner, as could a breach in IT and other security processes.	We seek to maintain adequate operating margins across our business by monitoring in absolute and relative terms the performance of all assets against both internal and external commercial benchmarks. Our concentrated effort to reduce costs and hence maintain competiveness and margin has yielded tangible results in reducing our controllable costs. This includes initiatives to standardise processes and control systems across the Group. The Lucas Management System (LMS) is an integrated process by which we manage this standardised approach. Through the regular application of our risk management procedures we identify the potential for significant and or unexpected risks and implement the controls appropriate to remove or mitigate them. Business continuity plans are developed for all our IT systems such that the integrity of our systems allows us to recover from a "disaster event" with little impact on the daily operations.
Sustainability Risks	
Injuring employees, damaging the environment or having material regulatory or governance failures may put at risk our social licence to operate or significantly impact our reputation such that customers and / or capital markets may shun us.	The LMS puts in place a significant set of requirements to ensure the safe operation of our assets and equipment. Inclusive in this are the control and governance requirements required of good finance and accounting procedures. A broad range of policies and procedures outline both expected and required actions and behaviours of management and staff. The Board holds itself to account against the standards outlined in the ASX Corporate Governance Principles and Recommendations 3rd edition as an example of good governance and reporting procedures and requirements.

REMUNERATION

The Remuneration Committee was renamed the Human Resources and Nominations Committee with its responsibilities broadened during the year. The Committee reviews the remuneration of the non-executive and executive directors, and senior officers.

Members of the Human Resources and Nominations Committee as at the date of this report and throughout the financial year are set out in the following table. Their qualifications and experience are set out in the Directors' Report.

Name	Position at date of report
P Arnall	Independent non-executive director
I Meares (Chairman)	Independent non-executive director
J Ball	Non-executive director

The Human Resources and Nominations Committee Charter is available in the shareholder section of the Company's website. The number of meetings and who attended those meeting throughout the year is disclosed in the Directors report.

The remuneration of the non-executive directors is based on the recommendations of independent remuneration consultants and while there is no formal charter for remuneration, the Board seeks independent advice as required. The Company's non-executive directors receive fees for acting as a director of the Company. Additional fees are payable for being a member of a Board committee or representing the Group in specific matters from time to time.

Executive directors and senior executives are remunerated based on a fixed wage plus incentive payments. The policies and practices for remuneration of executive directors and Key Management Personnel is disclosed in the remuneration report in the Company's Annual Report.

The Company does not have a policy dealing with executives entering into transactions that limit risk on unvested equity. Options outstanding at balance date were originally issued in 2012 and expire in November 2015. They have been significantly out of the money with a hurdle price and exercise price significantly higher that the company's share price at any time during the reporting period. The Directors will consider such a policy as part of any future options or rights issuance.

TRADING IN COMPANY SECURITIES

The Company has in place a Securities Trading Policy which restricts the times and circumstances in which directors, senior executives and certain employees may buy or sell shares in the Company. These persons are required to seek approval from the Company Secretary prior to trading.

Directors must also advise the Company, which advises the ASX on their behalf, of any transactions conducted by them in the Company's securities within five business days after the transaction occurs.

The Securities Trading Policy is available in the shareholder information section of the Company's website.

REVIEW AND RESULTS OF OPERATIONS

OVERVIEW OF THE GROUP

Trading conditions remained very challenging throughout the year in the mining and materials sector, with no indication of any material improvement in market conditions in the near term. Reduced activity in the engineering and construction sector also had an impact on the Group's trading performance despite the company largely completing two major projects in partnership with Spiecapag Australia during the year. Consolidated revenue for the year was $145.0m, down 36.4% on last year.

The focus on overhead reduction, productivity initiatives and securing quality business contributed to an improved underlying EBITDA of $9.4 million, up $9.2 million or 4510% on last year. The Group is now better positioned should a market recovery occur.

The following table summarises the results for the year:

	2015 Year $'000	2015 2nd half $'000	2015 1st half $'000	2014 Year $'000	2014/15 Change %
Total revenue	145,028	65,599	79,429	227,894	(36.4%)
Underlying EBITDA	9,405	3,093	6,312	204	4510.2%
Reported EBITDA	5,274	(3,608)	8,882	(5,495)	196.0%
EBIT	(20,936)	(19,474)	(1,462)	(77,816)	73.1%
Profit / (loss) before tax	(45,216)	(31,984)	(13,232)	(91,693)	50.7%
Net profit / (loss) for the year	(45,216)	(31,984)	(13,232)	(91,693)	50.7%
Total assets	231,268	231,268	238,129	255,987	(9.7%)
Net assets	79,493	79,493	101,632	107,482	(26.0%)
Basic loss per share (cents)	(16.9)	(12.0)	(4.9)	(34.6)	51.1%

A reconciliation of the reported EBITDA to the underlying EBITDA is shown in the following table:

	Drilling $'000	E&C $'000	Oil & Gas $'000	Corporate $'000	2015 $'000	2014 $'000
Reconciliation:						
Consolidated loss before income tax	**(9,066)**	**4,231**	**4,071**	**(44,452)**	**(45,216)**	**(91,693)**
Impairment of plant and equipment	786	-	-	5,114	5,900	11,402
Impairment of intangible assets	-	-	-	-	-	39,472
Impairment of other receivables	-	-	-	-	-	1,122
Depreciation and amortisation	15,461	3,032	-	1,817	20,310	20,325
Finance costs	-	-	-	26,247	26,247	17,532
Finance income	-	-	-	(1,967)	(1,967)	(3,655)
Reported EBITDA	**7,181**	**7,263**	**4,071**	**(13,241)**	**5,274**	**(5,495)**
Share of (profit) / loss of equity accounted investees	-	-	(1,324)	-	(1,324)	(4,378)
Carry profit on Exploration Assets	-	-	(3,025)	-	(3,025)	-
Share of overhead – UK investments	-	-	262	-	262	204
Provisions and settlement of historical projects	555	2,290	-	831	3,676	4,625
Impairment of equity accounted investees	-	-	-	-	-	1,714
Recovery of receivables from equity accounted investees	-	(804)	-	-	(804)	-
Redundancy costs	649	443	-	1,321	2,413	2,809
Net (profit) / loss on sales of assets	68	(167)	-	(44)	(143)	104
Corporate advisory fees	-	-	-	2,043	2,043	643
Share based payments expense	-	-	-	171	171	178
Other (income) / expense	946	(447)	(239)	602	862	(200)
Underlying EBITDA	**9,399**	**8,578**	**(255)**	**(8,317)**	**9,405**	**204**

The non-IFRS financial information presented in this document has not been audited or reviewed in accordance with Australian Auditing Standards.

The net loss after tax result was impacted by impairment charges totalling $5.9 million comprising Enterprise Development of $5.1 million with drilling plant and equipment also partly impaired for $0.8 million reflecting the difficult market outlook for drilling activities. The result was also impacted by costs for historical legacy projects and higher finance costs of $26.2 million largely comprised of unrealised FX losses of $10.6 million driven by the weakening of AUD to USD on USD denominated interest bearing loans, interest paid during the year of $6.8 million and capitalised interest of $3.1 million.

DIVISIONAL PERFORMANCE

Contributions from the business divisions were as follows:

	Revenue $'000	Underlying EBITDA $'000	Margin % $'000
2015			
Drilling	83,545	9,399	11.2%
Engineering and construction	61,483	8,578	14.0%
Oil and gas	-	(255)	N/A
2014			
Drilling	94,189	10,769	11.4%
Engineering and construction	133,705	1,707	1.3%
Oil and gas	-	(352)	N/A

DRILLING

The results of the drilling division are summarised as follows:

	2015 Year $'000	2015 2nd half $'000	2015 1st half $'000	2014 Year $'000	2014/15 Change %
Revenue	83,545	37,665	45,880	94,189	(11.3%)
Underlying EBITDA	9,399	4,016	5,383	10,769	(12.7%)
EBITDA margin	11.2%	10.7%	11.7%	11.4%	

Continued subdued market conditions and reductions in exploration expenditure by the major coal mining companies, Lucas' revenue for the year experienced a 11.3% decline to $83.5 million. This reflects an ongoing contraction in the exploration market. The Company has had continued success in winning significant work targeted in the underground coal production market sector during the year and demonstrated the continued market confidence in the Group's drilling services, particularly around highly technical projects concerning gas drainage.

The underlying EBITDA margin reduced by 12.7% to $9.4 million, partly as a result of measures previously taken to reduce costs and re-focus on the Group's core strength of directional drilling. This is particularly pleasing when viewed in the context of depressed coal prices, and reflects the value the market places on the Group's experience. The Group's proven delivery capability and multi-disciplined technical based service offering positions the Group well to grow when the market starts to recover.

ENGINEERING & CONSTRUCTION

The Engineering & Construction division reported a stronger result than in the prior year as shown in the following table:

	2015 Year $'000	2015 2nd half $'000	2015 1st half $'000	2014 Year $'000	2014/15 Change %
Revenue	61,483	27,934	33,549	133,705	(54.0%)
Underlying EBITDA	8,578	2,711	5,867	1,707	(402.5%)
EBITDA margin	14.0%	9.7%	17.5%	1.3%	

Engineering & Construction revenue decreased by 54.0% to $61.5 million, reflecting timing differences in the award and execution of work, substantial completion of two pipeline projects including the construction of the 300km Eastern Goldfields Pipeline in Western Australia in partnership with Spiecapag Australia, and a focus towards smaller non joint venture drilling and construction projects compared to last year.

The underlying EBITDA margin increased substantially from the comparative period to $8.6 million, reflecting the positive impact of a restructure of the division, greater focus on the division's core skill capability of pipeline construction and well managed joint venture projects from a renewed emphasis on project execution and cost control. A reduction of legacy projects requiring resolution also benefited the business helping deliver a reported EBITDA of $7.3 million.

OIL AND GAS INVESTMENTS

The Oil & Gas division encompasses the Group's investments in hydrocarbons in the United Kingdom. This comprises the Group's direct equity interest in the Bowland, Elswick and Bolney prospects, represented by Exploration and Evaluation assets, and its investment in the equity accounted investee, Cuadrilla who also holds equity in the above assets together with rights to pursue exploration in a number of mainland Europe acreages.

A decision by the Lancashire County Council ("LCC") on Cuadrilla's planning applications to drill, fracture and flow test two wells in the Bowland Basin, at Preston New Road and Roseacre Wood, was initially expected to be made at the end of January 2015. Following the Planning Officer's recommendation to the LCC Development Control Committee that the Preston New Road application be refused on the grounds of night time noise and that the Roseacre Wood application be refused on the grounds of noise and traffic concerns, Cuadrilla submitted additional information detailing further mitigation measures to address these concerns.

Importantly, the Planning Officer concluded that Cuadrilla's applications were satisfactory in all other respects, including impacts on air quality, archaeology & cultural heritage, greenhouse gas emissions, community and socio-economics, ecology, hydrogeology & ground gas, induced seismicity (including subsidence), land use, landscape & visual amenity, traffic (with respect to the Preston New Road site), resources & waste, water resources or public health (except for noise) would be low or could be mitigated and controlled by condition to make them acceptable.

In February 2015 separately, following an extensive review, the Environmental Agency granted Cuadrilla the environmental permits for its proposed shale gas exploration site both at Preston New Road and Roseacre Wood. Exploration expenditure will initially be funded from the Centrica farm-in thereby reducing cash funding requirements from the Group for calendar year 2015.

On 12th February 2015, the Infrastructure Act became law. This Act simplifies procedures for the onshore oil, gas and deep geothermal industries to access underground reserves and so makes it easier for companies to drill for shale gas. The Act also makes it a principal objective of the government to maximise the economic recovery of UK petroleum.

While the Act sets out certain conditions prior to approval to drill for shale gas, these are considered to be standard industry practice and met by Cuadrilla's planning and work practices. Separately Cuadrilla submitted multiple bids in the UK's 14th onshore licensing round. The UK Government is expected to announce the awards in the second half of calendar 2015.

In June 2015, the LCC's Planning Officers recommended that the LCC grant planning consent for the application at Preston New Road. Subsequently in June 2015, the LCC denied planning consent for the application to explore for shale gas at Preston New Road, despite a positive recommendation by the Council's Planning Officers and also denied planning consent for the application at Roseacre Wood, based upon a negative recommendation by the Council's Planning Officers.

In July 2015, Cuadrilla announced it will appeal LCC's decisions to refuse planning consent for two applications for temporary shale gas exploration sites. Cuadrilla also announced it will be appealing the refusal of a separate planning application to install seismic and ground water monitoring stations around the proposed Preston New Road exploration site. A similar planning application was granted for monitoring works around the proposed Roseacre Wood exploration site. However, Cuadrilla will also appeal against certain conditions imposed on this planning consent.

OUTLOOK

The drilling market has stabilised but shows limited signs of picking up, in line with the subdued coal sector. Lucas' drilling business has been successful during the year in winning tenders for large customers however with global demand for coal remaining constant on cyclically low process, exports are expected to remain flat and no sign of a recovery for exploration drilling services.

The Engineering and Construction division continues to tender in conjunction with Spiecapag Australia for major pipeline works and continues to be short listed for major projects. The company's expertise in pipeline and directional drilling work continues to be recognised in the market. The division continues in its own right to tender for small scale infrastructure works which is better suited to the company's capability and size.

The company also expects to progress the appraisal of its oil and gas investments despite recent setbacks on planning approvals in the UK. The UK Joint venture has announced it will appeal the Lancashire County Council decision to refuse it planning consent.

