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**Decision in the matter between
Gladstone Area Water Board and Gladstone Regional Council and
AJ Lucas Operations Pty Limited**

AJ Lucas Group Limited (ASX:AJL) (**AJ Lucas**) refers to the contractual dispute between the Gladstone Area Water Board and Gladstone Regional Council (**GAWB/GRC**) and AJ Lucas Operations Pty Limited, following the termination of a contract relating to the construction of water and sewerage infrastructure as announced to the market in June 2012. This dispute is the final matter to be resolved of a number of operational disputes inherited by the current Board and management.

On 24 March 2016, an expert panel handed down its decision in the matter. The outcome of the determination is that AJ Lucas is required to pay GAWB/GRC an additional \$4.2 million over the \$1.8 million AJ Lucas has previously paid to the Queensland Supreme Court as a cash security. Payments made as a result of the determination would be recognised as a one-off expense. AJ Lucas would seek to agree terms of payment to GAWB/GRC as soon as possible following a review of the determination by our lawyers.

In connection with the \$21.1 million Entitlement Offer currently underway the offer will continue as per the indicative timetable announced on 17 March 2016. The institutional component closed on 18 March 2016, with strong support from AJ Lucas' shareholders. The retail component is now open and will close on 26 April 2016.

AJ Lucas' Chairman, Phil Arnall, said, "*Whilst we are obviously disappointed by the decision of the expert panel we are pleased to be able to finally draw a line under this matter, the last of a number of legacy matters the Company has been working to conclude. The circumstances that gave rise to this dispute led to the implementation of new procedures that seek to ensure that our business would not be susceptible to similar occurrences in the future. The trajectory to stronger profitability we have been on in recent years is in part due to these better controls.*"

About AJ Lucas Group Limited

AJ Lucas is a leading provider of specialist infrastructure, construction and drilling services to the energy, water and wastewater, resources and public infrastructure sectors. In particular, it is the largest supplier of drilling and gas management services to Australia's coal industry.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Current investments include a 45% shareholding in Cuadrilla Resources Holdings Limited, an exploration and production company focused on unconventional hydrocarbons, and direct interests of 23.75% of the Bowland Licence and 25% of the Weald Licence in, respectively, North West and South East England.