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ASX ANNOUNCEMENT/MEDIA RELEASE

Operations Update and Earnings Guidance

Operations update

Lucas Group recently announced the award of new work totalling approximately \$200 million. The Drilling Division now has a record order book (in excess of \$300 million) and the BCI Division is actively engaged in securing more work, particularly in the oil and gas and water business units.

Drilling Division

However, throughout much of the current financial year, the Drilling Division has experienced difficult trading conditions, most particularly associated with adverse weather. During April, the Drilling Division lost a further 20 days production due to rain. In addition, one of the rigs experienced stuck pipe which has also materially impacted Q4 forecast profit expectations. Although the heavy rain recently experienced in Queensland is now expected to abate and notwithstanding the Division's almost full order book, the Q4 drilling result will be impacted by approximately \$5.0 to \$6.0 million as a result of these business interruptions.

Following a major recent restructuring, the Drilling Division is now starting to trade well, particularly in the exploration drilling business unit and is expected to maintain this, weather permitting. The Drilling Division has still to reach its full potential but, with a good blend of activities across the coal and CSG spaces, margins are increasing as performance improves and contract conditions are more balanced.

BCI Division

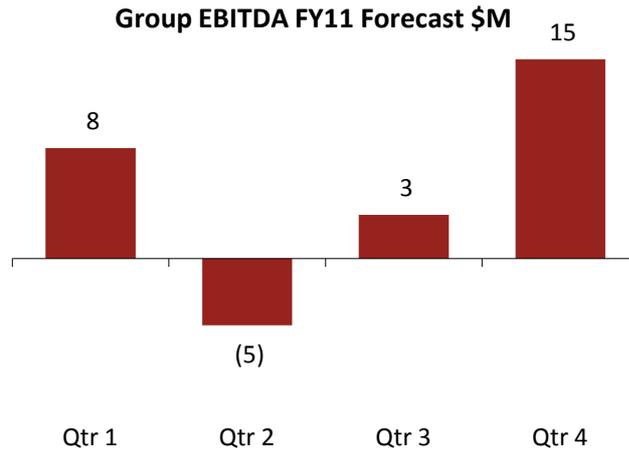
The BCI Division is trading profitably on every project. We've reached agreement with Chevron regarding delivery of the landfall project at Barrow Island comprising a joint management team of both parties.

The BCI Division is still seeking to secure additional work to supplement its order book going forward from the beginning of the next calendar year. Delays to the commencement of some projects, high tender costs and one off restructuring costs have impacted on the Division's profitability in Q4 FY11 by some \$2.0 million.



Group Performance

The following chart demonstrates the improved performance of the group and the impact of the heavy rainfall in Q2 and Q3 of the current financial year.



Earnings guidance

Having regard to the factors outlined in the Operations update above and as a consequence of the increased expenditure in the Group's ERP exercise, certain legal expenses associated with past projects and the costs of the restructuring exercise, Lucas now expects the underlying normalised EBITDA for the 2010/11 financial year to be in the range of \$19-21 million.

Balance Sheet

As announced to the market, Lucas is currently engaged in a process to recapitalise the Company and restructure the Group balance sheet. Detailed discussions are being held with the Company's bankers and the holders of the Redeemable Convertible Preference Shares (RCPS), as well as prospective alternative financiers. The principal objective is to restructure the Company's borrowings, lengthen their maturity profile and introduce additional capital. As indicated in the announcement on 25 May 2011, these discussions are ongoing and will be the subject of a further announcement once discussions are completed.

As part of this exercise, the Company may seek to realise assets to reduce its debt levels. The business model calls for little or no debt and, since the acquisition of Mitchell Drilling in a highly leveraged transaction, the Company's debt levels have been unsustainable. The Company is examining a number of alternatives in this regard.

Lucas' underground drilling business was sold for \$25.5 million in March 2011 - a figure of \$21.6 million in excess of book value. The proceeds from the sale were used to strengthen the Company's balance sheet. The sale also freed up management resources and allowed Lucas to concentrate on its surface drilling activities.



Investments

Progress on the Company's oil and gas investments in the USA and Europe continues.

Lucas is advised that drilling on the Monument Prospect in Trinity County in East Texas is expected to commence within the next 60 days following the raising of additional drilling and exploration capital by the Operator. It is noted that Lucas' interest in this play is the sharing of a net profit interest (NPI). Because of this, the Company is not required to contribute any additional capital. However, the Company understands that a significant amount of drilling by other prospectors, with encouraging success, is taking place at present in and around Trinity County in acreage that is proximate to the acreage with which Lucas' NPI is associated.

Lucas and Cuadrilla are continuing their shale gas drilling program on the Bowland shale in the UK. Completion of the 1st stage frac at Preese Hall occurred last weekend and the second stage frac is due to commence this week. Drilling continues at Grange Hill. A separate announcement of Lucas' and Cuadrilla's activities will be made within days.

2011/12 Outlook

The Company's prospects for the 2011/12 financial year are much improved.

The Company has retained Deloitte Corporate Finance Services to assist in the analysis of the assumptions underlying the forecast projections as part of the recapitalisation and balance sheet restructuring exercise. In this respect, it is noted that:

- the impact of La Nina and other adverse weather (which has significantly impacted the performance of the Drilling Division during the past 2 years) is expected to ameliorate;
- the recent reorganisation and cost cutting exercise, including consolidation of maintenance facilities and branch offices, review of logistic activities and reduction of overheads, is expected to increase margins (particularly in the Drilling Division);
- there has been further progress and advancement made by participants in the CSG space, which is leading to the award of contracts for pipelines, gathering systems and HDD; and
- there has been significant progress by the Company in the water sector and, particularly, in water treatment process contracting and specialised membrane technology applications.

The Company's projections have been reviewed in detail and the profitability of the group within the context of risks Lucas can control (i.e. excluding weather and such like) is expected to return to the levels previously enjoyed by Lucas prior to the acquisition of Mitchell Drilling in September 2008.



Summary

It is hoped that a decision as to which way to move forward on the refinancing and recapitalisation of the Company's Balance Sheet will be made in the near future, at which time the market will be notified.

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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.