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AJ LUCAS IMPROVED OUTLOOK FOLLOWING CHALLENGING 2009/10 FINANCIAL YEAR

Final investment decisions on major Australian coal seam gas projects expected during the current financial year will enhance an improved earnings outlook, leading mining and infrastructure services company, AJ Lucas Group Limited (ASX: "AJL") reported today.

The Company said today that its overall operational outlook for the 2010-2011 financial year and beyond was much stronger after reporting weaker revenue and profit for the year to 30 June 2010.

AJ Lucas Chairman and Chief Executive Officer, Mr Allan Campbell, said the Group's improved outlook included more positive signs regarding go-ahead decisions for major Australian coal seam gas (CSG) projects and a return to significant activity in the mining sector.

"Request for tenders remains very strong for such projects and we therefore expect final investment decisions to be made quite soon by several of the CSG proponents - with some decisions likely before the end of 2010," Mr Campbell said.

In line with previous guidance to the market, AJ Lucas' underlying EBITDA was a negative \$4.6 million (previously \$37.1 million profit). Total Group revenue declined by 28.2% to \$358.5 million from \$499.2 million in the prior financial year.

Offsetting the downturn in operational earnings was the successful sale of the ATP651 license area for \$98.5 million delivering AJ Lucas with a profit from this investment of \$93.0 million. This was partially offset by impairment costs of \$39.2 million principally relating to other oil and gas investments.

In view of the disappointing operating result, the AJ Lucas Board has resolved not to declare a final dividend. A final dividend of 5.5 cents per share was paid the previous financial year.

With respect to the year in review, Mr Campbell said continued business uncertainty and project delays had impacted on the Company's results. The Company's Building, Construction and Infrastructure Division performed poorly and senior management in this division has been replaced.

"Although market sentiment had improved following the dropping of the proposed Resources Super Profits Tax, nevertheless the market remains cautious about approving new projects or expansions," he said.

"Continued volatility in international energy prices and doubts about the sustainability of the global economic recovery, together with delays in environment approval being granted, have all added to the caution in reaching final investment decisions for major projects."

Positive outlook

Mr Campbell said the new financial year had commenced on a positive note after the difficult and challenging 2009/10.

"Significantly, all of the major Queensland CSG projects now have major financial investors and continue to move towards final investment decision."

"While Lucas remains confident of winning work from these projects, they are however unlikely to make a material contribution to our financial performance this financial year."





“We have a strong backlog of work from the Southern SeaWater, Gorgon landfall and Government Schools program and a significant list of other short term prospects which will sustain the Lucas Group until the CSG export projects commence in earnest,” he said.

Next growth phase

“Lucas’ proven and leading capability in the provision of drilling and infrastructure services to the energy, mining and water industries places the Company in a strong position to win much of the new work expected to emerge. We have formed joint ventures with other leading pipeline, drilling and infrastructure services companies which give us a strong competitive advantage in carrying out the necessary works. However, until these projects emerge, we remain cautious in our short term outlook.”

Mr Campbell said coal market demand for drilling services continued to expand: “Our drilling division is performing very strongly following the completion of the division’s restructuring and strengthening of senior management. We took the pain last year and we are now seeing a significant recovery in margins.”

“Demand for drilling services from the coal sector remained strong throughout the financial year and further significant growth is expected as coal rail and export capacity increases to accommodate export demand.”

Realising investments

Mr Campbell reported that the Company’s borrowings had been substantially reduced following receipt of the proceeds from the sale of ATP651 asset.

“Apart from asset financing, we now have only modest borrowings. We are now in full compliance with our revised financial covenants,” he said.

“We are hoping to sell our investment at Monument Prospect in East Texas in the near future which will further bolster our financial resources and balance sheet. The Prospect is located in the Austin Chalk between the Eagle Ford and Haynesville shale deposits and has attracted interest from a number of parties,” he said.

Drilling and fracking has commenced on the Company’s UK shale acreage held through investment company, Cuadrilla Resources. Cuadrilla has the largest onshore drilling rig and fracking unit operating in Western Europe. Drilling results will be available in early calendar 2011 following which a more detailed assessment of the prospectivity of the acreage should be possible.

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About AJ Lucas Group Limited

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

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Past projects successfully developed and exited include the Company’s investments in Gloucester Basin, Sydney Gas and ATP651 in Queensland’s Surat Basin.