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ASX ANNOUNCEMENT/MEDIA RELEASE

AJ Lucas Announces Amendment to Recapitalisation Plan

AJ Lucas announced on 19 September 2011 that it had entered into a number of financial arrangements with Kerogen Investments No. 1 (HK) Limited ("the Recapitalisation Plan") subject to relevant regulatory, financier and shareholder approval, which would result in a significant recapitalisation of the Company. The principal regulatory approval was Foreign Investment Review Board ("FIRB") approval which has been received.

AJ Lucas also announced that the Company continued to pursue other restructuring initiatives, including the sale of some or all of its drilling business activities.

Since commencing that process, the drilling business has continued to perform: Lucas has an excellent safety and industrial relations record and has continued to win new work. The drilling business is now performing to expectations and, barring unseasonal weather conditions, we expect this to continue. The Board has therefore resolved to withdraw this business from sale. It is however, investigating indicative proposals it has received in relation to the sale of other assets.

Having regard to this, and to further strengthen the balance sheet, the Company has agreed with Kerogen to vary the Recapitalisation Plan as follows:

- Kerogen will increase its mezzanine loan facility ("Mezzanine Facility") by \$20 million to \$86.5 million; and
- the Company will increase the amount of the equity raising by approximately \$15 million to \$51.3 million through an underwritten non-renounceable rights issue ("Rights Issue") on the basis of one new share for every two shares on issue at \$1.35 per new ordinary share.

The aggregate funds to be raised from the Recapitalisation Plan, including the \$13.4 million raised under the 15% equity placement completed in September 2011, is therefore increased to approximately \$151 million. Subject to shareholder approval, these funds will allow the Redeemable Convertible Preference Shares ("RCPS") and the amounts owing to the Australian Taxation Office ("ATO") to be repaid in full as well as provide funds for working capital.



Mezzanine Facility

The amount of the Mezzanine Facility provided by Kerogen has increased by \$20 million to \$86.5 million. Other than varying the number of options to be granted to Kerogen to subscribe for additional new shares, the terms of the Mezzanine Facility are unchanged from that previously announced on 19 September 2011.

Reflecting the increase in the amount of the Mezzanine Facility, subject to shareholder approval, the Company will also grant 18,566,763 options for Kerogen to subscribe for additional new shares ("Kerogen Options"), representing approximately 14% of the fully diluted issued share capital calculated immediately following the Rights Issue.

However, if the Company undertakes early repayment of \$30 million or more by 31 August 2012, the number of Kerogen Options will be subject to cancellation on a sliding scale reducing to a minimum of 11,279,964 if \$45 million or more is repaid, representing approximately 9% of the fully diluted issued share capital after the Rights Issue is completed.

Rights Issue

The Company will now conduct a 1 for 2 rights issue at \$1.35 per share to raise approximately \$51.3 million before costs. It is proposed that the Rights Issue will be underwritten (subject to conditions) by Gleneagle Securities (Aust) Pty Ltd, and sub-underwritten by Kerogen and, subject to shareholder approval, Andial Holdings Pty Ltd, an entity associated with AJ Lucas' Chairman, Allan Campbell. The Rights Issue will be non-renounceable, but will include an over-allotment provision for shareholders wishing to subscribe for additional shares.

Timetable

It is proposed that the EGM to approve the various components of the Recapitalisation Plan, including the buy-back of the RCPS and the other matters described above, be held on 22 December 2011. The Rights Issue will open on 10 January 2012 and close on 27 January 2012. This timing is indicative and subject to ASX approval.

Commenting on the Recapitalisation Plan, Martin Green, Lead Independent director of AJL, said:

"The increased mezzanine finance facility provided by Kerogen is clear demonstration of their confidence in the quality of our business. We welcome Kerogen's increased support for the Company."

"The additional finance will reduce our debt servicing costs and improve our liquidity to service our growth and develop our investment portfolio."



Kerogen's Executive Chairman, Mr. Ivor Orchard, commented:

"We are very pleased to provide additional support to AJ Lucas. The resulting increased balance sheet strength will provide a stronger platform for the business to grow and achieve its potential."

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About AJ Lucas Group Limited

Lucas is a leading provider of specialist infrastructure, construction and mining services to the energy, water and waste water resources and property sectors. In particular, it is the largest supplier of drilling and gas management services to Australia's coal and coal seam gas industries. Other divisions provide construction and civil engineering services together with facilities management.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Current investments include a 42% shareholding in Cuadrilla Resources, an exploration and production company focused on unconventional hydrocarbons, and a 25% direct interest in the Bowland Basin shale prospect in North West England. Past projects successfully developed and exited include the Company's investments in Gloucester Basin, Sydney Gas and ATP651 in Queensland's Surat Basin.

About Kerogen Capital

Kerogen Capital (Asia) Limited ("Kerogen Capital") is an independent private equity fund adviser based in Hong Kong. It manages the Kerogen Energy Fund, L.P, which specialises in providing growth and development capital to small and medium-sized companies in the energy and energy-related sectors. Kerogen Capital is led by Ivor Orchard, former Head of the Energy & Natural Resources Group in Asia Pacific for JP Morgan and Jason Cheng, also formerly of JP Morgan.

Kerogen Capital is targeting to raise a fund of US\$1.5 billion by the end of 2011, with US\$875 million having been committed to date. The Fund leverages the proven technical, strategic and financial expertise of its executive team to assist companies in developing and expanding their assets, and maintains active strategic, financial and operating involvement in its portfolio companies.