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ASX ANNOUNCEMENT/MEDIA RELEASE

***** \$148.8 MILLION EQUITY RAISING *****

***** SALE OF PART OF BOWLAND INTEREST *****

***** BALANCE SHEET RECAPITALISATION *****

AJ Lucas Group Limited (ASX: AJL) ("**Company**" or "**Lucas**") announced this evening the launch of an institutional equity placement ("**Institutional Placement**") and pro rata non renounceable entitlement offer ("**Entitlement Offer**"), which will raise up to \$148.8 million, as follows:

- **Institutional Placement** - placement of approximately 9.26 million new shares to institutional investors, to raise approximately \$11.1 million. Lucas has received binding subscriptions for this amount;
- **Institutional Entitlement Offer** - non renounceable institutional equity entitlement offer of 1 new share for every 1.25 shares held, to raise approximately \$105.1 million. Lucas has secured an underwriting commitment and binding subscriptions for this amount, to be utilised in the event of a shortfall; and
- **Retail Entitlement Offer** - non renounceable retail equity entitlement offer of 1 new share for every 1.25 shares held, to raise approximately \$32.5 million. Lucas has secured binding subscriptions from institutions to subscribe for any shortfall arising from the retail offer, in the event of a shortfall.

The price at which all equity will be raised is \$1.20 per share, representing a discount of 15.6% to the theoretical ex rights price of \$1.42 (based on the most recent closing price of \$1.60 on 13 June 2013).

Kerogen Investments No.1 (HK) Limited ("**Kerogen**"), the Company's largest shareholder, will subscribe for up to approximately \$85.3 million of shares, including approximately \$61.0 million via its pro rata participation in the Entitlement Offer and up to approximately \$24.3 million via an underwriting agreement for the institutional component of the Entitlement Offer (other than institutional shareholders who have committed, prior to the announcement of the Entitlement Offer, to take up their entitlements). Kerogen's underwriting agreement includes subscribing for shortfall shares arising under the institutional component of the Entitlement Offer (provided that its shareholding in Lucas does not exceed a total relevant interest of 49.99%). Eligible institutional shareholders may also apply for shortfall shares which would cause Kerogen's holding to exceed 49.99%. Settlement of Kerogen's subscriptions will occur with both the Institutional and Retail Entitlement Offers, to ensure that Kerogen does



not hold more than 49.99% of Lucas. Kerogen will not be paid any fees for either its commitment or entering into its Underwriting Agreement.

The capital raising is being undertaken in conjunction with a separately announced agreement where Lucas and Cuadrilla have agreed to sell 25% of each of their respective interests in the Bowland gas project in England to a subsidiary of major UK energy company Centrica. The total transaction payments to be made by Centrica North Sea Gas Limited ("Centrica") are up to £145mm (\$235million) to acquire a 25% direct interest in the Bowland licence, including an upfront cash payment to Lucas of approximately \$16.2 million.

Collectively, these initiatives represent a major recapitalisation of Lucas' balance sheet and also a clear demonstration of the value being created by Cuadrilla.

The Company's Chairman, Mr Allan Campbell, commented: "Today marks a milestone for Lucas. Our vision for pioneering investment into unconventional European oil and gas opportunities has been vindicated. And with the new equity, we are now much more strongly capitalised to secure additional work and to continue to develop our energy investments."

Proceeds of the Institutional Placement and the Entitlement Offer will be used to repay all of the outstanding ANZ debt facilities and a minimum of approximately \$75.3 million of the Kerogen mezzanine facility. Following completion of the Institutional Placement and the Entitlement Offer and receipt of the upfront payment from Centrica for the Bowland sale, Lucas' net debt is expected to be reduced to \$69.3 million and cash holdings are expected to be a minimum of \$9 million. Furthermore, Lucas is not expected to be required to make further cash contributions to Cuadrilla or the Bowland project until at least beyond the end of calendar year 2014.

Details of the Entitlement Offer

The Entitlement Offer comprises an accelerated institutional component ("**Institutional Entitlement Offer**") and a retail component ("**Retail Entitlement Offer**"). Eligible shareholders will be able to subscribe for 1 new share ("New Shares") for every existing 1.25 Lucas shares held on the Record Date of 7:00pm on 19 June 2013. New Shares issued will rank *pari passu* with existing shares. Key dates of the Entitlement Offer are provided in the Appendix to this document.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer, which will take place from 13 June 2013 to 14 June 2013. Eligible institutional shareholders may elect to take up some, all or none of their entitlements. Entitlements not taken up by institutional shareholders, and entitlements of ineligible institutional shareholders, will be taken up by Kerogen via its Underwriting Agreement and eligible institutional shareholders who have applied to subscribe for shortfall shares to the extent Kerogen's shareholding would exceed 49.99%.



Participation by major shareholders

Lucas' largest shareholder, Kerogen, has agreed to subscribe in full for its pro rata share of the Institutional Entitlement Offer. In addition, Kerogen has entered into an Underwriting Agreement with Lucas described above.

