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19 December 2012

Mr Anthony Ingegneri
Listings Adviser
ASX Limited
Exchange Centre
20 Bridge Street
**SYDNEY NSW 2000**

Dear Anthony,

**AJ Lucas Group Limited (ASX:AJL)**
**Response to awareness letter**

AJ Lucas Group Limited (**Company**) refers to the awareness letter issued by ASX Limited to the Company on 14 December 2012.

The Company responds as follows:

1. **Whether the Company considers the Decision as referred to in the Announcement to be material to the Company?**

   The Company considers that the Decision was material.

2. **If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Decision to be material.**

   Not applicable.

3. **If the answer to question 1 is "yes", when did the Company first become aware of the information in the Announcement concerning the Decision? Please comment on when the Decision was first disclosed to the Company.**

   The Company first became aware of the impending announcement of the Decision at 7:09:53 PM (London time) on 12 December 2012 when one of its directors, Mr Allan Campbell, who was then in London, received an email from the Managing Director of Cuadrilla Resources Holdings Limited (**Cuadrilla**), Mr Francis Egan, copying an email from the UK Department of Environment and Climate Change to journalists noting that an announcement would take place in London at 8:00 am (London time) on 13 December 2013 and that any publication of the announcement would be embargoed to 9:00 am (London time) on 13 December 2012. Mr Egan also called Mr Campbell to advise him of the impending Decision.

   The Company became aware of the actual Decision at or shortly after 8:00 am (London time), which was at or shortly after 7:00 pm Sydney time, on 13 December 2012.

   Mr Campbell notified Mr Nicholas Swan, the Company Secretary, that the Decision had been released, and that he would send through the Cuadrilla release that had been made in response to the Decision. This was sent to Mr Swan on the morning of 14 December 2012 for inclusion in the Lucas release that was planned to be made that morning prior to 10am.

**4. If this was before the release of the Announcement, please identify any earlier announcement from the Company which disclosed the Decision.**

There was no earlier announcement from the Company disclosing the Decision.

However, the Company has on numerous occasions flagged that the Decision was imminent.

The Decision was the British Government announcing on Thursday, 13 December 2012 to in principle allow the resumption of fracking in the UK, subject to certain conditions.

The Decision means that Cuadrilla and the Company (through their interests in the Bowland Shale) are now able to consider the steps necessary to attempt to obtain the regulatory permits and approvals required to enable Cuadrilla to recommence the fracking program on the Bowland Shale.

The Decision is not of itself permission for Cuadrilla to immediately, or even in the medium term, recommence the fracking program at the Bowland Shale. In his statement announcing the Decision, Minister Davey stated that:

> "*This opens the way to a resumption of work on exploration for shale gas, though I stress the importance of the other regulatory consents, and planning permission, which are also necessary for these activities, and which must be in place before my Department will consider consent to individual operations. In practice, it will be well into next year before any new exploration work has all the necessary consents to proceed. Whether any production operations may be proposed will depend on the success of the exploration work, but, in any event, this is likely to be some years away yet.*"

The Company was of the view that there is still considerable risk that Cuadrilla may not be able to obtain the regulatory permits and approvals required to enable Cuadrilla to recommence the fracking program in the near or medium terms. The Decision goes to great lengths to note that this is an in principle decision only and subject to many contingencies.

Prior to the Announcement, there was significant media coverage and speculation in the UK regarding when the UK Government would allow the resumption of fracking and exploration across the UK, not only at the Bowland Shale. Examples of the media reports include:

(a) the article entitled "Energy Secretary says shale exploration won't lead to era of cheap gas" reported in the UK Guardian on 28 November 2012. The article stated that it was "*expected that the Chancellor, George Osborne will publish a strategy for gas alongside his autumn statement next week and, at the same time, (Minister) Davey will give permission for the restart of suspended exploration of shale".* Minister Davey was also reported as saying: *"I will be taking that decision soon about whether Cuadrilla can continue with their drilling. If we allow them to drill, they will need permission before they actually produce shale gas.*";

(b) the article entitled "Cuadrilla set to resume fracking as George Osborne backs UK shale gas" reported in the London Daily Telegraph on 1 December 2012; and

(c) the article entitled “Ministers expected to give cautious go-ahead to shale gas” reported in the London Daily Telegraph on 12 December 2012.

