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ASX ANNOUNCEMENT/MEDIA RELEASE

Operations Update and Earnings Guidance

The Company reported in its half year results released on 29 February 2012 that it expected a substantially improved financial performance in the second half and that the underlying financial result for the financial year would be as previously advised, that is in excess of \$50 million.

Wet weather over the past few weeks has, however, had a major impact on the Company's drilling operations, with almost the entire Queensland rig fleet stood down at various times. Whilst the Company's contracting terms mitigate the effect of the down time, these have not been sufficient to compensate the Company entirely for lost production. The weather has now improved and it is hoped that all the contracted rigs will soon resume normal operations. There will however, be additional mobilisation costs associated with the resumption of activities.

The Company's drilling activities have also been impacted by various delays and other interruptions in the coal seam gas drilling business due to site access factors. This has impeded the Company's resource allocation and resulted in increased unrecovered overhead costs.

The Company's BCI division has been impacted by continuing resource constraints and delays in the award of projects and their progress. These factors are, in turn, impacting on the profitability of this division. Capital constraints continue to impede progress on the tooling up for several projects.

Nevertheless, the Company expects a much stronger final quarter as some of the contracts awarded over the last few months commence in earnest, assuming no resumption of wet weather.

Having regard to all these circumstances, the Company now expects the full year underlying EBITDA to be in the range of \$32 million to \$37 million.

Cuadrilla

Regarding the Company's European shale gas portfolio, limited activity has been carried out over the past six months while awaiting a decision from the British government on their consent to resume fracking. Cuadrilla has, however, commenced shooting 3D seismic over 150 sq Km of the Bowland prospect in anticipation of the resumption of fracking, to be complemented by a micro-seismic program. In addition, drilling will commence shortly on a fourth well to be known as Anna's Road.



It is expected that the government decision on the resumption of fracking will be made in the next few weeks, the outcome of which will determine Cuadrilla's commercialisation plan. Following the resumption of fracking, the four wells would be expected to take up to 12 months to be fracked after which Cuadrilla will have a good understanding of the gas flow rates and the amount of recoverable reserves. Further details will be released as soon as they become available.

Equity Raising

As has been announced previously to the market, the Company did not raise the full \$51.3 million from the rights issue conducted earlier this year. The Company has explored various options to determine the most appropriate method of raising the \$15.5 million shortfall to ensure that the Company is placed in the same economic position that it had anticipated to be in before the rights issue.

To that end, the Board has resolved to proceed with a placement to raise approximately \$15.5 million. The placement will be subject to shareholder approval and made on terms similar to the recently completed Entitlement Offer, that is at an issue price of \$1.35 per share. The Board has identified parties willing to subscribe to the placement on these terms.

Currently, it is expected that this placement will be completed no later than the end of this financial year. This timetable is required to enable the Company to secure the relevant commitments and then prepare the necessary EGM documentation and independent expert's report. The Company is looking to issue a notice of meeting for the EGM to approve the placement in or about mid-May.

Banking Facilities

The Company's Senior Financier has confirmed the continued provision of banking facilities to the Company subject to the completion of the placement and settlement of the amounts owing to the Australian Taxation Office by 30 June 2012. The Board, at this date, has no reason to believe this will not be achieved having regard to the interest shown by potential investors in participating in the equity placement.

For further information please contact:

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About AJ Lucas Group Limited

Lucas is a leading provider of specialist infrastructure, construction and drilling services to the energy, water and waste water, resources and public infrastructure sectors. In particular, it is the largest supplier of drilling and gas management services to Australia's coal and coal seam gas industries. Other divisions provide construction and civil engineering services together with facilities management.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Current investments include a 42% shareholding in Cuadrilla Resources, an exploration and production company focused on unconventional hydrocarbons, and a 25% direct interest in the Bowland and Weald shale basin prospects in respectively North West and South East England. Past projects successfully developed and exited include the Company's investments in Gloucester Basin, Sydney Gas and ATP651 in Queensland's Surat Basin.