REVIEW OF FINANCIAL CONDITION

During the year no new capital raising was undertaken. Gross interest bearing loans and borrowings have increased by $15.7 million to $78.9 million predominantly as a result of unfavourable currency translations between the Australian dollar and US dollar of $10.6 million and $3.1 million in interest charges capitalised into principal. The Group does not have any principal repayment obligations until the expiry of the facility between Jan 2017 and Feb 2017. Additionally, interest payments due on the US dollar facility at the end of April and May 2015 totalling $1.9 million have been deferred for six months whilst the company undertake a review of its capital structure.

The Group's liquidity is materially unchanged with the current ratio having improved slightly to 1.07:1 as a result of the continued focus on working capital management. Cash reserves are $16.0 million despite financing and tax payments of $12.4 million, reflecting the significant improvement in cash flows used in operations of $0.4 million. Offsetting the exchange rate loss on borrowings reported in the results was a favourable currency translation on the UK investments of $15.1 million recognised in equity.

IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

There were no changes in environmental or other legislative requirements during the year that significantly impacted the results or operations of the Group.

DIVIDENDS

No dividends have been declared by the Company since the end of the previous year.

ENVIRONMENTAL REGULATIONS & NATIVE TITLE

Lucas is committed to meeting stringent environmental and land use regulations, including native title issues, are an important element of our work. Lucas is committed to identifying environmental risks and engineering solutions to avoid, minimise or mitigate them. The Group works closely with all levels of government, landholders, and other bodies to ensure its activities have minimal or no effect on land use and areas of environmental and cultural importance. One of the key benefits of directional drilling is its ability to avoid or substantially mitigate environmental impact. Group policy requires all operations to be conducted in a manner that will preserve and protect the environment.

The directors are not aware of any significant environmental incidents, or breaches of environmental regulations during or since the end of the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Group both during the financial year and subsequent to balance date are as described in this report and the financial statements and notes thereto.

EVENTS SUBSEQUENT TO REPORTING DATE

In July 2015, Cuadrilla announced it will appeal LCC's decisions to refuse planning consent for two applications for temporary shale gas exploration sites at Preston New Road and Roseacre Wood. Cuadrilla also announced it will be appealing the refusal of a separate planning application to install seismic and ground water monitoring stations around the proposed Preston New Road exploration site. A similar planning application was granted for monitoring works around the proposed Roseacre Wood exploration site. Cuadrilla will also appeal against certain conditions imposed on this planning consent.

Also the Company was granted approval under the USD facility to defer the interest payment due at the end of July 2015 totalling $1.6 million for a period of three months whilst the company undertakes a review of its capital structure.

OTHER DISCLOSURES

UNISSUED SHARES UNDER OPTIONS

All options were granted in previous financial years. No options were granted or exercised during the financial year. 290,000 options granted in prior years were forfeited during the period. At the date of this report, unissued shares of the Company under rights and options are:

Expiry date	Exercise price	Number of shares
7 December 2015	$1.19	4,710,000
22 December 2015	$1.19-$1.54	11,159,356
22 December 2016	$1.97	1,000,000

3,750,000 former CEO options expire on 7 December 2015. All remaining options expire on the earliest of their expiry date and in relation to employees or officers of the Company, the termination of the employee's employment and cessation of the officer's service. In addition, the options granted to directors and management are exercisable only upon the vesting conditions being met. Further details are provided in the Remuneration Report.

DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

The relevant interest of each person who held the position of director during the year, and their director-related entities, in the shares and options over shares issued by the Company, as notified by the directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report are:

	Ordinary shares	Options
Phillip Arnall	100,000	-
Russell Eggers	9,800	-
John O'Neill	7,503,957	-
Andrew Purcell	28,514	-

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

INDEMNIFICATION

The Company has agreed to indemnify all directors and officers of the Company against all liabilities including expenses to another person or entity (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Group, except where the liability arises out of conduct involving a lack of good faith.

No indemnity has been provided to the auditors of the Company.

INSURANCE PREMIUMS

Since the end of the previous financial year, the Company has paid premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts for the year ending 31 May 2016.

NON-AUDIT SERVICES

During the year, Ernst and Young, the Company's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 '*Code of Ethics for Professional Accountants*', as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Payments to the auditor of the Company and its related practices for non-audit services provided during the year, as set out in note 9 of the consolidated financial statements, amounted to $247,010 (2014: $6,500).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 36 and forms part of the Directors' Report for the financial year ended 30 June 2015.

ROUNDING OFF

The Company is of a kind referred to in ASIC 98/100 dated 10 July 1998 and, in accordance with that Class Order, amounts in the Directors' Report and the consolidated financial report are rounded off to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT – AUDITED

This remuneration report outlines the remuneration policy for key management personnel comprising the directors of the Company and senior executives of the Company and the Group. Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Board's policy for setting fees for non-executive directors is to position them around the middle of market practice for comparable non-executive director roles in companies listed on the Australian Securities Exchange (ASX). Non-executive directors do not receive performance related remuneration and are not provided with retirement benefit apart from statutory superannuation. Options and other forms of equity are not provided for non-executive directors.

Total remuneration for all non-executive directors, last voted upon at the 2013 Annual General Meeting, is not to exceed $750,000 per annum. The remuneration for the Chairman is currently $135,000 per annum. The remuneration for each other non-executive director is currently $90,000 per annum. In addition, $5,000 per annum is paid for serving on any committee of the Board. Where directors perform consulting services to the Group outside of their director duties, additional fees are paid based on commercial terms.

The following table presents details of the remuneration of each non-executive director.

Non-executive director	Year	Board fees including superannuation $	Committee fees including superannuation $	Fees for additional services $	Total $
Phillip Arnall	2015	135,000	10,000	-	145,000
Phillip Arnall (1)	2014	72,050	6,667	-	78,717
Julian Ball	2015	90,000	10,000	-	100,000
Julian Ball	2014	82,500	6,667	-	89,167
Ian Meares	2015	90,000	5,000	42,000	137,000
Ian Meares	2014	7,500	417	-	7,917
Andrew Purcell	2015	90,000	5,000	68,875	163,875
Andrew Purcell	2014	7,500	417	-	7,917
John O'Neill (2)	2015	-	-	-	-

(1) Phillip Arnall acted in the role of interim CEO for the period 28 January 2013 to 3 June 2014 and was therefore an executive director during that period. The portion of remuneration related to the period he was a non-executive director is included in the table above.

(2) John O'Neill was appointed to the Board on 23 June 2015.

EXECUTIVE REMUNERATION

POLICY

The key principle of the Company's remuneration policy for key management personnel is to set remuneration at a level that will attract and retain appropriately qualified and experienced directors and executives and motivate and reward them to achieve strategic objectives and improve business results. The Remuneration Committee obtains independent advice on the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Group's remuneration strategy.

The overriding philosophy of the remuneration structure is to reward employees for increasing shareholder value. This is achieved by providing a fixed remuneration component together with short and long-term performance-based incentives.

AJ Lucas aims to set fixed annual remuneration at market median levels for jobs of comparable size and responsibility using established job evaluation methods and to provide incentives to enable top performers to be remunerated at the upper end of the market range, subject always to the performance of the Group.

The aim of the incentive plans is to drive performance to successfully implement annual business plans and increase shareholder value.

The remuneration for executives and staff is reviewed annually, using a formal performance appraisal process and market data derived from independent surveys of people with similar competencies and responsibilities.

FIXED REMUNERATION

Fixed remuneration consists of base remuneration which is calculated on a total cost basis and includes any fringe benefit tax charges related to employee benefits including motor vehicles as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers individual and segment performance of the Group. This process includes consultation with external consultants and review of external databases to benchmark remuneration levels with comparable companies.

PERFORMANCE LINKED COMPENSATION

Performance linked remuneration may include both short-term and long-term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

The short-term incentive (STI) is an 'at risk' bonus generally provided in the form of cash. No STI payments were made in the last financial year.

The long-term incentive (LTI) is provided as options or rights over ordinary shares of the Company under the rules of the Company's various incentive schemes. The long-term incentive (LTI) is only available to be taken in ordinary shares and vests after three years subject to the performance hurdles being met and the recipient still being employed by the Group at vesting time. No option or rights have been granted in the last financial year.

MANAGEMENT RIGHTS AND OPTIONS PLAN

The management rights and options plan is available to employees and other persons at the discretion of the Board. Nominated persons are granted rights and options to acquire shares in the Company. The exercise of rights can be satisfied by either the issue of shares for no consideration or by the monetary equivalent of the underlying shares on the date of grant of the rights. The exercise of options is subject to the vesting conditions being met. There were no options granted during the period.

DEFERRED SHARE PLAN

The deferred share plan (DSP) was closed on 13 November 2014. The DSP was available to chosen directors, including non-executives, and employees to allow them to take a part of their annual remuneration in the form of shares in the Company. Shares vested from the date of issue but could not be disposed of until the earlier of 10 years from the date of issue or the date their employment or service with the Group ceased. There were no shares issued under the DSP during the year. There are no shares issued under the DSP that cannot be disposed under plan rules.

EMPLOYEE SHARE ACQUISITION PLAN

The employee share acquisition plan (ESAP) was closed on 13 November 2014. The ESAP was available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration. The shares could not be disposed until the earlier of three years from the date of issue or the date their employment with the Group ceased. No shares have been issued under the ESPA in the last four years.

RELATIONSHIP OF REMUNERATION TO COMPANY PERFORMANCE

In considering the Group's performance and benefits for shareholder wealth, the Remuneration Committee has had regard to the following indices in respect of the current financial year and the previous four financial years.

Year ended 30 June	2015	2014	2013	2012	2011
Total revenue ($'000)	**145,028**	227,894	294,791	504,276	433,373
Net loss after tax attributable to members ($'000)	**(45,216)**	(91,693)	(126,996)	(110,237)	(11,527)
Loss per share (cents)	**(16.9)**	(34.6)	(97.6)	(133.2)	(17.5)
Dividend per share (cents)	**-**	-	-	-	-
Share price at balance date	**$0.39**	$0.93	$1.20	$1.06	$1.35
Share price appreciation/(depreciation)	**(58%)**	(23%)	13%	(21%)	(40%)

The overall level of key management personnel compensation has been constrained due to the performance of the Group over a number of years. No adjustments have been made to key management personnel fixed remuneration levels during the year. There was no performance linked remuneration issued to key management personnel during the year.

OTHER BENEFITS

The Group has in the past provided loans to key management personnel. All such loans were made at commercial rates and therefore do not represent a benefit to the recipient or attract fringe benefit tax. No loans were made at any time during the year and no loans remain outstanding to any key management personnel.

EXECUTIVE DIRECTOR'S AND OFFICERS' REMUNERATION

Details of the nature and amount of each element of remuneration of each executive director of the Company and other key management personnel (KMP) of the Group are:

		Short-tern	Post employment	Other long term	Share based payments			
		Salary/ fees [1] $	Super-annuation benefits $	Long term benefits $	Options [2] $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executive directors								
Russell Eggers	2015	517,202	18,783	8,333	-	544,318	-	-
CEO (appointed 3 Jun 14)	2014	44,828	1,481	685	-	46,994	-	-
Executive officers								
Austen Perrin CFO (appointed 15 Dec 14)	2015	226,644	10,078	3,526	-	240,248		
Brett Tredinnick	2015	375,484	18,783	6,265	9,551	410,083	-	2.3
GM Drilling	2014	358,204	20,470	18,082	10,445	407,201	-	2.6
John Stuart-Robertson	2015	336,059	18,783	5,522	-	360,364	-	-
GM Pipelines (from 28 May 14)	2014	31,351	1,856	3,519	-	36,726	-	-
Mark Summergreene	2015	270,957	11,811	3,623	2,340	288,731	-	0.8
CFO (resigned 30 Jan 15)	2014	397,281	25,000	11,708	4,387	438,377	-	1.0

Amounts disclosed for remuneration of key management persons exclude insurance premiums paid in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers of the Company and its controlled entities. This amount has not been allocated to the individuals covered by the insurance policy as the directors believe that no reasonable basis for such allocation exists. Details of the nature of the liabilities or the amount of the premium paid have not been shown as such disclosure is prohibited under the terms of the policy contract.

(1) Salary and wages, including accrued leave paid out on retirement.

(2) The fair value of the options issued has been calculated using a Monte Carlo pricing model and allocated evenly to each reporting period from grant date to vesting date. The value disclosed is the portion of the fair value of the options allocated to the reporting period shown.

SERVICE AGREEMENTS

All key management personnel are employed under contract. The service contract outlines the components of remuneration but does not prescribe how remunerations levels are modified year to year. The Board has the ability to provide discretionary benefits which may fall outside existing incentive programs under the terms of these contracts, for example, in relation to major projects. Remuneration levels are reviewed every year to take into account cost of living changes, any change in the scope of the role performed, any changes required to meet the principles of the remuneration policy and the Group's performance.

The service contracts are unlimited in term. All contracts can be terminated without notice by the Company with compensation, if any, payable to the employee in accordance with the law or by negotiated agreement.

EXTERNAL REMUNERATION CONSULTANT ADVICE

During the financial year, an external consultant benchmarked the Group's key management personnel remuneration. Given the results of the external consultants benchmarking exercise, and the Group's financial performance no adjustments to the remuneration of key management personnel were made during the year.