Lucas' largest institutional shareholder, Coupland Cardiff Asset Management LLP, has also agreed to subscribe in full for its pro-rata share in the Retail Entitlement Offer.

Andial Holdings Pty Limited (an entity associated with Lucas' CEO Allan Campbell) will not be subscribing for its entitlement under the Entitlement Offer

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer, which will take place from 24 June 2013 to 3 July 2013. Eligible retail shareholders may elect to take up some, all or none of their entitlements. Retail entitlements not taken up by retail shareholders and entitlements of ineligible retail shareholders will be made available for subscription by other eligible retail shareholders wishing to invest additional amounts above their pro rata entitlement. Shareholders who do not take up their entitlements (including ineligible shareholders) will not receive any proceeds from the sale of their retail entitlements.

Lucas has received commitments from certain investors to subscribe for any shortfall arising from the Retail Entitlement Offer. This includes a priority allocation of any shortfall arising from the Retail Entitlement Offer to Belbay Investments Pty Ltd ("**Belbay**") of up to approximately 18.6 million shares. Belbay currently owns approximately 2% of Lucas and has agreed to subscribe for its pro rata entitlement under the Retail Entitlement Offer, in addition to subscribing for Institutional Placement shares. The maximum pro-forma shareholding Belbay could hold in Lucas is 10.1%, subject to take up in the Retail Entitlement Offer.

Further details about the Retail Entitlement Offer will be set out in the Retail Offer Booklet, which Lucas expects to lodge with the ASX on 24 June 2013. Eligible retail shareholders wishing to participate in the Retail Entitlement Offer should carefully read the Retail Offer Booklet and an accompanying personalised entitlement and acceptance form. Copies of the Retail Offer Booklet will be available on the ASX website.

Business Update

As previously disclosed, trading conditions have been difficult during the 2013 financial year as a result of the downturn in the coal industry. As a result, Lucas has undertaken a significant restructuring of its operating businesses in order to align costs with the changed business environment.



Lucas expects to report a net loss for the 2013 financial year and also expects that reported EBITDA will be a loss of at least \$20 million. Underlying EBITDA, adjusting for one-off matters including restructuring costs, is projected to be at least \$1.5 million. For the 2014 financial year, the reported EBITDA is projected to be \$20-23 million and underlying EBITDA is projected to be \$26-29 million. The improvement in profitability is principally because of the reduced cost base; three new contracts which are currently being negotiated and which are expected to be awarded before the end of June 2013; an assumption that additional contracts will be won during the period; that legal and refinancing costs, as well as redundancy costs, return to normal levels; that poorly performing legacy contracts complete in FY1H14; and that corporate overheads are further reduced.

Board Update

Lucas' Board will undertake a review of the composition of the Board during the remainder of calendar year 2013, the result of which is likely to lead to the appointment of new directors and a separation of the Executive Chairman and CEO roles.

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APPENDIX – INDICATIVE ENTITLEMENT OFFER TIMETABLE

Event	Date
Trading halt	After market close on Thursday 13 June and Friday 14 June 2013
Institutional Entitlement Offer and Placement	Thursday 13 June (after market close) to Friday 14 June 2013
Shares recommence trading on ASX on an ex entitlement basis	Monday, 17 June 2013
Record date for eligibility in the Entitlement Offer (7.00 pm)	Wednesday, 19 June 2013
Retail Entitlement Offer opens	Monday, 24 June 2013
Retail Offer Booklet dispatched to Eligible Retail Shareholders	Monday, 24 June 2013
Normal trading of New Shares issued under Institutional Entitlement Offer and Placement expected to commence on ASX	Thursday, 27 June 2013
Retail Entitlement Offer closes	Wednesday 3 July 2013
Normal trading of New Shares issued under Retail Entitlement Offer and partial underwriting	Tuesday, 16 July 2013

The above timetable is indicative only and subject to change. All times represent Sydney time. Lucas reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws. In particular, Lucas reserves the right to extend the closing date, to accept late applications either generally or in particular cases, and to withdraw the Placement and the Entitlement Offer without prior notice. The commencement of quotation of New Shares is subject to confirmation from ASX.



About AJ Lucas Group Limited

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

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Current investments include a 44% shareholding in Cuadrilla, an exploration and production company focused on unconventional hydrocarbons in Europe, and an 18.75% direct interest in the Bowland and a 25% direct interest in Weald shale basin prospects in respectively North West and South East England. Past projects successfully developed and exited include the Company's investments in Gloucester Basin, Sydney Gas and ATP651 in Queensland's Surat Basin.

Important information:

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information and any action on the basis of that information.

This announcement contains forward looking statements. You should be aware that such statements are only estimates or predictions, which may be based on subjective judgments and assumptions as to future events, which may or may not occur and which are subject to inherent risks and uncertainties, many of which are beyond the control of Lucas. Actual events or results may differ materially from the events or results expected or implied in any forward looking statement. No representation or warranty (whether express or implied) is made as to the accuracy or likelihood of fulfilment of any forward looking statement, including whether any aspect of Lucas' proposed recapitalisation will be achieved.