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ASX ANNOUNCEMENT/MEDIA RELEASE

Operations Update and Earnings Guidance

The Company has continued to experience difficult trading conditions in recent months. Uncertainty over the economic outlook, lower commodity and energy prices, and the impact of scarcity of human resources have resulted in project difficulties and a more cautious approach to business expansion by many of the Group's clients, particularly in the coal sector of the Drilling division. Recurring periods of extreme rainfall and rising input costs (particularly in regards to labour) and the ability of clients to terminate for convenience have also impacted on project margins.

As a consequence, the Board now expects the full year underlying EBITDA will fall within the range of \$24 million to \$26 million.

Management has undertaken a thorough review of each of Lucas' BCI and Drilling divisions and restructured each business to reflect the changed business outlook and the operating environment within the relevant sectors. As a result of this analysis, the Company advises today that it expects to recognise a non-cash impairment charge for its drilling business in the second half of the 2011/12 financial year of approximately \$36.8 million. The Company has also decided to raise additional provisions and incurred additional costs of a non-recurring nature as a result of the restructuring and refinance, which in total, amount to \$7.5 million.

In addition, second half provisions include \$3.2 million for the closure of its Asset Services business. The Company also expects its second half share of the equity accounting loss and overhead expenses for its UK exploration portfolio to amount to \$1.9 million.

Commenting on the trading update, AJ Lucas CEO Allan Campbell said:

"While the reduced operating performance is very disappointing, this year has been a transition year for the Company. Non-recurring costs and charges for the impairment and restructuring and discontinued operations account for the vast majority of the under-performance."

"Both BCI and Drilling divisions are strategically well placed within their respective business sectors however, we have failed in the past few years to adequately respond to the changes in the marketplace and/or capitalise upon the opportunities created for ourselves. This restructuring allows us to return to our roots (which, 4 years ago were much more profitable) and introduce new management."



Cuadrilla

The British Department of Energy and Climate Change (DECC) released its report on 16 April in which it concluded that it was safe to resume hydraulic fracturing, provided the recommended operating procedures as outlined in their report were followed, and setting a six week period for public comment. Pending further direction from DECC on their decision for the resumption of hydraulic fracturing, Cuadrilla has commenced implementing a number of the experts' recommendations set out in the DECC report.

Once permission to recommence fracking is granted, it is expected that it will take up to 6 to 9 months to complete. The next stage of development of the Bowland shale has been approved by the Joint Operating Committee and the Cuadrilla Board and is expected to be completed by end FY13. This process is expected to produce sufficient scientific information not only to assess the commercial viability of the development of the Bowland shale but also create a basis to attract additional development capital to develop what Lucas believes is one of the largest gas accumulations in Western Europe.

Cuadrilla continues to strengthen its management team. Following the appointment of Mr Tony Carruthers as Commercial Director, Cuadrilla has announced the appointment of Mr Francis Egan as the company's new Chief Executive Officer. Mr Egan, who will take up his post on 9 July, has been appointed to lead Cuadrilla through its next stage of development, as the business gets ready to further explore the Bowland shale and develop its other assets. He brings extensive experience in exploration and production, most recently as President of the Global Production Division of BHP Billiton Petroleum.

A report entitled "Shale gas extraction in the UK: a review of hydraulic fracturing" has been published today by The Royal Society and the Royal Academy of Engineering examining concerns and making recommendations in relation to this practice in the UK. This report will be posted on the Lucas website.

Equity Raising

Having regard to the reduced level of profitability and the increased level of expenditure expected to be incurred by Cuadrilla during the coming year, the Board has resolved to increase the amount of the forthcoming placement to \$40 million. The shareholder meeting to approve the placement is scheduled to occur in late August. Meeting documentation is expected to be released shortly. As previously advised, the placement will be made at \$1.35 per share, equivalent to that in the December 2011 Entitlement Offer. The Board has identified investors willing to subscribe to the placement on these terms.



Mezzanine Finance Facilities

Kerogen Investments No.1 (HK) Limited (Kerogen) has agreed to extend the period for the provision of security for its mezzanine finance until 31 August 2012 to allow time for shareholder consent for such security to be granted.

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.