OPTIONS OVER EQUITY INSTRUMENTS GRANTED AS COMPENSATION

No options over ordinary shares in the Company were granted as compensation to key management person during the reporting period. No options granted in the prior year vested during the reporting period.

The movement during the reporting period, by number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each key management person, including their related parties is as follows:

2015	Held at 1 July 2014	Forfeited	Exercised	Held at 30 June 2015	Vested during the year	Vested and exercisable at 30 June 2015
Executives	-					
Mark Summergreene	105,000	105,000	-	-	-	-
Brett Tredinnick	250,000	-	-	250,000	-	-

Details of the vesting profiles of the options held by each key management person of the Group are detailed below:

	Number	Grant date	% Vested in year	% Forfeited in year	Vesting date
Executives					
Mark Summergreene	105,000	29-Nov-12	-	100	Dec-15
Brett Tredinnick	250,000	29-Nov-12	-	-	Dec-15

The executive options vest 50% after 2 years' service, and 100% after three years of service from grant date provided that the share price closes in excess of $2.34 for a period of at least 10 days in any 20 trading day period between 28 November 2013 and 7 December 2015.

ANALYSIS OF MOVEMENTS IN SHARES

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

2015	Held at 1 July 2014	Received on exercise of rights	Purchased	Net other change	Held at 30 June 2015
Directors					
Phillip Arnall	100,000	-	-	-	100,000
Russell Eggers	9,800	-	-	-	9,800
Andrew Purcell	-	-	28,514	-	28,514
John O'Neill	7,503,957	-	-	-	7,503,957
Executives			-		
Brett Tredinnick	345,722	-	-	-	345,722
John Stuart-Robertson	33,972	-	-	-	33,972
Austen Perrin	-	-	-	-	-

Signed in accordance with a resolution of the directors pursuant to s.298 (2) of the Corporations Act 2001.

Phillip Arnall,
Chairman

Russell Eggers,
Managing Director

Dated at Sydney, this 18th day of August 2015

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Auditor's Independence Declaration to the Director of AJ Lucas Group Limited

In relation to our audit of the financial report of AJ Lucas Group Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ryan Fisk
Partner
18 August 2015

Consolidated statement of comprehensive income

for the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Revenue	6	145,028	227,894
Total revenue		**145,028**	**227,894**
Other income		3,025	-
Material costs		(26,284)	(50,431)
Sub-contractor costs		(24,758)	(48,535)
Employee expenses		(64,414)	(95,361)
Plant and other construction costs		(24,484)	(36,100)
Depreciation and amortisation expenses	8	(20,310)	(20,325)
Corporate advisory fees		(2,043)	(643)
Share based payments expense		(171)	(178)
Impairment expense	8	(5,900)	(53,710)
Recovery of receivables from equity accounted investees	8	804	-
Redundancy costs		(2,413)	(2,809)
Gain/(loss) sale of assets		143	(104)
Other expenses		(483)	(1,892)
Results from operating activities		**(22,260)**	**(82,194)**
Finance income	7	1,967	3,655
Finance costs	7	(26,247)	(17,532)
Net finance costs	7	**(24,280)**	**(13,877)**
Share of loss of equity accounted investees	17	1,324	4,378
Loss before income tax		**(45,216)**	**(91,693)**
Income tax expense	10	-	-
Loss for the period		**(45,216)**	**(91,693)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		17,056	3,324
Total items that may be reclassified subsequently to profit and loss		17,056	3,324
Other comprehensive income for the period		**17,056**	**3,324**
Total comprehensive loss for the period		**(28,160)**	**(88,369)**
Total comprehensive loss attributable to owners of the Company		**(28,160)**	**(88,369)**
Earnings per share:			
Basic (loss)/earnings per share (cents)	11	(16.9)	(34.6)
Diluted (loss)/earnings per share (cents)	11	(16.9)	(34.6)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

as at 30 June 2015

	Note	2015 $'000	2014 $'000
Current assets			
Cash and cash equivalents	12	15,955	29,250
Trade and other receivables	13	26,866	18,815
Inventories	14	13,445	29,630
Other assets	15	1,269	886
Total current assets		**57,535**	**78,581**
Non-current assets			
Property, plant and equipment	16	53,193	79,074
Exploration assets	18	16,543	10,759
Investments in equity accounted investees	17	103,997	87,573
Total non-current assets		**173,733**	**177,406**
Total assets		**231,268**	**255,987**
Current liabilities			
Trade and other payables	20	37,408	45,232
Interest-bearing loans and borrowings	21	3,927	864
Current tax liabilities	22	8,247	5,480
Derivative liabilities	23	31	1,765
Employee benefits	25	4,159	4,796
Total current liabilities		**53,772**	**58,137**
Non-current liabilities			
Interest-bearing loans and borrowings	21	74,937	62,329
Non-current tax liabilities	22	22,234	27,415
Employee benefits	25	832	624
Total non-current liabilities		**98,003**	**90,368**
Total liabilities		**151,775**	**148,505**
Net assets		**79,493**	**107,482**
EQUITY			
Share capital		339,670	339,670
Reserves		29,207	11,980
Accumulated losses		(289,384)	(244,168)
Total equity	26	**79,493**	**107,482**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 30 June 2015

	Share capital $'000	Translation reserve $'000	Option reserve $'000	Employee equity benefits reserve $'000	Hedging reserve $'000	Accumulated losses $'000	Total equity $'000
Balance 1 July 2014	339,670	7,507	637	3,836	-	(244,168)	107,482
Total comprehensive income							
Loss for the period	-	-	-	-	-	(45,216)	(45,216)
Other comprehensive income							
Foreign currency translation differences	-	17,056	-	-	-	-	17,056
Total comprehensive income/(loss)	**-**	**17,056**	**-**	**-**	**-**	**(45,216)**	**(28,160)**
Transactions with owners recorded directly in equity							
Issue of ordinary shares, net of transaction costs							
Share based payment transactions	-	-		171	-	-	171
Total contributions by and distributions to owners	-	-	-	171	-	-	171
Balance 30 June 2015	**339,670**	**24,563**	**637**	**4,007**	**-**	**(289,384)**	**79,493**
Balance 1 July 2013	275,637	4,183	637	3,658	-	(152,475)	131,640
Total comprehensive income							
Loss for the period	-	-	-	-	-	(91,693)	(91,693)
Other comprehensive income							
Foreign currency translation differences	-	3,324	-	-	-	-	3,324
Total comprehensive income/(loss)	**-**	**3,324**	**-**	**-**	**-**	**(91,693)**	**(88,369)**
Transactions with owners recorded directly in equity							
Issue of ordinary shares, net of transaction costs	64,033	-	-	-	-	-	64,033
Share based payment transactions	-	-	-	178	-	-	178
Total contributions by and distributions to owners	64,033	-	-	178	-	-	64,211
Balance 30 June 2014	**339,670**	**7,507**	**637**	**3,836**	**-**	**(244,168)**	**107,482**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Cash receipts from customers		169,516	266,767
Cash paid to suppliers and employees		(169,963)	(275,485)
Cash used in operations		**(447)**	**(8,718)**
Interest received		233	454
Income taxes paid		(5,914)	(4,020)
Interest and other costs of finance paid		(6,780)	(7,646)
Net cash used in operating activities	32(b)	**(12,908)**	**(19,930)**
Cash flows from investing activities			
Recovery of receivables from equity accounted investees		804	2,200
Proceeds from sale of plant and equipment		834	299
Acquisition of plant and equipment		(1,095)	(1,233)
Payments for interest in exploration assets		(500)	(3,124)
Payments for equity accounted investees		-	(3,160)
Proceeds from redemption of preference shares	17	-	17,793
Proceeds from assets held for sale		-	1,019
Net cash from / (used in) investing activities		**43**	**13,794**
Cash flows from financing activities			
Corporate advisory fees		(379)	-
Payment of finance lease liabilities		(51)	(1,331)
Repayment of borrowings		-	(3,822)
Net proceeds from issue of shares		-	30,864
Net cash from financing activities		**(430)**	**25,711**
Net increase / (decrease) in cash and cash equivalents		**(13,295)**	**19,575**
Cash and cash equivalents at beginning of the period		29,250	9,675
Cash and cash equivalents at end of the period	32(a)	**15,955**	**29,250**

The accompanying notes are an integral part of these consolidated financial statements.

1. REPORTING ENTITY

AJ Lucas Group Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is 394 Lane Cove Road, Macquarie Park, NSW, 2113. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually referred to as 'Group entities').

AJ Lucas is a for-profit diversified infrastructure, construction and mining services group specialising in providing services to the energy, water and wastewater, resources and property sectors. It also holds investments in unconventional and conventional hydrocarbons in Europe and Australia.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AAS') including Australian interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB). The consolidated financial statements were authorised for issue by the Board of Directors on 18 August 2015.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value; and
- liabilities for cash-settled share-based payment arrangements are measured at fair value.

The methods used to measure material fair values are discussed in Note 5.

(C) GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business, for a period of at least 12 months from the date that these financial statements are approved.

The directors note the following events and conditions which have been considered in assessing the appropriateness of the going concern assumption:

- The Group generated a loss after tax for the period of $45.2 million primarily as a result of non-cash depreciation and amortisation charges of $20.3 million, impairment charges of $5.9 million, net finance costs of $24.3 million of which $6.8 million related to cash interest payments, as well as continued restructuring expenses;
- The Group used net cash of $12.9 million in its operating activities during the year primarily as a result of interest and other costs of finance paid of $6.8 million and income taxes paid of $5.9 million. The Group had cash and cash equivalents of $16.0 million available as at balance date;
- The Group's core markets have remained depressed throughout the period. The Group's future financial performance and cash flows will be driven by demand for its drilling, engineering and construction services, which in turn will be impacted by various factors which are outside its control. As such, forecasting carries an inherent degree of uncertainty; and
- The ongoing exposure to contingent liabilities as disclosed in Note 30.

In assessing the appropriateness of using the going concern assumption, the directors have had regard to the following matters:

- The ability of the Group to raise additional debt and/or equity, if and when required;
- The continuing support of Kerogen Investments No. 1 (HK) Limited ("Kerogen"), both as a substantial debtholder and shareholder of the Company, as evidenced by a letter of support provided by Kerogen;
- The reasonableness of the profitability and cash flow forecasts of the Group, which have been prepared by management on the basis of past experience, guidance and commentary provided by customers and competitors together with macroeconomic indicators;
- The arrangement summarised at Note 18 under which Centrica Plc ("Centrica") has provided certain commitments to fund exploration expenditure in respect of the Bowland and Elswick prospects;
- The implied value of the Group's investment in both Cuadrilla and also its direct holding in the Bowland and Elswick prospects, as evidenced by the partial sale of the Group's direct and indirect interests in the Prospects to Centrica in June 2013;
- The expected value of the Group's interest in other minor tenements;
- The ability of the Group to determine the extent and timing of its future contributions to Cuadrilla; and
- In light of the above, if the entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business at amounts different from those stated in the statement of financial position.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Australian dollars which is the Company's functional currency. The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

2. BASIS OF PREPARATION (continued)

(E) USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 14 – Inventories;
- Note 19 – Key assumptions used in discounted cash flow projections;
- Note 19 – Utilisation of tax losses;
- Note 27 – Valuation of financial instruments; and
- Note 30 – Contingencies.

(F) CHANGES IN ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these consolidated financial statements have been applied consistently to all periods presented. The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

Except for the changes explained above in Note 2 (F), the accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities.

3. SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. The excess of consideration transferred over the fair value of assets acquired is recognised as goodwill and is tested annually for impairment. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

SUBSIDIARIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is determined in relation to rights that give the Group the current ability to direct the activities that significantly affect returns from the Group's investment. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

The Group's interest in equity accounted investees comprise interests in joint ventures and an associate.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Jointly ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. A partial redemption of equity interests is accounted for by a reduction in the investment value equal to the cash redemption.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

JOINT OPERATIONS

An operation is a joint arrangement whereby the parties that jointly control the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated financial statements include the Group's share of assets and liabilities held jointly and the Group's share of expenses incurred and income earned jointly.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions, and any unrealised income and expenses, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(B) FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are not retranslated. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income.

FOREIGN OPERATIONS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

(C) FINANCIAL INSTRUMENTS

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit and loss, held to maturity financial assets, loans and receivables and available for sale financial assets.

NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES – RECOGNITION AND DE-RECOGNITION

The Group initially recognises loans and receivables and debt securities on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liabilities when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES – MEASUREMENT

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They comprise trade and other receivables.

Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Comprise cash balances and call deposits with original maturities of three months or less.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Other financial liabilities comprise loans and borrowings, bank overdrafts and trade and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments, including hedge accounting

The Group may from time to time hold derivative financial instruments. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognised in profit and loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit and loss in the same period or periods during which the hedged item affect profit and loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit and loss.

(D) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as a liability in the period in which they are declared.

(E) LEASES

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

LEASED ASSETS

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Group's statement of financial position.

LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(F) REVENUE

SERVICES RENDERED

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

CONSTRUCTION CONTRACTS

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the profit or loss.

(G) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, foreign currency losses and losses on financial instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(H) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

CURRENT TAX

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax unpaid at the end of the year is recognised as an income tax liability. Also included in income tax liability is outstanding current tax liabilities in relation to prior periods where contractually agreed payment plans have been put in place.

