

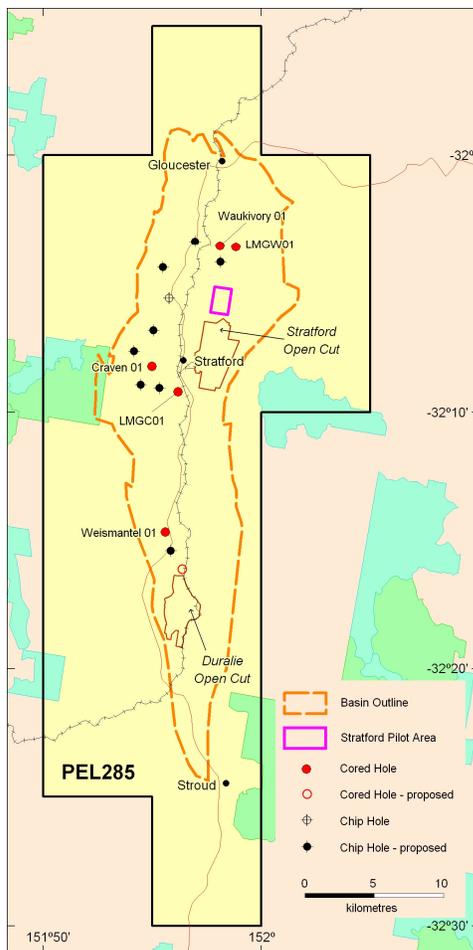


157 Church Street
PO Box 675
Ryde NSW 2112
Australia
Tel + 61 2 9809 6866
Fax + 61 2 9807 6088
www.lucas.com.au

31 January 2008

Australian Stock Exchange Limited
Via Electronic Lodgement

Gloucester Basin Activity Report Quarter Ended December 2007



During the December quarter, the Lucas/Molopo Gloucester joint venture ramped up progress on the expanded Phase II Gloucester Basin appraisal programme, comprising the Stratford Production Pilot and the Gloucester Basin exploration drilling programme.

Dewatering operations in the existing LMG03 production test well continued, with first gas reported on 12th October. During November, as anticipated, the gas flow rate increased significantly as the fluid level declined. Through December, the well began to dewater through the annulus, and the pump rate was decreased and ultimately was turned off. The gas flow rate continued to increase and by the end of December was consistently flowing in excess of 1,050,000scf/d without the aid of the pump. The flow rate is expected to increase still further as the fluid level was still over 90m above the bottom seam at the end of December.

Drilling, casing and cementing operations in the first four new production test wells in the Stratford Pilot were successfully completed during the quarter. Stratford #4 and Stratford #8 were drilled to 864m and 780m respectively in late October. Redrill wells Stratford #6B and Stratford #5A were drilled to 595m and 667m respectively in late November and early December. An additional (fifth) new production well, Stratford #9, agreed by the joint venture, was spudded with site works and surface casing complete when wet weather delayed further drilling activity. Drilling of the production hole is anticipated to commence in February 2008.

In December, these wells were all subjected to multistage fracture stimulations across a selected number of zones which will maximise the ability of the Stratford pilot to demonstrate production potential from different coal seams

and at depths below those completed in LMG03.

The balance of the pilot construction activities, including roads, dams, flare and gathering lines were commenced and were well advanced by the end of December. Unseasonal heavy and extended rainfalls have delayed all of the field activities during the quarter, and consequently the pilot will not be fully operational until later in the first quarter of 2008.



The exploration drilling programme comprising part cored and chip holes continued to evaluate the broader potential of the Gloucester Basin.

Weismantel 01 terminated in a fractured coal seam at 703m and was unable to proceed to 730m due to unstable hole conditions. The hole will be converted to a pressure monitoring hole during 2008.

Weismantel 01 provided very encouraging gas content and composition results for previously untested coal seams in the southern portion of the Gloucester Basin

Drilling in Craven 01, the second part-cored hole, was completed in late October to 959m, exceeding its proposed target depth of 900m. The Craven hole tested the prospective Gloucester Coal Measure sequence in the central portion of the Basin with a total of 25 metres of coal encountered in the hole.

Waukivory 01, the third part-cored hole, remained suspended at 798m. The hole intersected and sampled a total of 18.6 metres of coal of the Gloucester Coal Measures but failed to intersect the full coal sequence due to issues with hole stability.

The fourth and final part-cored hole in the current programme, Weismantel 02, spudded on 3rd December. The hole aims to test the thick Weismantel and Clareval coal seams in the Dewrang Group in the southern portion of the Gloucester Basin. As at 31st December, the hole was at 335m with a proposed total depth of 900m.

The joint venture agreed to plug and abandon the first chip hole, Faulkland 01, which was drilled to 930m, but was only able to be logged to 730m due to hole collapse. The sequence drilled was effectively barren of coal through to 730 metres, however it is not clear what coal development exists below this depth. Interpretation of reprocessed seismic suggests better coal development exists at depth. Planning is in progress to commence drilling in early 2008 on a twin hole, Faulkland 1A, to 1,500m total depth.

Independent reserves certification for part of the Gloucester Basin commenced in November and is progressing. While it was initially expected to be completed by calendar year end, the final report is now expected late in February.



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 and coal seam gas industry, construction, civil and property services.

