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## ASX Announcement/Media Release AJ Lucas Releases its 2009 Audited Financial Statements

AJ Lucas released today its audited financial statements for the year ended 30 June 2009. The audited results are summarised as follows:

	2009	2008
	\$million	\$million
Total Revenue	499.2	424.3
EBITDA	201.6	38.2
EBIT	177.7	26.8
Profit before tax	164.2	21.2
Net profit attributable to members	103.3	14.0
Earnings per share	156.1c	25.5c

The audited financial statements include an impairment write down of \$64.2 million, being a provision for the amount of the Company's investment in an oil and gas venture in the Monument Prospect ("the Prospect") located in Trinity County, East Texas and services provided thus far in relation to the development of this prospect. This differs from the results reported in the Preliminary Final Report released to the ASX on 27 August 2009 which included no such provision.

The difference in carrying value follows a change in the classification of the investment to an intangible asset and the application of a different accounting standard. Documentation relating to this investment has now been completed which, inter alia, entitles Lucas to a 10% net profit interest ("NPI") comprising:

- a 10% interest, in the gross production revenue earned from the oil and gas leases less all costs incurred in acquiring and developing the Prospect and generating the revenue; and
- a 10% interest, in the gross proceeds from the sale or transfer of the leasehold interests less all costs incurred in acquiring and developing the Prospect at the time of sale or transfer.

Lucas does not hold a NPI that is registrable on title or any direct interest in the oil and gas leasehold interests in the Prospect.

In the unaudited financial results previously released to the market on 27 August 2009, the investment was considered to be an investment in an exploration and evaluation asset and reported at cost. For such assets, under Australian Accounting Standard 6 *Exploration for and Evaluation of Mineral Resources*, there is no requirement to assess whether an indicator of impairment exists until the entity has sufficient information to reach a conclusion about the commercial viability and feasibility of extraction.

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The investment documentation now having been completed, the Directors and the Company's auditors, KPMG, consider that the investment has the characteristics of an intangible asset, rather than an exploration and evaluation asset. Australian Accounting Standard 138 *Intangible Assets* requires such assets to be tested for impairment.

Having regard to the early stage of the Prospect's commercialisation, and the fact that drilling has yet to be undertaken (scheduled for this financial year), neither the Directors nor the auditors are in a position at this stage to form a firm view as to its valuation. Accordingly, the Directors have decided to make an impairment provision for the entire amount of the investment in the Prospect.

The Prospect is an exploration project located in Trinity County, East Texas. It is an evolving investment with acreage being aggressively accumulated. To date, approximately 61,000 acres has been acquired. It is a high potential prospect exploring for hydrocarbons trapped due to compartmentalized reservoirs. The reservoir compartments are due to hydrocarbon source rocks, especially the Haynesville, Bossier and Cotton Valley that overlie a massive salt formation. Salt at a high pressure and temperature has the ability to be fluid and creeps or flows. These salt movements crack and move overlying rock formations causing traps that can hold or "trap" hydrocarbons in place. It is this trapping mechanism that makes the Prospect highly prospective for the presence of hydrocarbons.

The partners to this venture consider that the Prospect, situated near known and producing oil and gas acreage, to be highly prospective but to have been previously overlooked. Consequently, the area has not been drilled to any significant extent. Until such time as the Prospect is drilled, it is not possible to form a firm view as to the value of the acreage.

Extraction technologies for the recovery of unconventional hydrocarbons have made significant progress during the past 10 years and Lucas has been heavily involved in the development of some of these, especially as far as coal seam gas in Australia is concerned. Unconventional hydrocarbons, considered to be uncommercial as little as 10 years ago, now account for a large proportion of America's energy requirements. Notably, the Haynesville shale gas play, located approximately 150kms to the north of Trinity County, is estimated to contain 250 TCF of recoverable gas (JP Morgan, June 2009).

Having regard to the geological characteristics of the Prospect, the Company has high expectations for its investment, notwithstanding the accounting treatment that has been adopted. Following drilling and further evaluation analysis, the Directors will reassess the carrying value of this investment.

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**About AJ Lucas Group Limited**

AJ Lucas is a leading provider of both specialist infrastructure and mining services. It is the leading supplier of drilling services to Australia's coal and coal seam gas industries. It is also Australia's largest builder of long distance gas pipelines. Other divisions provide gas management services to the coal and coal seam gas industry, construction, civil and property services.