DEFERRED TAX

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- relating to investments in subsidiaries and associates and joint arrangements to the extent that it is probable that they will not reverse in the foreseeable future; and
- arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

TAX CONSOLIDATION

The Company and its wholly owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is AJ Lucas Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

NATURE OF TAX FUNDING ARRANGEMENTS AND TAX SHARING ARRANGEMENTS

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivables/(payables) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

(I) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share rights and options granted to employees and the options over the Company's ordinary shares.

(J) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities.

(K) CONSTRUCTION WORK IN PROGRESS

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of inventories in the statement of financial position for all contracts where costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position.

(L) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition are included in the cost of inventory. Net realisable value is the estimated selling price in the ordinary course of business.

(M) PROPERTY, PLANT AND EQUIPMENT

RECOGNITION AND MEASUREMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes cost of materials and direct labour, the costs of dismantling and removing the items and restoring the site on which they are located and any other costs attributable to bringing the assets to a working condition for their intended use. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

SALE OF NON-CURRENT ASSETS

The net gain or loss on disposal is included in profit or loss at the date control of the asset passes to the buyer, usually when an unconditional contract for sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

SUBSEQUENT COSTS

The cost of replacing part of an item of property, plant and equipment is capitalised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

DEPRECIATION

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, using the straight line method over the estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation is recognised in the profit and loss.

Estimated useful lives for the current and comparative periods are as follows:

	Years
Leasehold improvements	5
Buildings	33-40
Plant and equipment	3-15
Leased plant and equipment	3-15
Enterprise Development	6

The residual value, useful life and depreciation method applied to an asset are reviewed at each financial year-end and adjusted if appropriate at least annually.

(N) INTANGIBLE ASSETS

OTHER INTANGIBLE ASSETS

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(O) EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

In applying the exploration and evaluation asset recognition policy, and in determining recoverable amount management are required to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

Where the Group is party to a farm-in arrangement any proceeds or non-cancellable expenditure funded by the purchaser is recognised as disposal proceeds. The non-cancellable expenditure to be funded by the purchaser is recognised as a receivable carry asset within exploration assets in accordance with the Group's interest percentage. The assets disposed per the terms of the farm-in arrangement are treated as costs of disposal, alongside any other costs incurred, with the net profit or loss recognised in the income statement as incurred.

The cancellable portion of deferred consideration, and consideration contingent on a future event is disclosed as a contingent asset and is not recognised by the Group until it has actually been incurred or becomes non-cancellable, at which point, additional profit will be recognised in the profit and loss for these amounts.

(P) IMPAIRMENT

FINANCIAL ASSETS (INCLUDING RECEIVABLES)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised as profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

NON-FINANCIAL ASSETS

The carrying amounts of the Group's non-financial assets (other than inventories, construction work in progress and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Group's of assets ("the cash generating unit" or "CGU"). The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined,

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(Q) NON-CURRENT ASSETS HELD FOR SALE

Non-current assets, or disposal Group's comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(R) EMPLOYEE BENEFITS

DEFINED CONTRIBUTION SUPERANNUATION FUNDS

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

OTHER LONG-TERM EMPLOYEE BENEFITS

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods and related on costs. Benefits are discounted to determine their present value, using the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

TERMINATION BENEFITS

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

SHORT-TERM BENEFITS

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

SHARE-BASED PAYMENT TRANSACTIONS

The grant date fair value of share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(S) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

ONEROUS CONTRACTS

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following accounting standards, amendments to accounting standards and interpretations have been identified as those which may impact the Group in the period of initial adoption. They were available for early adoption for the Group's annual reporting period beginning 1 July 2014, but have not been applied in preparing this financial report.

AASB 9 FINANCIAL INSTRUMENTS

AASB 9 *Financial Instruments* replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets and the new general ledger hedge accounting requirements. It also carries forward the guidance and recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods on or after 1 July 2017, with early adoption permitted. The impact of this standard has yet to be quantified by the Group.

AASB 15 REVENUE FROM CONTRACTS

AASB 15 *Revenue from Contracts* with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and associated interpretations. The International Accounting Standards Board (IASB) decided in the July 2015 meeting to confirm its proposal to defer the effective date of IFRS 15 (the international equivalent of AASB 15) from 1 January 2017 to 1 January 2018. The amendment to give effect to the new effective date for IFRS 15 is expected to be issued in September 2015 . At this time, it is expected that the AASB will make a corresponding amendment to AASB 15, which will mean that the application date of this standard for the Group will move from 1 July 2017 to 1 July 2018. The impact of this standard has yet to be quantified by the Group.

There are also other amendments and revisions to accounting standards that have not been early adopted. These changes are not expected to result in any material changes to the Group's financial performance or financial position.

5. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Current replacement cost estimates reflect adjustment for physical deterioration as well as functional and economic obsolescence.

INTANGIBLE ASSETS

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

INVENTORIES

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables, excluding construction work in progress, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

DERIVATIVES

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate. Further disclosures relating to the fair value of derivatives with reference to Level 2 inputs are disclosed in Note 27.

5. DETERMINATION OF FAIR VALUES (continued)

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

SHARE-BASED PAYMENT TRANSACTIONS

The fair value of employee stock options are measured using the Monte Carlo pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on an evaluation of the Company's historic volatility, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

6. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Group's CEO reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Drilling	Drilling services to the coal industries for degasification of coal mines and associated services.
Engineering & construction (E&C)	Pipelines and associated construction and civil services. The Group is also the market leader in the installation of pipes including using horizontal directional drilling techniques.
Oil & gas	Commercialisation of unconventional and conventional hydrocarbons in Europe and Australia.

There are varying levels of integration between the Drilling and Engineering & Construction reportable segments. The accounting policies of the reportable segments are the same as described in Note 3.

Information regarding the results of each reportable segment is included below. Performance is assessed based on segment earnings before interest, income tax, depreciation and amortisation (EBITDA) and segment profit before interest and income tax. Inter-segment pricing is determined on an arm's length basis.

During the period the Group has re-evaluated the segmentation of certain interest bearing debt and taxation debt. These are now reported in the corporate segment, while previously they were partially allocated to strategic business units.

June 2015	Drilling $'000	E&C $'000	Oil & Gas $'000	Reportable Segments $'000	Corporate/ unallocated $'000	Eliminations $'000	Total $'000
Reportable segment revenue							
Revenue - services rendered	83,545	-	-	83,545	-	-	83,545
Revenue - construction contracts	-	61,483	-	61,483	-	-	61,483
Inter-segment revenue	6,343	-	-	6,343	-	(6,343)	-
Total consolidated revenue	**89,888**	**61,483**	**-**	**151,371**	**-**	**(6,343)**	**145,028**
EBITDA	**7,181**	**7,263**	**4,071**	**18,515**	**(13,241)**	**-**	**5,274**
Depreciation, amortisation and impairment	(16,247)	(3,032)	-	(19,279)	(6,931)	-	(26,210)
Finance income	-	-	-	-	1,967	-	1,967
Finance cost	-	-	-	-	(26,247)	-	(26,247)
Reportable segment profit / (loss)	**(9,066)**	**4,231**	**4,071**	**(764)**	**(44,452)**	**-**	**(45,216)**

June 2014	Drilling $'000	E&C $'000	Oil & Gas $'000	Reportable Segments $'000	Corporate/ unallocated $'000	Eliminations $'000	Total $'000
Reportable segment revenue							
Revenue - services rendered	94,189	-	-	94,189	-	-	94,189
Revenue - construction contracts	-	133,705	-	133,705	-	-	133,705
Inter-segment revenue	5,752	-	-	5,752	-	(5,752)	-
Total consolidated revenue	**99,941**	**133,705**	**-**	**233,646**	**-**	**(5,752)**	**227,894**
EBITDA	**9,076**	**(2,266)**	**2,128**	**8,938**	**(14,433)**	**-**	**(5,495)**
Depreciation, amortisation and impairment	(62,330)	(6,374)	-	(68,704)	(3,617)	-	(72,321)
Finance income	-	-	-	-	3,655	-	3,655
Finance cost	-	-	-	-	(17,532)	-	(17,532)
Reportable segment profit / (loss)	**(53,254)**	**(8,640)**	**2,128**	**(59,766)**	**(31,927)**	**-**	**(91,693)**

6. OPERATING SEGMENTS (continued)

June 2015	Drilling $'000	E&C $'000	Oil & Gas $'000	Reportable Segments $'000	Corporate/ unallocated $'000	Total $'000
Segment assets	68,663	34,710	125,356	228,729	2,538	231,268
Segment liabilities	(28,559)	(12,060)	(5,039)	(45,658)	(106,117)	(151,775)
Depreciation and amortisation	(15,461)	(3,032)	-	(18,493)	(1,817)	(20,310)
Share of profit of equity accounted investees	-	-	1,324	1,324	-	1,324
Equity accounted investments	-	-	103,997	103,997	-	103,997
Capital expenditure	1,051	36		1,087	8	1,095
Impairment of intangible asset	-	-	-	-	-	-
Impairment of plant and equipment	(786)	-	-	(786)	(5,114)	(5,900)
Impairment of equity accounted investee	-	-	-	-	-	-
Recovery of receivables from equity accounted investees	-	804	-	804	-	804
Impairment of receivable	-	-	-	-	-	-

June 2014	Drilling $'000	E&C $'000	Oil & Gas $'000	Reportable Segments $'000	Corporate/ unallocated $'000	Total $'000
Segment assets	91,265	39,803	109,832	240,900	15,087	255,987
Segment liabilities	(28,625)	(22,535)	(2,782)	(53,942)	(94,563)	(148,505)
Depreciation and amortisation	(15,288)	(2,542)	-	(17,830)	(2,495)	(20,325)
Share of loss of equity accounted investees	-	1,850	2,528	4,378	-	4,378
Equity accounted investments	-	-	87,573	87,573	-	87,573
Capital expenditure	827	93	-	920	301	1,221
Impairment of intangible asset	(35,640)	(3,832)	-	(39,472)	-	(39,472)
Impairment of plant and equipment	(11,402)	-	-	(11,402)	-	(11,402)
Impairment of equity accounted investee	-	(1,714)	-	(1,714)	-	(1,714)
Impairment of receivable	-	-	-	-	(1,122)	(1,122)

GEOGRAPHICAL INFORMATION

Geographical revenue and assets are based on the respective geographical location of customers and assets.

	Revenues		Non-current assets	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Australia	144,848	227,085	53,193	79,074
Europe	-	156	120,540	98,332
Asia/Pacific	180	653	-	-
	145,028	**227,894**	**173,733**	**177,406**

7. FINANCE INCOME AND FINANCE COSTS

	2015 $'000	2014 $'000
Interest income	**233**	**504**
Net change in fair value of derivative liability	1,734	3,151
Finance income	**1,967**	**3,655**
Interest expense	(14,762)	(14,366)
Amortisation of options and fees on debt facilities	(915)	(1,807)
Net foreign exchange loss	(10,570)	(1,359)
Finance costs	**(26,247)**	**(17,532)**
Net finance costs recognised in profit and loss	**(24,280)**	**(13,877)**

8. OTHER EXPENSES

Loss before income tax has been arrived at after charging the following items:

	2015 $'000	2014 $'000
Depreciation and amortisation of property, plant and equipment	20,310	20,325
Total depreciation and amortisation	**20,310**	**20,325**
Impairment of intangible asset	-	39,472
Impairment of plant and equipment	5,900	11,402
Impairment of equity accounted investees	-	1,714
Recovery of receivables from equity accounted investees	(804)	-
Impairment of receivables	-	-
Impairment of other receivables	-	1,122
Total impairments	**5,096**	**53,710**

9. AUDITOR'S REMUNERATION

	2015 $'000	2014 $'000
Audit services		
Auditors of the Company – EY Australia and other network firms		-
Audit and review of financial reports	280,000	-
Other professional services	247,010	-
Total Ex Australia and other network firms	**527,010**	**-**
Audit services		
Auditors of the Company – KPMG Australia and other firms		
Audit and review of financial reports	-	495,977
Other professional services	-	6,500
Total KPMG Australia and other firms	**-**	**502,477**

Other professional services related to tax advisory services.

10. INCOME TAX

	2015 $'000	2014 $'000
Recognised in profit or loss		
Current tax benefit		
Current year	(8,883)	(13,733)
Tax losses not recognised and temporary differences derecognised in current year	12,813	15,796
Total current tax benefit	**3,930**	**2,063**
Deferred tax expense recognised in profit or loss		
Origination and reversal of temporary differences	(3,930)	(2,063)
Prior year adjustment	199	1,009
Prior year tax losses not recognised	(199)	(1,009)
Total income tax expense / (benefit) in profit or loss	**-**	-
Current tax benefit recognised in the statement of changes in equity		
Current year	-	-
Total income tax benefit in equity	-	-
Numerical reconciliation between tax benefit and pre-tax net profit/(loss)		
Accounting loss before income tax	(45,216)	(91,693)
Prima facie income tax benefit calculated at 30%	(13,565)	(27,508)
Adjustment for:		
Equity settled share based payments	-	-
Equity accounted (gain)/loss	(1,126)	(1,314)
Non-deductible expenses	74	83
Non-deductible option expense	326	596
Non-assessable income	-	(140)
Effect of tax rate in foreign jurisdictions	(785)	-
Non-deductible finance cost	2,124	538
Impairment expenses	659	12,894
Fair value derivative option (gain)/loss non-assessable	(520)	(945)
Prior year tax losses not recognised	(199)	(1,009)
Current year tax losses not recognised	8,883	13,733
Current year temporary differences not recognised	3,930	2,063
	(199)	**(1,009)**
Income tax over-provided in prior year	199	1,009
Income tax expense / (benefit) attributable to operating loss	**-**	**-**

11. EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

The calculation of basic earnings per share at 30 June 2015 was based on the loss after tax attributable to ordinary shareholders of 2015 $45,216,000 (2014: loss after tax $91,693,000) and a weighted average number of ordinary shares outstanding of 267,383,816 (2014: 265,088,383) calculated as follows:

	2015 Number	2014 Number
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	267,383,816	211,528,273
Entitlement shares	-	53,560,110
Weighted average number of ordinary shares (basic) at 30 June	**267,383,816**	**265,088,383**

DILUTED EARNINGS PER SHARE

There were no dilutive potential ordinary shares outstanding at 30 June 2015 or 30 June 2014, therefore no adjustments have been made to basic earnings per share to arrive at diluted earnings per share. At 30 June 2015, 16,869,356 rights and options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

12. CASH AND CASH EQUIVALENTS

	2015 $'000	2014 $'000
Bank balances	**15,955**	**29,250**

13. TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Current		
Trade receivables (net of impairment losses)	24,952	16,528
Other receivables	1,914	2,287
Total trade and other receivables	**26,866**	**18,815**

No new impairment provisions are recognised against trade receivables and other receivables at 30 June 2015 (2014: $1,122,000).

