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ASX ANNOUNCEMENT/MEDIA RELEASE

AJ LUCAS ANNOUNCES FULL YEAR RESULTS AND DEBT RESCHEDULING

- **Underlying EBITDA of \$3.3 million meets market guidance.**
- **Balance sheet substantially recapitalised.**
- **Agreement reached to term out debt for 3 years.**
- **Sell down of Bowland Prospect demonstrates value of UK shale gas prospect.**
- **Renewed market confidence reflected by recent contract wins.**

AJ Lucas Group today announced its full year results with a reported loss before interest and tax, depreciation and amortisation (EBITDA) of \$19.3 million. Underlying EBITDA was \$3.3 million in line with market guidance.

The result was impacted by impairment charges of \$45.7 million, restructuring and recapitalisation costs of \$3.0 million and provisions on legacy contracts of \$13.1 million.

Lucas Chairman and CEO Allan Campbell said: "There is no doubt that the last financial year has been very challenging. A significant slow down in the resources sector severely impacted our result".

The Company has responded to the market conditions by substantially restructuring, rationalising and recapitalising the business. Moreover, the sell down during the year by the Company and its associate, Cuadrilla Resources, of a 25% interest in the Bowland shale gas licence to a subsidiary of Centrica plc has provided clear visibility of the value of this investment as well as a substantial return of capital.

Financial Performance

Drilling revenue decreased by 13.9% to \$163.4 million and underlying EBITDA increased by \$8.6 million to \$23.5 million. The improvement in performance demonstrates the Company's success in reducing its costs and tailoring its business to meet the market circumstances.

Engineering and Construction revenue declined by 58.2% to \$131.4 million, mainly accounted for by the Company's work on stage 2 of the Perth Desalination Plant. Underlying EBITDA declined to a loss of \$14.6 million, the deterioration being attributable to legacy issues from projects undertaken by previous management.



Oil & Gas

The sale during the year of a 25% interest by Lucas and its 45.0% (44.0% at year end) owned associate company, Cuadrilla Resources, in the Bowland licence to Centrica plc, a leading UK energy company, validates the resource potential of the licence. Terms of the farm-in were an initial consideration of £40 million, of which Lucas' share was £10 million, and a commitment by the purchaser to spend £60 million on the project. Subject to certain milestones, the purchaser will then pay a further £60 million for its interest in the licence of which Lucas' share is £15 million.

Recapitalisation and Rescheduling of Debt

The Company substantially recapitalised its balance sheet during the year reducing its interest-bearing borrowings by \$38.2 million and raising net new additional equity of \$137.1 million. The Company's previous Senior Lender was repaid in full and all of its charges released.

Since year end, the Company has successfully raised further additional net equity of \$63.7 million and paid down a further \$37.4 million of its borrowings.

In addition, the Company today announces that its principal lender has agreed to extend the maturity dates on the Company's borrowings by three years and will now mature in January and February 2017. As a result, the Group will have no material borrowings falling due for repayment for 3½ years.

Pro-forma Balance Sheet

As a consequence of the recapitalisation of the Company during FY13 as well as post balance sheet events, the Company's balance sheet has been substantially strengthened. The pro-forma balance sheet after the recapitalisation events occurring after year end compared with the reported year end balance sheet is as follows:

	Reported as at 30 June 2013	
	Actual	Pro-forma
	\$'000	\$'000
Current assets	81,850	100,506
Current liabilities	<u>170,127</u>	<u>60,363</u>
Net current assets/(liabilities)	(88,277)	40,143
Non-current assets	243,761	230,661
Non-current liabilities	<u>31,609</u>	<u>83,498</u>
Net assets	<u>123,875</u>	<u>187,306</u>
Current ratio	48.1%	166.5%
Gearing ratio	43.4%	24.8%

Accordingly, the Group now has a strong balance sheet with high liquidity and a low gearing ratio.



Outlook

The Company has made a strategic decision to refocus its Engineering and Contracting Division on its core strengths as a specialist engineering contracting business in energy related activities including pipelines, HDD, gathering systems and related infrastructure as well as specialist infrastructure in the water and waste water sectors involving high end technology such as desalination plants and waste water treatment plants. The day to day operations are now being managed from the Group's office in Brisbane. The success of this strategy is demonstrated by the award of over \$100 million of new work in FY14, of which the Company's share is approximately \$66 million.

While the coal sector remains challenging, the Company has restructured the cost base to reflect market conditions. The Company's focus during this financial year in the Drilling Division will be more directed towards the bottom line rather than total revenue. The cost base of this business remains the biggest challenge to all participants in this sector. As a consequence, Lucas continues to work with its clients in an effort to reduce costs and increase productivity for both clients and contractors alike, with no compromise to safety standards.

Allan Campbell said: "The recapitalisation of the business, including extending the repayment of our principal borrowings agreed today, together with the substantially reduced cost base, places the group in a strong position for future growth.

"We also expect that our Bowland and other oil and gas prospects will continue to progress towards commercialisation over the coming year and are in the process of applying for the various environmental approvals to continue our exploration activity."

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 industry. Other divisions provide construction and civil engineering services.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Current investments include a 45% shareholding in Cuadrilla Resources, an exploration and production company focused on unconventional hydrocarbons, and direct interests of 18.75% of the Bowland and 25% of the 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, ATP651 in Queensland's Surat Basin and a 6.25% interest in the Bowland prospect.