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Australian Stock Exchange Limited  
Via Electronic Lodgement

### **DRILLING BUSINESS RESTRUCTURING FOLLOWING McDERMOTT DRILLING ACQUISITION**

AJ Lucas has transferred operation of its vertical drilling operations to McDermott Drilling Pty Ltd, which company was acquired on 31 July 2006, but will continue to run the surface to inseam and underground operations.

Following the transfer, McDermott Drilling will manage approximately 24 rigs, employing some 60 people. This operation is expected to generate revenue in the order of \$18 million during the 2007 fiscal year.

Consideration for the acquisition of McDermott Drilling comprised a mixture of cash and shares, the former funded from cash from operations and facilities provided by GE Australia (Commercial) Pty Limited. The purchase structure allows for payment of the consideration over 3 years and will comprise cash and/or securities of \$8 million, approximately equal to the fair value of the net assets acquired.

The acquisition is expected to be earnings accretive in the first year, the quantum of which will be determined upon the preparation of the Lucas/McDermott Business Plan, which is currently underway. McDermott Drilling recorded an audited profit after tax of \$0.4 million for the financial year ended 30 June 2005 on revenue of \$9.5 million. The audit is yet to be completed for the 2006 financial year.

Lucas is pleased with its acquisition of McDermotts and believes that the combination of the skills and resources of both companies will provide a comprehensive service to the coal and coal seam gas sectors.

For further information, please contact

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A handwritten signature in black ink, appearing to read "Allan Campbell".

Allan Campbell  
Chairman & Chief Executive Officer

#### ***About AJ Lucas Group Limited***

AJ Lucas is Australia's leading specialist infrastructure services provider. Activities include the construction of long distance gas pipelines, horizontal directional drilling, an advanced technology for the installation of underground conduits without excavation, drilling and gas management services to the coal industry, construction, civil and facilities management.