14. INVENTORIES

	2015 $'000	2014 $'000
Materials and consumables	3,629	4,124
Construction work in progress	9,816	25,506
Total inventories	**13,445**	**29,630**

15. OTHER ASSETS

	2015 $'000	2014 $'000
Prepayments	**1,269**	**886**

Prepayment includes the deposit paid of $0.5m on the NSW Petroleum Exploration License (2014: $0), plant registration and insurances.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Land & buildings $'000	Plant & equipment $'000	Enterprise development $'000	Total $'000
30 June 2015					
At cost	7	3,977	142,889	11,254	158,127
Accumulated depreciation/amortisation	(6)	(707)	(92,967)	(11,254)	(104,934)
Carrying amount at 30 Jun 2015	**1**	**3,270**	**49,922**	**–**	**53,193**
30 June 2014					
At cost	7	3,912	143,632	11,162	158,713
Accumulated depreciation/amortisation	(5)	(597)	(74,647)	(4,390)	(79,639)
Carrying amount at 30 Jun 2014	**2**	**3,315**	**68,985**	**6,772**	**79,074**

RECONCILIATIONS

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Leasehold improvements $'000	Land & buildings $'000	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2014	2	3,315	68,985	6,772	79,074
Additions	–	65	938	92	1,095
Disposals	–	–	(766)	–	(766)
Impairment	–	–	(786)	(5,114)	(5,900)
Depreciation and amortisation	(1)	(110)	(18,449)	(1,750)	(20,310)
Carrying amount at 30 June 2015	**1**	**3,270**	**49,922**	**–**	**53,193**

	Leasehold improvements $'000	Land & buildings $'000	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2013	589	3,413	98,039	7,931	109,972
Additions	–	–	627	594	1,221
Disposals	(107)	–	(285)	–	(392)
Impairment	–	–	(11,402)	–	(11,402)
Depreciation and amortisation	(480)	(98)	(17,994)	(1,753)	(20,325)
Carrying amount at 30 June 2014	**2**	**3,315**	**68,985**	**6,772**	**79,074**

At 30 June 2015, an impairment charge of $0.8m was recognised based on management's assessment of recoverable amount reflecting the reduced demand for the Group's drilling services. An independent expert was engaged at 30 June 2015 to perform an independent valuation of the Group's plant and equipment, leading to a $0.8m impairment charge being recognised. Management also assessed the carrying value of enterprise development which resulted in a $5.1m impairment charge.

17. INVESTMENTS IN EQUITY ACCOUNTED INVESTEES

Name of investee	2015 %	2014 %	2015 $'000	2014 $'000
Cuadrilla Resources Holdings Limited (associate)	45.0%	45.0%	103,997	87,573
Marais-Lucas Technologies Pty Limited (joint controlled entity)	50.0%	50.0%	-	-
			103,997	**87,573**

The Group's share of profit of equity accounted investees is $1,324,000 (2014: $4,378,000). During both the current and the prior year, the Group did not receive dividends from any of its investments in equity accounted investees.

At 30 June 2015 balance date, the liabilities of Marais-Lucas Technologies Pty Limited exceeded its assets. As a result the Group investment in Marais-Lucas Technologies Pty Limited is fully impaired. The Group does not have any obligation to settle the liabilities of the investee.

Lucas Xtreme Drilling Pty Ltd is a dormant company with $1 share capital and net assets.

The following summarises the changes in the Group's ownership interest in associates:

	2015 $'000	2014 $'000
Balance at 1 July	87,573	95,762
Purchase of additional ownership interest	-	3,024
Redemption of preference shares in Cuadrilla Resources Holdings Limited	-	(17,793)
Impairment	-	(1,714)
Movement of foreign currency translation recognised in equity	15,100	3,916
Share of equity accounted profits / (losses) during the year	1,324	4,378
Balance at 30 June	**103,997**	**87,573**

Summary financial information for the equity accounted investees, not adjusted for the percentage ownership held by the Group, is as follows:

	2015			2014		
	Cuadrilla Resources Holdings Ltd $'000	Marais-Lucas Technologies Pty Ltd $'000	Total $'000	Cuadrilla Resources Holdings Ltd $'000	Marais-Lucas Technologies Pty Ltd $'000	Total $'000
Current assets	10,944	1,246	12,190	31,136	1,981	33,117
Non-current assets	237,660	400	238,060	116,838	1,098	117,936
Total assets	**248,604**	**1,646**	**250,250**	**147,974**	**3,079**	**151,053**
Current liabilities	5,386	6,939	12,325	7,251	7,918	15,169
Non-current liabilities	7,666	-	7,666	1,561	-	1,561
Total liabilities	**13,052**	**6,939**	**19,991**	**8,812**	**7,918**	**16,730**
Income	3,767	-	3,767	16,774	7,830	24,604
Expenses	(9,890)	(384)	(10,274)	(9,934)	(8,350)	(18,284)
Loss	**(6,123)**	**(384)**	**(6,507)**	**6,840**	**(520)**	**6,320**

18. EXPLORATION ASSETS

	2015 $'000	2014 $'000
Cost		
Carry asset	-	1,256
Bowland exploration asset	10,940	4,931
Elswick exploration asset	2,481	2,110
Bolney exploration asset	3,122	2,462
Total cost	**16,543**	**10,759**

The exploration assets comprise the Group's equity interest ("direct interest") in the above prospects and represents expenditure incurred. The Group is beneficially entitled to an additional interest ("indirect interest") in these prospects through its shareholding in the equity accounted associate, Cuadrilla Resources Holding Limited ("Cuadrilla") as shown below:

	Indirect Interest %	Direct Interest %	Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
Beneficial interest				
Bowland tenement	25.31	18.75	44.06	44.06
Elswick tenement	24.83	17.06	41.89	41.89
Bolney tenement	33.75	25.00	58.75	58.75

The indirect interest comprises Cuadrilla's equity interest in the respective prospect multiplied by the Group's equity interest in Cuadrilla as shown in Note 17.

FUTURE EXPENDITURE ON THE BOWLAND AND ELSWICK TENEMENTS

Deferred consideration comprised £60.0 million gross (£45 million net to pre-existing shareholders share) of the future expenditure on the tenements which will be paid by Centrica. At balance date £31.9 million in deferred consideration (£23.9 million net to pre-existing shareholders share) remained to be incurred and paid by Centrica. The Group's direct interest in the remaining deferred consideration is £6.0 million ($12.3 million) and will be recognised as an increase in the carrying value of the Group's' direct interest.

The contingent consideration comprises a further £60.0 million, of which £15.0 million ($30.7 million) is payable to the Group and £45.0 million is payable to Cuadrilla. Payment is contingent on Centrica not exercising its option to put its equity interest back to the vendors. The put option can be exercised at Centrica's discretion until certain operational conditions are met. The Group has not recognised the contingent consideration at balance date.

NET PROFIT INTERESTS

Lucas has a 10% net profit interest (NPI) in oil and gas leasehold interests in the Monument Prospect ("the Prospect") located in Trinity Country, East Texas, USA. The investment represents a contractual right to future income streams. No recent exploratory drilling has been conducted at the Prospect and the Company has therefore been unable to prepare a discounted cash flow analysis of the investment. Accordingly, the investment is currently fully impaired. Future exploration and evaluation activity may allow an assessment of future cash flows to be performed and a reassessment made of the carrying value.

19. DEFERRED TAX ASSETS AND LIABILITIES

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Tax Assets		Tax Liabilities		Net	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Consolidated						
Inventories	-	-	(1,103)	(1,237)	(1,103)	(1,237)
Equity accounted investments	-	-	(2,613)	(2,613)	(2,613)	(2,613)
Capitalised interest and borrowing costs	-	-	-	-	-	-
Property, plant and equipment	10,553	7,990	-	-	10,553	7,990
Impairment of trade debtors	-	462	-	-	-	462
Provisions for employee benefits	1,561	1,703	-	-	1,561	1,703
Trade creditors	361	423	-	-	361	423
Share raising costs	1,305	1,687	-	-	1,305	1,687
Other creditors and accruals	4,049	1,530	-	-	4,049	1,530
Unrealised foreign exchange differences	2,051	4,097	-	-	2,051	4,097
Deferred tax asset write down	(16,164)	(14,042)	-	-	(16,164)	(14,042)
Tax assets/(liabilities)	**3,715**	**3,850**	**(3,715)**	**(3,850)**	**-**	**-**
Set off of tax	(3,715)	(3,850)	3,715	3,850	-	-
Net assets/(liabilities)	**-**	**-**	**-**	**-**	**-**	**-**

Movement in temporary differences during the year:

2015	Balance 01 Jul 2014 $'000	Recognised directly in equity $'000	Recognised in profit or loss $'000	Balance 30 Jun 2015 $'000
Inventories	(1,237)	-	134	(1,103)
Equity accounted investments	(2,613)	-	-	(2,613)
Capitalised interest and borrowing costs	-	-	-	-
Property, plant and equipment	7,990	-	2,563	10,553
Doubtful debts impairment recognised	462	-	(462)	-
Provisions for employee benefits	1,703	-	(142)	1,561
Trade creditors	423	-	(62)	361
Share raising costs	1,688	-	(383)	1,305
Other creditors and accruals	1,530	-	2,519	4,049
Unrealised foreign exchange differences	4,097	-	(2,046)	2,051
Deferred tax asset written off	(14,042)	-	(2,122)	(16,164)
	-	**-**	**-**	**-**

19. DEFERRED TAX ASSETS AND LIABILITIES (continued)

2014	Balance 01 Jul 2013 $'000	Recognised directly in equity $'000	Recognised in profit or loss $'000	Balance 30 Jun 2014 $'000
Inventories	(1,553)	-	316	(1,237)
Equity accounted investments	(2,613)	-	-	(2,613)
Capitalised interest and borrowing costs	(36)	-	36	-
Property, plant and equipment	4,548	-	3,442	7,990
Doubtful debts impairment recognised	968	-	(506)	462
Provisions for employee benefits	2,335	-	(632)	1,703
Trade creditors	1,094	-	(672)	422
Share raising costs	1,301	-	387	1,688
Other creditors and accruals	2,246	-	(716)	1,530
Unrealised foreign exchange differences	3,689	-	408	4,097
Deferred tax asset written off	(11,979)	-	(2,063)	(14,042)
	-	-	-	-

UNRECOGNISED DEFERRED TAX ASSETS

As at 30 June 2015, the Group had not recognised deferred tax assets of $51,811,249 (2014: $42,169,262) in relation to income tax losses.

20. TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Current		
Trade payables	10,199	12,624
Other payables and accruals	27,209	32,608
Total trade and other payables	**37,408**	**45,232**

21. INTEREST-BEARING LOANS AND BORROWINGS

	2015 $'000	2014 $'000
Current		
Lease liabilities	164	149
Loans from related party	3,763	715
Total current interest-bearing loans and borrowings	**3,927**	**864**
Non-current		
Lease liabilities	56	122
Other borrowings	5,269	5,165
Loans from related party	69,612	57,042
Total non-current interest-bearing loans and borrowings	**74,937**	**62,329**

(A) FINANCING FACILITIES

	2015 $'000	2014 $'000
(i) The Group has access to the following lines of credit and bank guarantees		
Other borrowings	5,269	5,165
Lease liabilities	220	271
Loans from related party	75,375	57,757
Total accessable lines of credit and bank guarantees	**80,864**	**63,193**
Total facilities utilised at balance date:		
Other borrowings	5,269	5,165
Lease liabilities	220	271
Loans from related party	73,375	57,757
Total facilities utilised at balance data	**78,864**	**63,193**
Total facilities not utilised at balance date:		
Bank overdraft - secured	-	-
Lease liabilities - secured	-	-
Loans from related party	2,000	-
Total facilities not utilised at balance data	**2,000**	**-**

(B) LOANS AND BORROWING TERMS AND MATURITIES

	Currency	Interest Rate	Year of maturity	Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
Loans from related party	USD	15.00%	2017	72,875	57,757
Loans from related party	AUD	17.06%	2015	500	-
Other borrowings - secured	AUD	9.6%	2021	5,269	5,165
Finance lease liability	AUD	5.9%	2015-2017	220	271
Weighted average interest rate		14.6%			

LOANS FROM RELATED PARTY

Relates to finance facilities provided by Kerogen ("Kerogen debt") and are secured by a first ranking fixed and floating security interest over the Company and each of its operating and investment subsidiaries.

