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ASX ANNOUNCEMENT/MEDIA RELEASE

Update on Balance Sheet Restructuring

As previously announced, AJ Lucas Group (ASX:AJL) has been working with its advisors and senior debt providers to review recapitalisation and balance sheet restructuring alternatives, with a view to achieving an improved capital structure for the Group and address balance sheet liquidity issues.

After a thorough review of potential alternatives, the Lucas Board has determined that an equity raising is the preferred outcome for the Company with a corresponding reduction in financial liabilities. Although detailed consideration had been given to refinancing and rescheduling of the Company's debts, this would not have materially strengthened the Group's equity position. Increased balance sheet strength is critical to the award of new work.

The Board has therefore decided that a substantial equity raising would be in the best interests of the Company's shareholders and will materially improve the prospects of winning significant amounts of new work. Lucas Group is therefore working with a leading global investment bank to assess the recapitalisation structures and determine the preferred path.

Currently, the Group has a substantial order backlog in its Drilling Services division amounting to \$275 million. The Group has continued to win major contracts reflecting the Group's market leadership in the coal industry and recently signed contracts for approximately \$100 million over 3½ years with a major mining company.

The Company's other principal operating division, BC&I (Building, Construction & Infrastructure) also believes it is the preferred tenderer for a number of significant contracts, currently amounting to \$110 million. However, award of this work is dependent on demonstrating increased balance sheet strength. Having regard to this, the Board now proposes to refinance the Company predominantly through an equity raising.

Importantly, improved balance sheet strength will also allow the Group to continue to develop its emerging European shale gas portfolio held both directly and through its investment in Cuadrilla Resources. Analysis of drilling results received to date indicates the presence of substantial gas in place in the Bowland shale prospect and the Board has high expectations for the eventual monetisation of the Cuadrilla shale gas portfolio. A further update in relation to Cuadrilla will be provided once drilling of Grange Hill is completed and the well in Hungary has completed testing.



Lucas Group Executive Chairman and Chief Executive Officer, Allan Campbell, said:

“We have carried out a comparative review of the refinancing alternatives and now believe that an equity raising is the right approach to maintain our customer and supplier support. Our senior lenders are also being strongly supportive as we implement our restructuring.”

The Board is currently working on this proposed recapitalisation and will release details as soon as they are finalised.

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About AJ Lucas Group Limited

Lucas is a leading provider of specialist infrastructure and mining services and is the largest supplier of drilling services to Australia’s coal and coal seam gas industries. It is also one of Australia’s largest builders of long distance gas pipelines. Other divisions provide gas management services to the coal and coal seam gas industry, construction, civil and property services.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Past projects successfully developed and exited include the Company’s investments in Gloucester Basin, Sydney Gas and ATP651 in Queensland’s Surat Basin.