

# INTRODUCING LUCAS MITCHELL DRILLING

**LUCAS**



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31 July 2008

Dear shareholder,

As we announced to the stockmarket and the media last week, AJ Lucas Group Limited has unconditionally agreed to buy the Australian business of Mitchell Drilling. The transaction will be completed by the end of August when I will be delighted to welcome all Mitchell's staff to the Lucas Group.

Mitchell's is the third acquisition for our drilling business. Both previous acquisitions, McDermott Drilling and Capricorn Weston, have been a major part of our dramatic increase in turnover, profit and reputation over the last couple of years.

We believe the addition of Mitchell's will be a similar success, though on a much larger scale.

Over recent months, we've come to know Nathan Mitchell and his team well and believe we have found a shared culture and ethos. I, and all the management who've been involved in the acquisition, are confident that adding their resources and people to Lucas will help us continue to grow and improve services to our clients and opportunities for our employees.

This announcement will give you more detail on the merged company and introduce some of Mitchell's key people. Feel free to contact me or Nicholas Swan, Company Secretary, if you have any questions.

Please join me in welcoming Mitchell's and all its staff to Lucas.

Yours sincerely,

**Allan Campbell**  
Chairman & CEO

# Key points about the merger



## The new brand

Both Lucas and Mitchell are strong, well-established brands in the drilling industry. We plan to call the merged business Lucas Mitchell to take advantage of the reputation of both brands. At the same time, we'll bring McDermott and Capricorn Weston in under the same brand, so all our drilling operations will operate under a uniform brand.

## Premises remain unchanged

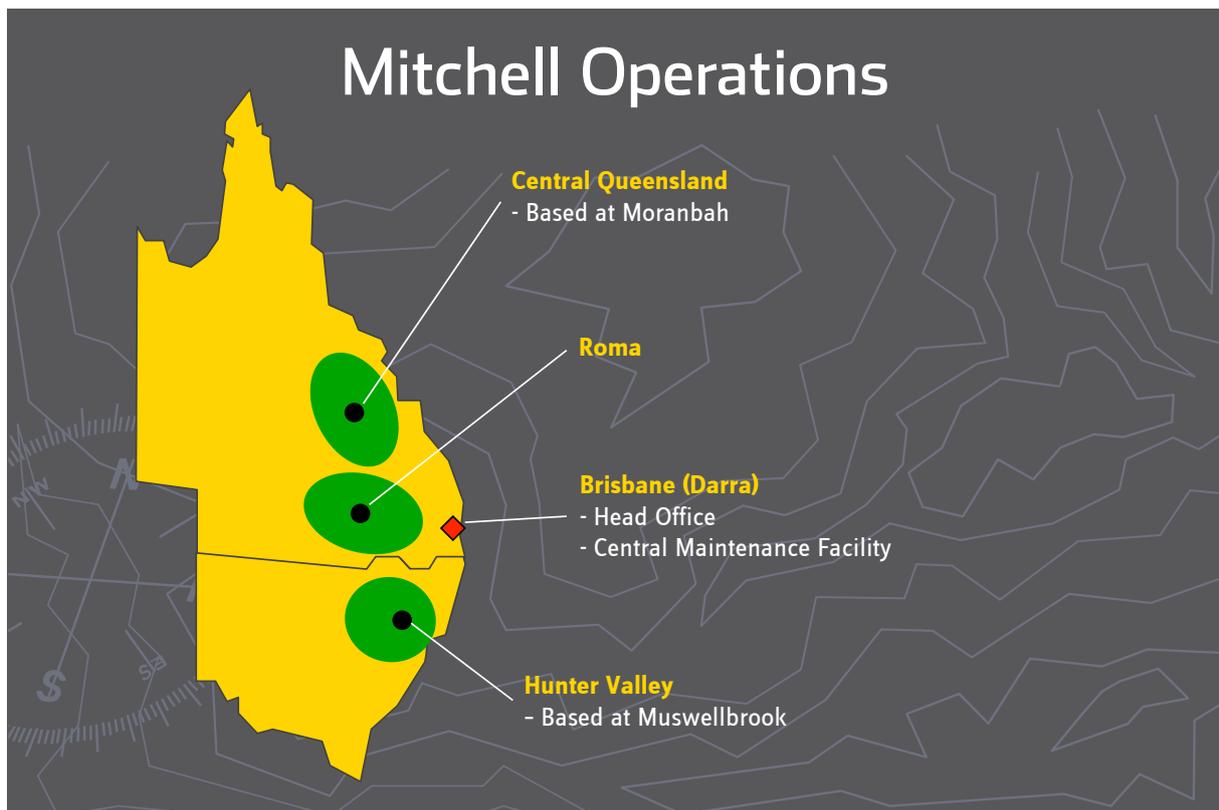
All current offices and workshops will be retained: Darra (Brisbane), Moranbah, Muswellbrook, Roma, Wyong, Minto and Rockhampton.

Mitchell's head office at Darra, in Brisbane, will become the head office of Lucas Mitchell.

## Operations

It will essentially be 'business as usual', with all offices and staff continuing.

The new business will be managed from Darra by Brett Tredinnick, Nathan Mitchell and Mark Tonkin.



# Q&A

## Who will be running the business?

Lucas Mitchell will be managed from Mitchell's Darra head office by **Brett Tredinnick** as chief operations officer, **Nathan Mitchell** as chief business development officer and **Mark Tonkin** as chief strategic officer, reporting to Allan Campbell as CEO.

## What services will the new company offer?

All current services will continue, though on a larger scale: underground, production (SIS and vertical), oil and gas, exploration, HDD, geotechnical and environmental drilling as well as steering and drilling engineering services and well services.

This greater capacity will give us more flexibility and responsiveness to our clients' needs.

## How will it affect staff?

All staff are being retained giving Lucas Mitchell a total of around 650 staff. All Mitchell employees are being offered contracts with Lucas that match their current terms. We believe the merger will expand the career opportunities open to our drilling staff.

## Summary and key points

- Lucas Drilling (incorporating McDermott Drilling and Capricorn Weston) and Mitchell Drilling will merge their operations and be known as Lucas Mitchell.
- Management and staff from both companies will be retained.
- Turnover of the combined group will be over \$250 million per year.
- 87 rigs - the largest drilling fleet on Australia's Eastern seaboard.
- Focus remains predominantly the coal and coal seam gas industries.
- All drilling and coal seam gas services will continue, on a larger scale.

## Some background on Mitchell

- Established in 1969, focused on coal field exploration drilling in Queensland.
- Among Australia's largest privately-owned drilling companies.
- Integrated contractor offering a full range of drilling services.
- Dymaxion surface to in-seam coal seam gas drilling technology.
- Operates 31 rigs in Australia from UDR650 coring rigs to \$10 million oil and gas rig.
- Great client list: Anglo Coal, Arrow, BHP Billiton, Blue Energy, Carbon Energy, Cockatoo Coal, Cougar Energy, Linc Energy, Metgasco, Mosaic, Origin Energy, Peabody Coal, Roma Petroleum, Santos, Sunshine Gas, Xstrata.
- Drilled over 1,100 wells totalling 263,000 metres in 2007.



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AJ LUCAS GROUP LIMITED  
Shareholder Newsletter