An AUD $2.5m facility has been provided by Kerogen to support the acquisition of the New South Wales Exploration Licenses of which $0.5m was drawn as at 30 June 2015.

21. INTEREST-BEARING LOANS AND BORROWINGS (continued)

OTHER BORROWINGS – SECURED

Relates to a non-current PAYG liability to the Australian Taxation Office (ATO) that forms part of the payment arrangement agreed with the ATO as described in Note 22 Income Tax Liabilities.

(C) FINANCING LEASE LIABILITIES

	2015 $'000	2014 $'000
Finance lease liabilities		
Payments		
Within one year	169	169
Between one and five years	58	129
Total payments	**227**	**296**
Less: interest		
Within one year	(5)	(20)
Between one and five years	(2)	(7)
Total interest	**(7)**	**(27)**
Total lease liabilities	**220**	**271**
Lease liabilities provided for in the financial statements:		
Current	164	149
Non-current	56	122
Total lease liabilities	**220**	**271**

The Group's lease liabilities are secured by the leased assets which, in the event of default, revert to the lessor.

(D) FINANCE LIABILITIES

	2015 $'000	2014 $'000
Bond and other facilities provided by surety entities		
Bond facilities in aggregate	4,209	6,947
Amount utilised	(4,209)	(6,947)
Unused bond facilities	–	–
Bank indemnity guarantee	104	140
Amount utilised	(104)	(140)
Unused facilities	–	–
Bank standby letter of credit	–	–
Amount utilised	–	–
Unused facilities	–	–

22. INCOME TAX LIABILITIES

The tax liabilities represent the amount of income tax payable in respect of prior financial periods. The Company has entered into a deferred installment arrangement with the Australian Taxation Office (ATO). The payment arrangement also covers a PAYG liability disclosed in interest bearing liabilities described in note 21. The ATO has a second ranking fixed and floating charge over the Group's assets. Interest is payable on this liability at the General Interest Charge (GIC), levied by the ATO. The residual tax payable has been classified according to the period in which it is due for payment in accordance with the deferred installment arrangement. Repayment of the income tax and PAYG liabilities is expected to be completed by 2021.

	2015 $'000	2014 $'000
Interest Bearing - Other borrowings	-	-
Income tax payable	8,247	5,480
Current Liabilities	**8,247**	**5,480**
Interest Bearing - Other borrowings	5,269	5,165
Income Tax liabilities	22,234	27,415
Non Current Liabilities	**27,503**	**32,580**
Total Tax Liabilities	**35,750**	**38,060**

23. DERIVATIVE LIABILITY

The derivative liability represents the fair value of the options granted over ordinary shares in the Company as a condition of the mezzanine facility provided to the Company in December 2011. The movement in the fair value of these options during the year was as follows:

	2015		2014	
	Number of Options	Carrying amount $'000	Number of Options	Carrying amount $'000
As at 1 July	11,159,356	1,765	11,159,356	4,916
Change in valuation	-	(1,734)	-	(3,151)
As at 30 June	**11,159,356**	**31**	**11,159,356**	**1,765**

The fair value of the options was calculated at balance date using a Monte Carlo pricing model. The following factors and assumptions were used in determining the fair value at 30 June 2015:

AJ Lucas share price on valuation date	$0.39
Options exercise price	1.54*
Risk-free interest rate	1.89
Dividend yield	0.0%
Expiry date	22 December 2015
Volatility of AJ Lucas shares	80% - 100%

* The exercise price of the options is the lower of a 20% premium to the five day volume weighted average price (VWAP) of the Company's shares ending on the date prior to exercise and $1.54 per share subject to a minimum exercise price of $1.19 per option. As a rational investor would only exercise the options provided the exercise price is below the share price at exercise date, the exercise price is assumed to be $1.54 per share.

24. OPERATING LEASES

OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into commercial leases on certain facilities, motor vehicles, office equipment and project based equipment. The Group has the option, under some of its leases, to lease the additional assets for additional terms. Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015 $'000	2014 $'000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	978	1,413
Between one and five years	273	1,082
Total non-cancellable operating lease rentals	**1,251**	**2,495**

During the financial year, $1,503,000 (2014: $2,402,000) was recognised as an expense in the profit and loss in respect of the operating leases.

25. EMPLOYEE BENEFITS

	2015 $'000	2014 $'000
Provision for employee benefits, including on-costs:		
Current	4,159	4,796
Non-current	832	624
Total employee benefits	**4,991**	**5,420**

SUPERANNUATION PLANS

Benefits provided under the superannuation funds to which the Group contributes are based on accumulated contributions and earnings for each employee in accordance with the Superannuation Guarantee Charge legislation. The amount recognised as an expense for the financial year was $3,408,571 (2014: $4,132,192).

EMPLOYEE SHARE PLAN

EMPLOYEE SHARE ACQUISITION PLAN

The employee share acquisition plan (ESAP) was closed on 13 November 2014. The ESAP was available to all eligible employees to acquire ordinary shares in the Company for no consideration as a bonus component of their remuneration. The shares could not be disposed until the earlier of three years from the date of issue or the date their employment with the Group ceased. No shares have been issued under the ESAP in the last four years. The Group has three employee incentive schemes approved by shareholders in annual general meetings. Total securities granted but unissued under these schemes cannot exceed 15% of the total number of shares on issue.

MANAGEMENT RIGHTS PLAN

The management rights and options plan is available to employees and other persons at the discretion of the Board. Nominated persons are granted rights and options to acquire shares in the Company. The exercise of rights is satisfied by the issue of shares for no consideration. The exercise of options is satisfied by the exercise price as agreed.

The number and weighted average exercise prices of rights and options at balance date are as follows:

The options outstanding at 30 June 2015 have an exercise price of $1.19 (2014: $1.19) and a weighted average contractual life of 0.48 years (2014: 1.4 years). During the year, the Group recognised as an expense $171,116 (2014: $178,427) in relation to share based payments. The expense is based on the fair value of options at grant date allocated over the vesting period. Fair value is determined using the Monte Carlo pricing model, based on the following assumptions.

	Weighted average exercise price 2015	Number of rights and options 2015	Weighted average exercise price 2014	Number of rights and options 2014
Outstanding at 1 July	$1.19	5,000,000	$1.19	5,000,000
Forfeited / cancelled	-	(290,000)	-	-
Outstanding at 30 June	$1.19	4,710,000	$1.19	5,000,000
Exerciseable at 30 June	**-**	**-**	**-**	**-**

Terms	Management	Former Chief executive officer
Grant date	29 November 2012	5 September 2012
AJ Lucas share price	$0.77	$0.65
Option exercise price (1)	$1.35	$1.35
Risk-free interest rate	2.68%	2.59%
Dividend yield	0.00%	0.00%
Term (2)	2.5 years	3.25 years
Volatility of Lucas shares	55%-65%	55%-65%
Fair value at grant date (cents per option)	12.5	10.6

(1) In accordance with the terms of the Option Deed, following the 1 for 1.25 Entitlement Offer commenced in June 2013 and completed in July 2013, the option exercise price was reduced from $1.35 per share applying on the initial grant of the options to $1.19. Similarly, the hurdle price at which the Company's shares must trade for at least 10 days in order for the options to vest was reduced from $2.50 applying on the grant of the options to $2.34.

(2) The management options vest as to 50% after two years of service and 100% after three years of service from grant date.

26. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders of the parent:

SHARE CAPITAL – ORDINARY SHARES

Details of the share placements, entitlements, exercise of options and associated costs recognised directly in equity are as follows:

2015	No. of Shares	$'000
On issue at 1 July 2014	267,383,816	339,670
On issue at 30 June 2015	**267,383,816**	**339,670**

2014	Issue Price Per Share $	No. of Shares	$'000
On issue at 1 July 2013		211,528,273	275,637
Entitlement offer	1.20	55,855,543	67,027
Transaction costs incurred	N/A	N/A	(2,994)
On issue at 30 June 2014		**267,383,816**	**339,670**

Holders of ordinary shares are entitled to receive dividends and, in the event of a winding up of the Company, to any proceeds of liquidation after all creditors and other stockholders have been paid in full.

On a show of hands, every holder of ordinary shares present at a shareholder meeting in person or by proxy is entitled to one vote and upon a poll, each share is entitled to one vote.

NATURE AND PURPOSE OF RESERVES

EMPLOYEE EQUITY BENEFITS RESERVE

The employee equity benefits reserve represents the expense associated with equity-settled compensation under the employee management rights incentive plans.

TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

HEDGING RESERVE

The hedging reserve comprises the effective portion of the cumulative net change in the present value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

OPTIONS

Allottee	Former Chief Executive Officer	Perpetual Nominees	Kerogen	Management
Number	3,750,000	1,000,000	11,159,356	960,000
Grant date	5-Sep-12	22-Dec-11	22-Dec-11	29-Nov-12
Expiry date	7-Dec-15	22-Dec-16	22-Dec-15	7-Dec-15
Exercise price	$1.19	$1.97	$1.19 - $1.54	$1.19

The fair value of options was calculated using a Monte Carlo simulation. Further details of the valuation of the Kerogen options are disclosed in Note 23. Further details of the valuation of the management and former chief executive officer options are disclosed in Note 25. The Perpetual Nominees options have been fully expensed in prior periods.

DIVIDENDS

No dividends in respect of the 2015 or 2014 financial years have been declared or paid.

DIVIDEND FRANKING ACCOUNT

The balance of franking credits available to shareholders of the Company as at 30 June 2015 $69,637,549 (2014: $62,966,276).

27. FINANCIAL INSTRUMENTS

OVERVIEW

The Group's activities expose it to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk (including currency and interest rate risks); and
- Operational risk.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

TRADE AND OTHER RECEIVABLES

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base consists of principally major corporations and State and local governments. The demographics of the Group's customer base, including the default risk of the industry and location in which the customers operate, has less of an influence on credit risk.

New customers are analysed individually for creditworthiness, taking into account credit ratings where available, financial position, past experience and other factors. This includes all major contracts and tenders approved by the Tender Review Committee.

In monitoring customer credit risk, customers are grouped by operating segment, then by their receivable ageing profile. Ongoing monitoring of receivable balances minimises exposure to bad debts.

A provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired.

INVESTMENTS

The Group limits its exposure to credit risk by only investing in liquid securities of short maturity issued by a reputable party or in readily marketable securities listed on a recognisable securities exchange. Given these investment criteria, management does not expect any counterparty to fail to meet its obligations.

EXPOSURE TO CREDIT RISK:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 $'000	2014 $'000
Trade and other receivables	26,866	18,815
Bank balances	15,955	29,250
Total exposure	**42,821**	**48,065**

27. FINANCIAL INSTRUMENTS (continued)

Maximum exposure to credit risk for loans and receivables at the reporting date by business segment was:

	2015 $'000	2014 $'000
Drilling	6,598	7,466
Engineering and construction	17,850	8,230
Oil and gas	273	492
Unallocated	2,145	2,627
Total exposure	**26,866**	**18,815**

IMPAIRMENT

The ageing of the Group's trade and other receivables at the reporting date was:

	Gross 30 June 2015 $'000	Impairment 30 June 2015 $'000	Gross 30 June 2014 $'000	Impairment 30 June 2014 $'000
Not past due	25,910	–	17,213	–
Past due up to 30 days	52	–	34	–
Past due 31 to 120 days	595	–	18	–
Past due 121 days to one year	309	–	91	–
Past due more than one year	1,122	(1,122)	2,581	(1,122)
	27,988	**(1,122)**	**19,937**	**(1,122)**

The impairment allowance is related to specific customers, identified as being in trading difficulties, or where specific debts are in dispute. The impairment allowance does not include debts past due relating to customers with a good credit history or where payments of amounts due under a contract for such customers are delayed due to works in dispute and previous experience indicated that the amount will be paid in due course.

When the Group is satisfied that no recovery of the amount owing is possible, the amounts considered irrecoverable are written off directly against the financial asset.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity is managed

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

			Total				
2015	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Trade and other payables	37,408	(37,408)	(37,408)	–	–	–	–
Loans from related party	73,375	(92,087)	(8,285)	(5,108)	(78,694)	–	–
Lease liabilities	220	(227)	(136)	(34)	(57)	–	–
Other borrowings	5,269	(8,419)	–	–	–	(4,219)	(4,200)
Income tax liability	30,481	(37,500)	(4,125)	(4,122)	(8,253)	(21,000)	–
Derivative financial liabilities							
Derivative liability	31	(31)	(31)	–	–	–	–
	146,784	**(175,672)**	**(49,985)**	**(9,264)**	**(87,004)**	**(25,219)**	**(4,200)**

2014	Carrying amount $'000	Total $'000	Total 6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Non-derivative financial liabilities							
Trade and other payables	45,232	(45,232)	(45,232)	-	-	-	-
Loans from related party	57,757	(83,130)	(3,448)	(3,513)	(9,062)	(67,107)	-
Lease liabilities	271	(296)	(64)	(156)	(49)	(27)	-
Other borrowings	5,165	(9,227)	-	-	-	-	(9,227)
Income tax liability	32,895	(43,340)	(2,730)	(2,750)	(8,247)	(25,053)	(4,560)
Derivative financial liabilities							
Derivative liability	1,765	(1,765)	(1,765)	-	-	-	-
	143,085	**(182,990)**	**(53,239)**	**(6,419)**	**(17,358)**	**(92,187)**	**(13,787)**

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

CURRENCY RISK

The Group operates internationally and is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily with respect to the US dollar.

