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## **ASX ANNOUNCEMENT/MEDIA RELEASE**

### **Response to Media Articles**

We refer to recent articles in The Gladstone Observer regarding the alleged failure of Lucas to pay subcontractors for construction work on the Curtis Island Water & Sewerage Infrastructure Project (the "Project"). Lucas confirms that it is contracted to carry out and complete the Project and that Gladstone Area Water Board ("GAWB") and Gladstone Regional Council ("GRC") are the Principals under the construction contract (the "Contract"). GHD Pty Limited ("GHD") is the designer of the Works and the Superintendent appointed as agent for GAWB and GRC to administer the Contract. The Project commenced in October 2011.

AJ Lucas is listed on the ASX. Lucas operates a number of businesses: an engineering and contracting business, a drilling business, a business exploring for unconventional hydrocarbons in Europe and certain assets relating to hydrocarbon exploration in the USA. The Contract in question is being performed by the engineering and contracting business.

Lucas understands the need to make the earliest practicable payment of all suppliers and subcontractors on the Project, however its efforts to do so have been hampered by a number of delays and disruptions that have affected the Project. The head contract parties (including in this context, GHD) have not reached agreement in relation to the causes of delays on the Project and the extent of delays and disruption caused by a number of different matters.

This is a normal commercial dispute in relation to a single project. The parties have convened urgent without prejudice discussions in an attempt to resolve the matters in contention. Discussions between Lucas and GAWB officials are ongoing and Lucas is hopeful of an early resolution.

To date, Lucas has received payments of \$23.5 million under the Contract in relation to the Project. Lucas has performed work under the Contract and lodged claims for \$35.4 million. In addition, Lucas has notified GHD and GAWB of further claims to the value of \$22.0 million. Since its commencement, there have been in excess of 700 drawing and design changes and 695 Contract Notices issued under the Contract. As of today, overdue amounts owed to creditors by Lucas in relation to this Contract amount to \$3.985 million.

GAWB (and GHD) are fully aware of the difficulties being encountered under this contract and Lucas and GAWB are working diligently to ensure the project cash-flow necessary to meet project costs is restored.



Lucas confirms that this is a single project issue and that all other projects within its engineering and contracting business are up to date as far as creditors are concerned. All other Lucas businesses are operating within their normal terms of trade.

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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 industry. 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 investments successfully made and realised include the Company's projects at Gloucester Basin and ATP651 in Queensland's Surat Basin and shareholding in Sydney Gas.