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## ASX ANNOUNCEMENT/MEDIA RELEASE

### Market and Guidance Update

AJ Lucas Group Limited (ASX: AJL) wishes to advise that it has revised its expected underlying EBITDA for FY2014 to approximately breakeven after considering its first half results and a view of trading for the second half.

The markets across all of the Group's operating business activities continue to be very challenging. The expectation of a rebound in activity in the **Drilling Division** has not materialised so far. Market demand remains at low levels resulting in margin pressure and low rig utilisation. Despite some indications from the coal industry of stabilising demand for drilling services, no material change in operating conditions is expected during the second half of this financial year. There are however, industry expectations for an improvement in FY2015 driven by a need to replenish coal reserves to meet market demand.

Despite a medium term improved outlook for the **Engineering & Construction Division**, it has secured less new work than previously envisaged or where awarded, experienced commencement delays. Accordingly, the division's result for FY2014 is expected to be lower than previously indicated. The Company is tendering for a significant amount of new work in the infrastructure sector and has partnered with other leading companies to expand the scope of works for which it can tender.

Notwithstanding the difficult market circumstances, the Company's balance sheet remains in sound financial condition following its substantial recapitalisation in mid-2013 and the rescheduling of its various borrowing facilities. Accordingly, the Company has no material borrowings falling due for repayment over the next three years.

Mr Phil Arnall, the Company's interim Chief Executive Officer, commented: "We are responding to the difficult market circumstances by continuing to take out costs. There are early signs that the market will turn during 2015 at which time, Lucas will have a much lower cost base to respond to the improved business environment. We have a sound balance sheet and are positioned well to meet the improvement in market conditions.

"With respect to the UK exploration investment, the regulatory and public environment continues to improve and progress is pleasing, albeit at a slower rate than initially expected. Centrica's £60 million carry expenditure commitment is expected to be sufficient to fund all Bowland exploration works through to late calendar 2015 with no material financial contribution required from Lucas until after then."

The financial statements for the six months ended December 2013 will be released on 28 February 2014, following Board approval and audit review. Further details on the business outlook will be provided at that time.

For further information please contact:

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