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ASX Announcement/Media Release

Higher AJ Lucas annual dividend reflects confidence in future earnings growth

- Revenue up 17.6% to record $499 million
- EBITDA up 15.3% to $44.1 million
- Annual dividend up by further 31% to 10.5 cents per share
- Positive long-term outlook after difficult year
- $221 million pre-tax profit from sale of Gloucester Basin and Sydney Gas energy sector investments

Leading Australian mining and infrastructure services company, AJ Lucas Group Limited (ASX: AJL), has increased its annual dividend by a further 31% to 10.5 cents per share despite "unsatisfactory" results for the year ended 30 June 2009.

AJ Lucas Group Chairman and CEO, Mr Allan Campbell, said the higher annual dividend – which follows a 220% dividend lift in the previous financial year - was being paid more in expectation of much stronger results in the future rather than based on the disappointing performance of the past year.

Despite a 17.6% improvement in group revenue to a record $499.2 million, the Company's underlying earnings before interest, tax, depreciation and amortisation (EBITDA) were virtually steady at $44.1 million in 2008-2009.

Net profit after tax was $165.2 million (previous year $14.0 million) and included the sale during the year of energy sector investments in the Gloucester Basin coal seam gas prospect and AJ Lucas' 19.9% shareholding in Sydney Gas Limited.

Annual dividend is up from 8 cents to 10.5 cents per share following the declaration today of a higher fully franked final dividend of 5.5 cents per share payable on 28 September 2009 to AJ Lucas shareholders registered on 7 September 2009.

Mr Campbell said the Company viewed the past year's results as "very disappointing", despite the achievement of many milestones, the record annual revenue and solid EBITDA.

"Increased costs associated with absorbing and integrating the newly-acquired Mitchell Drilling business, reduced activity as a result of the economic downturn, delays in project commencement and our own unsuccessful major restructuring were the principal causes of this unsatisfactory result, in particular a very poor second half" he said.

"During the last quarter, management initiatives have been taken to address these various issues and, coupled with a restoration in demand for our services (particularly in pipelines and infrastructure and the drilling fleet returning to close to full utilisation), the Group is now performing much better.

"Nevertheless, the legacy of the reduced economic activity in the second half of the past year is likely to persist through the first half of the current financial year, with a substantial improvement in profitability only likely to emerge next calendar year."

Positive longer-term outlook

Mr Campbell said the AJ Lucas Group faced a difficult year ahead, although one of expected substantial improvement.

"Notwithstanding the unsatisfactory 2008-2009 result, our group achieved much during the past financial year and is well placed to benefit from the anticipated increase in economic activity, particularly in the oil and gas, water and waste water and public infrastructure sectors," he said.

"With the improvement in the economic environment, the development of the massive Gorgon (Western Australia) and Gladstone (Queensland) LNG projects, the introduction of a new carbon pricing regime, State and Federal Government capital spending initiatives, the development in the commercialisation of renewable energies suggests a positive longer-term outlook for the Lucas Group.

"The inherent benefits of the AJ Lucas business model (in terms of cross fertilisation of skills, low overheads, balanced activity and revenue streams and leveraging intellectual horsepower) are now capable of producing superior margins.

"While we do anticipate a challenging first half to the 2009-2010 financial year, calendar 2010 is expected to be a very good year and 2011 is expected to be even better - particularly if the forecast LNG projects in QLD and WA eventuate."

Mr Campbell said the AJ Lucas Group maintained a strong balance sheet and liquidity. "The sale of our interests in the Gloucester Basin and Sydney Gas realised gross proceeds of $293.2 million; out of which the Group repaid borrowings of $57 million, made further investments in the Energy sector, invested in new offices and a major initiative in ICT, as well as initiating a share buy-back. The buy-back has involved the purchase of 3,058,487 shares, equivalent to 4.5% of the Company's issued share capital at 31 December 2008, at a cost of $8.4 million."

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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.