The Group's foreign currency exposure primarily relates to borrowings, denominated in US dollars. This currency borrowing is substantially offset by the Group's investment in its equity accounted investee, Cuadrilla Resource Holdings Limited, whose functional currency is US dollars, and the directly owned exploration assets in oil and gas in England, held through subsidiaries whose functional currency is US dollars. However, while exchange gains or losses on borrowings are accounted for through the profit and loss account, translation gains or losses on the Cuadrilla investment and exploration assets are recorded through the translation reserve in equity until sold. Therefore, although the Group's investments provide a natural hedge on the US dollar borrowings, this is not reflected in the consolidated statement of comprehensive income due to the manner in which the investments are held.

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts in Australian dollars (in thousands):

2015	USD $'000	HKD $'000	Other $'000
Consolidated			
Trade and other receivables	273	21	-
Trade payables	(5,039)	(31)	
Interest-bearing liabilities	(72,875)	-	-
Net balance sheet exposure	**(77,641)**	**(10)**	**-**

2014	USD $'000	HKD $'000	Other $'000
Consolidated			
Trade and other receivables	-	652	-
Trade payables	(37)	-	(12)
Interest-bearing liabilities	(57,757)	-	-
Net balance sheet exposure	**(57,794)**	**652**	**(12)**

At 30 June 2015, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies with all other variables held constant, the Group post-tax loss and equity would have been $8,628,000 lower / $7,059,000 higher (2014: $6,337,000 lower / $5,207,000 higher).

27. FINANCIAL INSTRUMENTS (continued)

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2015	2014	2015	2014
USD	**0.8343**	0.8735	**0.7680**	0.9006
HKD	**6.4658**	6.9286	**5.9536**	6.9780

INTEREST RATE RISK

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Following shareholder approval at the 2013 Annual General Meeting of the variation in terms of the loan facilities offered by Kerogen, most of the Group's borrowings are at fixed rates.

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss for the Group.

Interest rate exposure is detailed as follows:

	2015 $'000	2014 $'000
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(73,595)	(58,028)
Total fixed rate instruments	**(73,595)**	**(58,028)**
Variable rate instruments		
Financial assets	15,955	29,250
Financial liabilities	(5,269)	(5,165)
Total variable rate instruments	**10,686**	**24,085**

At reporting date, the Group had the following variable rate borrowings:

	30 June 2015		30 June 2014	
	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Consolidated				
Other borrowings	9.56	5,269	9.69	5,165
Net exposure to cash flow interest rate risk		**5,269**		**5,165**

At 30 June 2015, with all other variables held constant, the Group post-tax loss and equity is affected through the impact on floating rate borrowings on a 0.10% movement higher or lower would have been $44,695 higher / $44,420 lower.

FAIR VALUES

FAIR VALUES VERSUS CARRYING AMOUNTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

2015	Carrying Amount $'000	Fair value $'000
Bank balances	15,955	15,955
Trade and other receivables	26,866	26,866
Trade and other payables	(37,408)	(37,408)
Lease Liabilities	(220)	(220)
Other borrowings	(5,269)	(5,269)
Loans from related party	(73,375)	(73,375)
Derivative liability	(31)	(31)
	(73,482)	**(73,482)**

2014	Carrying Amount $'000	Fair value $'000
Bank balances	29,250	29,250
Trade and other receivables	18,815	18,815
Trade and other payables	(45,232)	(45,232)
Lease Liabilities	(271)	(271)
Other borrowings	(5,165)	(5,165)
Loans from related party	(57,757)	(57,757)
Derivative liability	(1,765)	(1,765)
	(62,125)	**(62,125)**

Management have assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short term maturities of these assets and liabilities.

Management have assessed that the Group's other borrowings and loans from related parties fair values approximates their carrying amounts.

The fair value of the financial assets and liabilities is included at the amount which could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of assets and liabilities are derived with reference to Note 3.

FAIR VALUE HIERARCHY

Management have analysed the financial instruments carried at fair value, by valuation method (as discussed in Note 5). The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In order to determine the fair value of derivative financial liabilities, management used a valuation technique (as discussed in Note 5) in which all significant inputs were based on observable market data.

The following methods and assumptions were used in estimating the fair values of financial instruments:

- Loans and borrowings, and finance leases – present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date; and
- Trade and other receivables and payables – carrying amount equals fair value.

27. FINANCIAL INSTRUMENTS (continued)

CAPITAL MANAGEMENT

The Board policy is to maintain a capital base so as to provide sufficient financial strength and flexibility to conduct its business whilst maximising shareholder returns. The Board therefore seeks to have a moderate level of indebtedness to leverage return on capital having regard to the Company's cash flow and the ability to service these borrowings.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2015 $'000	2014 $'000
Total liabilities	151,775	148,505
Less: cash and cash equivalents	(15,955)	(29,250)
Net debt	**135,820**	**119,255**
Total equity	79,493	107,482
Net debt to equity ratio at 30 June	**1.71**	**1.11**

28. INTERESTS IN JOINT OPERATIONS

All joint operations above are domiciled in Australia.

			Participation interest		Contribution to operating results	
	Principal activities	Principal place of business	2015 %	2014 %	2015 $'000	2014 $'000
Southern SeaWater Alliance	Construction and operation of desalination plant	Level 2, 1 Adelaide Terrace, East Perth 6004	19	19	1,174	607
VSL Australia - AJ Lucas Operations Joint Venture	Construction of water related infrastructure	6 Pioneer Avenue, Thornleigh 2120	50	50	267	786
AJ Lucas - Spiecapag Project 1	Construction of gas infrastructure	616 Boundary Road, Richlands 4077	50	50	3,274	7,384
AJ Lucas - Spiecapag Project 2	Construction of gas infrastructure	616 Boundary Road, Richlands 4077	40	-	3,769	-

Included in the assets and liabilities of the Group are the following assets and liabilities employed in the joint operations:

	2015 $'000	2014 $'000
Assets		
Current assets		
Cash and cash equivalents	4,293	7,416
Trade and other receivables	8,608	208
Construction work in progress	-	1,600
Other	9	31
Total assets	**12,910**	**9,255**
Liabilities		
Current liabilities		
Trade and other payables	8,176	5,583
Total liabilities	**8,176**	**5,583**

29. CONSOLIDATED ENTITIES

The financial statements at 30 June 2015 include the following controlled entities. The financial years of all the controlled entities are the same as that of the parent entity.

	Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %
Parent entity			
AJ Lucas Group Limited			
Controlled entities			
Australian Water Engineering Pty Limited	Australia	100	100
AJ Lucas Operations Pty Limited	Australia	100	100
AJ Lucas Plant & Equipment Pty Limited	Australia	100	100
AJ Lucas Drilling Pty Limited	Australia	100	100
Lucas Shared Services Pty Limited	Australia	100	100
AJ Lucas Testing Pty Limited	Australia	100	100
Lucas Operations (WA) Pty Limited	Australia	100	100
Lucas Engineering and Construction Pty Limited	Australia	100	100
AJ Lucas Joint Ventures Pty Limited	Australia	100	100
AJ Lucas (Hong Kong) Limited	Hong Kong	100	100
Lucas Drilling Pty Limited	Australia	100	100
Subsidiaries of Lucas Drilling Pty Limited			
Mitchell Drilling Corporation Pty Limited	Australia	100	100
Lucas Contract Drilling Pty Limited	Australia	100	100
Subsidiary of Lucas Contract Drilling Pty Limited			
McDermott Drilling Pty Limited	Australia	100	100
Ketrim Pty Limited	Australia	-	100
Stuart Painting Services Pty Limited	Australia	-	100
Jaceco Drilling Pty Limited	Australia	100	100
Geosearch Drilling Service Pty Limited	Australia	100	100
257 Clarence Street Pty Limited	Australia	100	100
Lucas SARL	New Caledonia	100	100
Lucas Energy (Holdings) Pty Limited	Australia	100	100
Subsidiaries of Lucas Energy (Holdings) Pty Limited			
Lucas (Arawn) Pty Limited	Australia	100	100
Lucas Energy (WA) Pty Limited	Australia	100	100
Lucas Power Holdings Pty Limited	Australia	100	100
Lucas Cuadrilla Pty Limited	Australia	100	100
Lucas Holdings (Bowland) Limited	England	100	100
Subsidiaries of Lucas Holdings (Bowland) Limited			
Lucas Bowland (UK) Limited	England	100	100
Lucas Bowland (No. 2) Limited	England	100	100
Elswick Power Limited	England	100	100
Lucas Holdings (Bolney) Limited	England	100	100
Subsidiaries of Lucas Holdings (Bolney) Limited			
Lucas Bolney Limited	England	100	100

During 2015 the following companies have been deregistered:

Ketrim Pty Ltd, Stuart Painting Services Limited

30. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

(i) Under various joint operations (see note 28), the relevant AJ Lucas Group company is jointly and severally liable for all the liabilities incurred by the joint operation. As at 30 June 2015, the assets of the joint operation were sufficient to meet such liabilities. The liabilities of the joint ventures not included in the consolidated financial statements amounted to $12,268,000 (2014 $13,906,000).

(ii) During the normal course of business, entities within the Group may incur contractor's liability in relation to their performance obligations for specific contracts. Such liability includes the potential costs to carry out further works and/or litigation by or against those Group entities. Provision is made for the potential costs of carrying out further works based on known claims and previous claims history, and for legal costs where litigation has been commenced. While the ultimate outcome of these claims cannot be reliably determined at the date of this report, based on previous experience, amounts specifically provided, and the circumstances of specific claims outstanding, no additional costs are anticipated. Certain claims and counterclaims are outstanding but not detailed on the basis that further disclosure may seriously prejudice the Group's position in regards to these matters. Provisions have been made for such claims to the extent required under Australian Accounting Standards.

(iii) Under the terms of the Class Order described in note 34, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

(iv) Under a purchase agreement for the Group's interest in the Elswick tenement, the company has a further contingent liability to pay the seller US$1,900,000 ($2,473,958) provided the buyer of the Bowland interest does not exercise its options as disclosed in note 18.

COMMITMENTS

At 30 June 2015, the Group had no commitments contracted but not provided for and payable within one year (2014: nil) for the purchase of new plant and equipment.

31. PARENT ENTITY DISCLOSURES

As at 30 June 2015 and 2014, and throughout the financial years then ended, the parent entity of the Group was AJ Lucas Group

	2015 $'000	2014 $'000
Results of the parent entity		
Loss for the year	(39,317)	(88,369)
Total loss for the year	**(39,317)**	**(88,369)**
Financial position of the parent entity at year end		
Current assets	-	2,282
Total assets	183,733	260,532
Current liabilities	12,379	68,578
Total liabilities	104,241	153,050
Total equity of the parent entity comprises:		
Share capital	339,670	339,670
Employee equity benefit reserve	4,643	4,473
Accumulated losses	(264,820)	(236,661)
Total equity	**79,493**	**107,482**

Parent entity commitments and contingencies

The parent entity has guaranteed, to various unrelated parties, the performance of various subsidiaries in relation to various contracts. In the event of default, the parent entity undertakes to meet the contractual obligations of the relevant subsidiary.

PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The Company has entered into a Deed of Cross Guarantee, as disclosed in note 34, with the effect that the Company guarantees debts in respect of its subsidiaries, and the subsidiaries may provide financial assistance to the Company.

32. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2015 $'000	2014 $'000
(A) RECONCILIATION OF CASH		
For the purposes of the consolidated statement of cash flows, cash includes cash at bank, cash on hand and bank overdrafts.		
Cash assets	15,955	29,250
Total cash	**15,955**	**29,250**
(B) RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	(45,216)	(91,693)
Adjustments for:		
Interest on capitalised leases	50	48
Accrued interest converted into borrowings	3,116	4,447
Increase in accrued interest	1,776	307
Interest payable offset against new loan proceeds	500	-
(Profit) / Loss on sale of non-current assets	(143)	71
Interest income receivable	-	(52)
Share based payments expense	171	178
Loss on sale of assets held for sale	-	33
Loss on foreign currency loan	10,570	1,359
Fair value adjustment in derivative liability	(1,734)	(3,151)
Share of overhead expenses for exploration assets	-	204
Share of profit of equity accounted investees	(1,324)	(2,528)
Revenue recognised on farm-in	(3,025)	-
Impairment of intangible asset	-	39,472
Impairment of property, plant and equipment	5,900	11,402
Recovery of receivables from equity accounted investees	(804)	(1,850)
Impairment of other receivables	-	1,122
Corporate advisory fees	379	-
Decommissioning liability on exploration assets	(1,500)	-
Depreciation and amortisation	20,310	20,325
Amortisation of borrowing costs (included in interest-bearing liabilities)	915	1,807
Commitment fees paid	(610)	(1,322)
Operating loss before changes in working capital and provisions	**(10,669)**	**(19,821)**
Change in receivables	(8,051)	19,883
Change in other current assets	117	1,092
Change in inventories	16,185	(220)
Change in payables	(7,647)	(18,971)
Change in provisions for employee benefits	(429)	(1,113)
Change in tax balances	(2,414)	(780)
Net cash used in operating activities	**(12,908)**	**(19,930)**

32. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (continued)

(C) NON-CASH FINANCING AND INVESTMENT ACTIVITIES

During the year, AJ Lucas Group entered into an agreement with Lawndale Pty Ltd to acquire three petroleum exploration licenses in NSW. A deposit of $0.5 million had been paid during the year. The deposit was funded by a new Australian dollar denominated loan provided by Kerogen Investments No. 1 (HK) Limited by a set off arrangement against an equivalent amount of interest payable under the existing debt facility.

