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13 August 2007

Australian Stock Exchange Limited
Via Electronic Lodgement

ACQUISITION OF CAPRICORN WESTON DRILLING GROUP

AJ Lucas has acquired the Rockhampton based Queensland coal drilling company, Capricorn Weston Drilling Group (the "Company"). The Company owns 11 drill rigs and provides drilling services under long term contracts, predominantly to coal mines owned by BHP Billiton Mitsubishi Alliance ("BMA") and Anglo Coal. The acquisition complements the purchase of the New South Wales based McDermott Drilling, completed in July 2006

The total purchase price is \$21 million including assumption of existing debt of \$4.5 million with \$10 million payable at settlement and the balance over three years in annual instalments in arrears. Forecast 2007/08 revenue from the Company is projected at in excess of \$17 million. The acquisition will be funded entirely out of debt and AJ Lucas Group resources and is forecast to be earnings per share accretive.

Following the acquisition of Capricorn Weston, Lucas will own 45 rigs, ranking amongst the largest drilling fleets in Australia. The Lucas Group provides a full range of drilling services including underground, surface to in-seam, vertical and horizontal drilling. No other Australian drilling company offers a similar capability. Capricorn Weston strengthens Lucas' capabilities in the Queensland region and provides an important logistical base for Lucas' operations in this State.

Allan Campbell, Chief Executive Officer of AJ Lucas Group, said: "We are very pleased to welcome Capricorn Weston to the AJ Lucas Group. Capricorn Weston is highly regarded by its clients, as reflected in the length of its contracts and its reputation in the industry. It has a blue chip client base and complements very well our existing drilling expertise and customer base throughout New South Wales and Queensland.

"The existing senior management has agreed to stay on for at least three years and we see this as very positive given their contacts and knowledge of the industry.

"We forecast additional growth opportunities as the coal and coal seam gas industries continue to expand".

Lucas has a detailed and comprehensive strategy with respect to drilling services in the coal mine and coal seam gas sectors. The acquisition of Capricorn Weston is an important step in the execution of this strategy. As the year unfolds, further developments will occur, for which Lucas has high expectations, in executing its strategy of offering a comprehensive, full drilling service to its clients in these areas.

For further information, please contact Allan Campbell on 02 9809 6866.

A handwritten signature in black ink that reads "Allan Campbell".

Allan Campbell
Chairman & Chief Executive Officer

About AJ Lucas Group Limited

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

