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ASX Announcement/Media Release

AJ Lucas forecasts further strong growth after record 2007-08 revenue, earnings and dividend

- *Revenue up 96% to $424 million*
- *Profit before tax up 337% to $26 million*
- *Earnings per share up 106% to 24.5 cents*
- *Operating cash flow up 421% to $50 million*
- *Annual dividend up 220% to 8.0 cents per share*
- *Further significant revenue and earnings growth forecast in 2008-09*

Mining and infrastructure services company AJ Lucas Group Limited (ASX: AJL) has continued its strong earnings growth with net profit after tax more than doubling for the second successive year.

Net profit after tax rose 110% to a record $13.5 million in the year ended 30 June 2008. The latest earnings growth reflected a 96% increase in revenue to $424 million and earnings before interest and tax 337% higher at $26 million. Earnings per share rose 106% to 24.5¢.

Solid growth is forecast to continue in the current financial year with revenue expected to top $600 million and EBITDA to rise to more than $80 million.

Annual dividend for the latest financial year has been increased by 220% to 8 cents per share compared with 2.5 cents per share in 2006-2007. Directors have followed the 3.5 cents per share interim dividend with the declaration of a 15% franked final dividend of 4.5¢ per share. The 80% higher final is payable on 29 September 2008 to shareholders registered on 4 September 2008.

AJ Lucas Group CEO, Mr Allan Campbell, said the record 2007-2008 result reflected Lucas' strategic positioning in the provision of services to the energy, resources, water and waste water and infrastructure sectors.

"Lucas is now the largest provider of drilling services to the coal and coal seam gas industries, working throughout Queensland and New South Wales for most of the companies in these industries," he said.

"Following the recent acquisition of Mitchell Drilling, settled last week, we now have 88 rigs within the Lucas Group.

"The Company is uniquely positioned to benefit from the drilling expenditure required to prove up the coal seam gas required for the proposed Gladstone based LNG projects.

"Over 4,400 development wells and 1,500 core wells are expected to be required by 2015 for these facilities."

Record cash flow

The Lucas Group's operating cash flow was another highlight of the past financial year, rising 421% to $50 million.

This, together with conversion of $23 million of convertible notes issued during the previous year, allowed the Group to invest over $72 million in additional capacity and its own coal seam gas portfolio without raising any equity capital from shareholders.

Despite the high investment expenditure and the absence of new equity raised during the year, the Group's debt-to-equity ratio decreased from 61.1% in the previous year to 52.2%. Interest cover decreased to 6.7 times from 8.5 times in the previous year.

The Pipeline division recorded a 129% increase in revenue to $218.5 million with the Bonaparte gas pipeline in Northern Territory and the Western Corridor water project in Brisbane both well underway. The Brooklyn to Lara gas pipeline project was completed in May 2008.

Coal Seam Gas Reserves

AJ Lucas' energy division experienced strong growth in its reserves with initial reserves certification received for the Company's 70% owned coal seam gas project at Gloucester Basin and for ATP651 in the Surat Basin held in conjunction with QGC and BG Limited.

Together with the company's attributable coal seam gas (CSG) reserves held through its 18% shareholding in Sydney Gas Limited, Lucas now has 2P reserves of 165PJ and 3P reserves of 381 PJ.

Mr Campbell said the CSG portfolio was maturing rapidly, with success in the field flowing from the Group's detailed understanding of engineering, technology and gas extraction methodologies.

"We have been able to apply this knowledge in identifying and selecting CSG prospects with an appropriate risk/reward profile relative to many others in the industry," he said.

"It is now appropriate to restructure the company's investment in these assets both to add shareholder value and to reduce any perceived conflict of interest with our CSG drilling clients."

Outlook – "Another year of strong growth"

Mr Campbell said AJ Lucas Group entered the 2008-2009 financial year in a very strong position.

"Continued strong demand from overseas for coal, increasing coal export capacity, progressive substitution of coal seam gas for coal in domestic electricity production and the various Gladstone based LNG export projects all point to increasing demand for Lucas' drilling services," he said

"The outlook for significant gas pipeline and water infrastructure works also appears strong with Lucas expected to benefit from the likely expenditure.

"Given the favourable outlook for energy and water infrastructure expenditure, our forecasts suggest another year of strong growth with revenue increasing by 40% to at least $600 million and EBITDA increasing to at least $80 million."

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About AJ Lucas Group Limited

AJ Lucas is a leading provider of both specialist infrastructure 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.

AJ Lucas also has a significant coal seam gas portfolio with a 70% interest in PEL285 in the Gloucester Basin, a 18% shareholding in Sydney Gas limited, 15% of ATP651 in the Surat Basin and a 60% shareholding in Arawn Energy Limited, which is currently drilling in British Columbia in Canada.