Under the terms of the US dollar denominated debt facility provided by Kerogen Investments No.1 (HK) Limited, as disclosed in Note 21, interest of $3.1 million has been capitalised into the principal of the loan.

(D) FINANCING ARRANGEMENTS

Refer to Note 21

33. RELATED PARTIES

ENTITY WITH SIGNIFICANT INFLUENCE

In comparative financial years, Kerogen Investments No. 1 Limited (Kerogen) participated in various equity raisings through debt to equity swaps, increasing its shareholding of the Company's issued share capital. Should Kerogen choose to exercise its options, its shareholding on a fully diluted basis would increase to 53.5%.

At various times, Kerogen has also either provided or arranged short term and senior debt facilities to the Company. Total interest and borrowing costs incurred on those loans totaled $11,837,000 (2014: $12,273,000) with $6,573,000 (2014: $2,237,000) being paid in cash. Balances outstanding at balance date are disclosed in Note 21.

Under the terms of the mezzanine facility provided by Kerogen to the Company, Kerogen also has the right to appoint two directors. Kerogen has partially exercised this right with Julian Ball being appointed a director. The Lucas Group continues to rely on Kerogen for financial support. Refer to note 2(C) for further details.

Under the terms of the PEL loan, the Group has an obligation to transfer the titles to the Petroleum Exploration Licenses purchased with the loan funds to Kerogen, at either Kerogen's option, or where the Group does not repay the loan on by the maturity date.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

	2015 $'000	2014 $'000
Short-term employee benefits	2,272,221	1,930,427
Other long-term benefits	27,269	33,994
Post-employment benefits	78,238	52,974
Termination benefits	-	1,002,868
Share based payments	11,891	136,085
Total key management personnel compensation	**2,389,619**	**3,156,348**

Information regarding individual director and executives compensation disclosures and some equity instrument disclosure, as required by the Corporations Act chapter 2M, is provided in the Remuneration Report section of the Director's Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

KEY MANAGEMENT PERSONNEL TRANSACTIONS WITH THE COMPANY OR ITS CONTROLLED ENTITIES

A number of key management persons, or their related parties, hold or held positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Services were provided through the contracting entity. Such services were provided in the ordinary course of business and on normal terms and conditions in all instances. The amount payable for these services is included in the amounts disclosed in the Remuneration Report.

The aggregate amounts recognised during the year relating to key management personnel and their related parties, were as follows:

Key Management person	Contracting entity	Transaction	2015 $'000	2014 $'000
Allan Campbell (1)	Argyll Capital Partners Pty Ltd	Executive director services	-	381,250
Phillip Arnall	Felix Ventures Pty Ltd	Non-Executive director services	145,000	224,050
Genelle Coghlan	Dunblane Pty Ltd	Non-Executive director services	-	110,000
Martin Green	BRI Ferrier (NSW) Pty Ltd	Non-Executive director services	-	100,000
Julian Ball	Kerogen Capital Limited	Non-Executive director services	100,000	89,167
Ian Meares (2)	Autonome Pty Ltd	Non-Executive director services	95,000	7,917
		Other consulting fees	42,000	-
Andrew Purcell (3)	Lawndale Group	Non-Executive director services	95,000	7,917
		Other consulting fees	68,875	-

(1) During the year ended 30 June 2014 the company recognised a liability of $550,000 payable, subject to a number of contingencies, to Allan Campbell. As at 30 June 2015 this payment remains unpaid in accordance with the settlement terms of the contract.

(2) Ian Meares provided the company with consulting advice in addition to his director's duties, and was remunerated on commercial terms.

(3) See below for further details of transactions with Lawndale Group.

TRANSACTIONS WITH LAWNDALE GROUP

During the year the company entered into an agreement with Lawndale Group, a company controlled by Andrew Purcell, to purchase three Petroleum Exploration Licences in New South Wales as well as an interest in drilling and exploration equipment for $2.5 million, which Mr Purcell had agreed to purchase from Dart Energy Limited. The Group has paid a deposit of $500,000 directly to Dart Energy Limited. As part of the agreement Mr Purcell has committed to providing certain geological advice at his cost for a period up to 3 years, in order to continue to maintain and develop the licenses.

The purchase was funded by a loan facility provided by Kerogen No.1 Limited as disclosed in note 21.

Additionally, the company entered into a separate agreement with Lawndale Group for the provision of project management and consulting services which were considered to be arm's length and below market rates. During the year $68,875 was paid to Lawndale Group for these services.

OTHER RELATED PARTIES

The Group has a related party relationship with its subsidiaries (see note 30) and joint operations (see note 29). These entities trade with each other from time to time on normal commercial terms. No interest is payable on inter-company balances.

34. DEED OF CROSS GUARANTEE

On 16 June 2008, several of the entities in the Group entered into a Deed of Cross Guarantee. Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the Group's wholly owned subsidiaries entering into the Deed are relieved from the Corporations Act 2001 requirements to prepare, have audited and lodge financial reports, and directors' reports.

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

Name of entity	
AJ Lucas Operations Pty Limited	Jaceco Drilling Pty Limited
Lucas Engineering & Construction Pty Limited	Geosearch Drilling Service Pty Limited
AJ Lucas Plant & Equipment Pty Limited	Lucas Energy Holdings Pty Limited
AJ Lucas Drilling Pty Limited	Lucas Energy (WA) Pty Limited
Lucas Shared Services Pty Limited	Lucas (Arawn) Pty Limited
AJ Lucas Testing Pty Limited	Lucas Power Holdings Pty Limited
Lucas Operations (WA) Pty Limited	Mitchell Drilling Corporation Pty Limited
AJ Lucas Joint Ventures Pty Limited	McDermott Drilling Pty Limited
Lucas Drilling Pty Limited	
Lucas Contract Drilling Pty Limited	

A consolidated summarised statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2015 are set out on the following page:

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 30 June 2015 $'000	Year ended 30 June 2014 $'000
Loss before income tax	(49,422)	(96,497)
Income tax expense	-	-
Loss after tax	(49,422)	(96,497)
Accumulated losses at the beginning of the year	(248,487)	(151,990)
Accumulated losses at end of the year	**(297,909)**	**(248,487)**

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2015 $'000	2014 $'000
CURRENT ASSETS		
Cash and cash equivalents	11,902	18,232
Trade and other receivables	26,593	18,323
Inventories	13,424	29,630
Other assets	1,269	886
Total Current Assets	**53,188**	**67,071**
NON-CURRENT ASSETS		
Trade and Other Receivables	84,328	95,592
Exploration assets	0	0
Property, plant and equipment	53,193	79,074
Total Non-Current assets	**137,521**	**174,666**
Total Assets	**190,709**	**241,737**
CURRENT LIABILITIES		
Trade and other payables	29,936	42,808
Interest bearing loans and borrowings	3,927	864
Income tax liabilities	8,247	5,480
Derivative liabilities	31	1,765
Employee benefits	4,159	4,796
Total Current Liabilities	**46,300**	**55,713**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	74,937	62,329
Income tax liability	22,234	27,415
Employee benefits	832	624
Total non-current liabilities	**98,004**	**90,368**
Total liabilities	**144,303**	**146,081**
Net assets	**46,405**	**95,656**
EQUITY		
Share capital	339,670	339,670
Reserves	4,644	4,473
Retained earnings	(297,909)	(248,487)
Total Equity	**46,405**	**95,656**

35. EVENTS SUBSEQUENT TO BALANCE DATE

In July 2015, Cuadrilla announced it will appeal LCC's decisions to refuse planning consent for two applications for temporary shale gas exploration sites at Preston New Road and Roseacre Wood. Cuadrilla also announced it will be appealing the refusal of a separate planning application to install seismic and ground water monitoring stations around the proposed Preston New Road exploration site. A similar planning application was granted for monitoring works around the proposed Roseacre Wood exploration site. Cuadrilla will also appeal against certain conditions imposed on this planning consent.

Also the Company was granted approval under the USD facility to defer the interest payment due at the end of July 2015 totalling $1.6 million for a period of three months whilst the company undertakes a review of its capital structure.

Other than the matters above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' Declaration

1 In the opinion of the directors of AJ Lucas Group Limited (the Company):

(a) the consolidated financial statements and notes, that are contained in pages 37 to 39 and the Remuneration Report included in the Directors' Report, set out on pages 17 to 35, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the group entities identified in note 29 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

4 The directors draw attention to note 2(A) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Phillip Arnall,
Chairman

Dated at Sydney, this 18th day of August 2015

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Independent auditor's report to the members of AJ Lucas Group Limited

Report on the financial report

We have audited the accompanying financial report of AJ Lucas Group Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company AJ Lucas Group Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Opinion

In our opinion:

a. the financial report of AJ Lucas Group Limited is in accordance with the *Corporations Act 2001*, including:

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i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Emphasis of matter regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2 (c) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern.

These conditions, along with other matters as set forth in Note 2 (c) indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business without the ongoing financial support of Kerogen Investments No.1 (HK) Limited as a substantial shareholder and financier.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AJ Lucas Group Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
18 August 2015

Australian Securities Exchange Additional Information

DISTRIBUTION OF ORDINARY SHARES (AS AT 31 AUGUST 2015)

Securities held	Ordinary shares	Employee incentive scheme options	Perpetual Nominees options	Kerogen options
1 - 1,000	698	-	-	-
1,001 - 5,000	902	-	-	-
5,001 - 10,000	328	-	-	-
10,001 - 100,000	437	11	-	-
100,001 and over	73	3	2	1
Total	**2,438**	**14**	**2**	**1**

TWENTY LARGEST ORDINARY SHAREHOLDERS

Name	Number of ordinary shares held	% of Issued shares
Kerogen Investments No. 1 (HK) Limited	140,571,253	52.58
Mr Paul Fudge	33,127,900	12.39
Andial Holdings Pty Limited	11,990,000	4.48
Brispot Nominees Pty Ltd <House Head Nominee No 1 A/C	7,339,932	2.75
J P Morgan Nominees Australia Limited	6,937,317	2.59
National Nominees Limited	6,724,336	2.51
Citicorp Nominees Pty Limited	6,261,083	2.38
Toolebuc Investments Pty Limited	4,606,140	1.72
Amalgamated Dairies Limited	4,129,348	1.54
HSBC Custody Nominees (Australia) Limited – A/C 3	3,121,933	1.17
Milson Investments Pty Ltd	2,707,817	1.01
HSBC Custody Nominees (Australia) Limited	2,383,410	0.89
HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,288,444	0.86
Forsyth Barr Custodians Ltd <Forsyth Barr Ltd-Nominee A/C	1,464,999	0.55
CS Fourth Nominees Pty Ltd	1,374,341	0.51
Ademsa Pty Ltd	1,000,854	0.37
Mr Mark Hamish Lochtenberg & Mr Michael Lochtenberg	726,000	0.27
Mr Ross Alexander Macpherson	700,000	0.26
ABN Amro Clearing Sydney Nominees Pty Ltd (Custodian a/c)	551,914	0.21
Benchmark Pty Ltd	514,000	0.19
	238,521,021	**89.19**

SUBSTANTIAL SHAREHOLDERS

Name	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1 (HK) Limited	137,861,657	51.60
Mr Paul Fudge	33,127,900	12.39
Andial Holdings Pty Limited	17,490,000	6.54
Amalgamated Dairies Limited	16,220,348	6.07

UNQUOTED EQUITY SECURITIES

Kerogen Options

Kerogen Investments No. 1 (HK) Limited holds 11,159,356 Kerogen options representing 100% of that class of options.

Perpetual Nominees Options

Perpetual Nominees Options	No. of Options	% of that class of options
Perpetual Nominees Limited as custodian for TTPE 07 No. 3 Limited	496,665	50.0
Perpetual Nominees Limited as custodian for Goldman Sachs Australia Private Equity (A Units) Pty Limited as trustee for the Goldman Sachs Trans-Tasman Private Equity Fund 07 Trust D	503,335	50.0
TOTAL	**1,000,000**	**100.0**

VOTING RIGHTS

Ordinary shares – Refer to note 26 of the financial statements.

Options – These are no voting rights attached to the options.

Directory

COMPANY SECRETARY

Marcin Swierkowski - BA Com, CA, MBA (exec)

Registered office:

394 Lane Cove Road
MACQUARIE PARK NSW 2113
Tel +61 2 9490 4000
Fax +61 2 9490 4200

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
ADELAIDE SA 5000
GPO Box 1903
ADELAIDE SA 5001

Enquiries within Australia: 1300 556 161
Enquiries outside Australia: +61 3 9615 5970
Email: web.queries@computershare.com.au
Website: www.computershare.com

STOCK EXCHANGE

The Company is listed on the Australian Securities Exchange with the code 'AJL'. The Home Exchange is Sydney.

AUDITORS

Ernst & Young
680 George Street
SYDNEY NSW 2000

QUALITY CERTIFIERS (AS/NZS ISO 9001:2008)

Bureau Veritas Australia Pty Limited

AUSTRALIAN BUSINESS NUMBER

12 060 309 104

OTHER INFORMATION

AJ Lucas Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

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