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ASX ANNOUNCEMENT/MEDIA RELEASE

Earnings Guidance for 2011/12

Subsequent to the Company's previous earnings guidance dated 29 June 2012, the Board has considered the further decline in market conditions and conducted a further review of its operations. The Company's operations across its key operating segments being the Drilling division and Engineering & Construction division, are experiencing increasing costs and a challenging contracting environment, predominantly in the resources sector.

As part of this review, the Company has taken further one-off write-downs in the year ended 30 June 2012 amounting to \$22.1 million to reflect challenging market conditions and certain existing projects. As a consequence, the full year underlying EBITDA for Lucas Group is expected to be in the region of \$3 million; down from the range indicated in the Company's announcement of 29 June 2012 of \$24 million to \$26 million.

The review has caused the Company to reassess its strategy and is making a number of management and strategic changes within each of these businesses. Revised and updated strategic plans have been adopted in relation to operations in each of these businesses.

In addition, management has reviewed the proposed impairment charge in relation to goodwill attributable to the drilling business and believe that the previously recommended amount of \$36.8 million should be increased by \$10 million in light of management's expectations for this business in the current market conditions. The coal sector is experiencing much lower commodity prices, a significantly increased cost base and is a challenging market for experienced and qualified labour, particularly at the project management level. These factors are having a negative impact on the drilling business. Notwithstanding this, Lucas believes the medium to long term outlook for the coal sector is good however, the short term implications are for reduced activity and margins in the coal exploration drilling business.

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

"We are at a transition stage in the operations of the Company. We have undertaken a thorough review of the operating businesses and have taken actions to address current and legacy issues as part of the restructuring of these businesses. This will allow management to focus on building the businesses, securing additional work and returning to profitability."



“The construction industry in Australia, while busy, is not very profitable at present. Lucas intends to concentrate on profitable work and equitable terms and conditions; rather than the top line. The Drilling division has a substantial order backlog (\$330 million) and the Engineering & Construction division is concentrating on its core strengths of pipelines and HDD projects. Both divisions will have a much reduced cost base going forward.”

Cuadrilla operations have been orientated towards achieving much greater “bang for buck”, with the recognition that proving the engineering and geology for the Bowland basin is likely to take longer than originally forecast. Permission to recommence fracking activities has yet to be received but Cuadrilla expects the scientific evidence which supports the view that fracking, properly engineered and correctly executed, does not cause environmental damage, to prevail. Spudding of the new exploration well at Anna’s Road is expected in mid-September. Management of Cuadrilla has been strengthened with a view to not only demonstrating the size and quality of this resource, but to commence the development of it.

Mr Campbell said:

“The Bowland shale prospect has immense potential – for Cuadrilla, Lucas and Britain itself. However, we need to flow the wells in order to properly assess the next steps in its development. We are hopeful of permission to recommence activities within the relevant regulatory regime in the not too distant future.”

“While the Bowland development and Cuadrilla are consuming significant amounts of Lucas’ capital, we believe the prize justifies the effort and the capital. We must ensure that maximum impact is achieved for every dollar spent and this is the management thrust for the next stage of development.”

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 43% 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.