Since the making of the Decision, the media has confirmed that the announcement of the Decision was simply a formality of what had been widely anticipated and expected by the market. For instance, the article entitled “Fracking gets go-ahead, but how much shale do we actually have?” reported in the London Daily Telegraph on 16 December 2012 states “*In what was possibly the least surprising decision ever, the Government last week formally gave the green light for fracking in the UK…”.*

The Company itself had flagged to the market on various occasions during the period from 15 October 2012 to 30 November 2012 that a decision to allow the resumption of fracking in the UK in some form may be forthcoming, but did not have any information as to the actual timing of an announcement of a decision. For instance:

(a) in the market announcement dated 15 October 2012 entitled “Cuadrilla Resources spuds Anna’s Road Well”, the Company noted that “*the British Government (is giving) consideration … to various studies being undertaken to establish an appropriate regulatory regime in relation to hydraulic fracturing*”;

(b) in the 2012 Annual Report released on 26 October 2012, the Company noted that “*Cuadrilla is hopeful that approval to recommence fracking is received from DECC in the not too distant future...”;*

(c) in the market announcement dated 19 November 2012 entitled “Cuadrilla Resources to re-spud Anna’s Road well”, the Company stated that “*Cuadrilla remains hopeful that the British Government will allow fracking to resume in due* course”; and

(d) in his Chairman’s speech at the AGM on 30 November 2012, Mr Campbell noted the lack of decision making by the UK Government regarding whether or not to allow fracking to resume, though the Company remained hopeful of receiving consent in the near future and noted that there was speculation that an announcement regarding tax incentives for shale gas exploration in the UK would be included in the UK Chancellor of the Exchequer’s autumn economic statement.

As a result, the market was aware, in particular since 28 November 2012 when the UK Energy Bill was published, of the potential for the UK Government to make the Decision and had an opportunity to price this into the Company’s share price.

In the period from 19 September 2012 to 13 December 2012, the share price ranged from a low of $0.75 to a high of $0.90 (with a daily average of $0.76) and daily trading volumes ranged from a low of Nil to a high of 166,288 shares (with a daily average of 42,734 shares). On 14 December 2012 itself, the volume was 537,832 shares at a VWAP of $0.92, which represented just 0.405% of the total issued capital of the Company.

**5. If there was no earlier announcement, and the Company became aware of the Decision prior to the release of the Announcement, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A and whether consideration was given to the request for a trading halt prior to the commencement of trading today.**

The Announcement was not made before the opening of the market on 14 December 2012 because Mr Swan, the Company Secretary and nominated executive between ASX and Lucas, failed to get the draft completed in time.

This occurred because Mr Swan had a medical appointment he had to attend at 7.30am which he expected to be over by 8.30 am at the latest. Unfortunately, Mr Swan had an adverse reaction at the appointment which delayed his return to the office until 9.35am at which time he commenced preparation of the Announcement.

Mr Swan still hoped to settle the Announcement before opening, but it took him a longer period of time to settle it than he had hoped because of the length of the statement released by Minister Davey.

Mr Swan did not seek a trading halt as he believed he would be able to finalise the Announcement in a timely manner. When he spoke to ASX at 10.10 am, he remained of that view.

The Announcement was lodged with ASX at 10.24 am.

**6. Please confirm that the Company is in compliance with listing rule 3.1.**

The Company is fully in compliance with listing rule 3.1.

Yours sincerely,

Nicholas JW Swan
**COMPANY SECRETARY**
**AJ LUCAS GROUP LIMITED**

14 December 2012

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Australia Square
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Mr Nicholas Swan
AJ Lucas Group Limited
Level 2
394 Lane Cove Road
Macquarie Park NSW 2113

Dear Nicholas,

**AJ Lucas Group Limited (the "Company")**

ASX Limited ("ASX") refers to the following;

1. The Company's announcement to the ASX titled "British Government Announces Resumption of Fracking" lodged with ASX at 10:24 am on Friday, 14 December 2012 and released at 10:31 am on Friday, 14 December 2012 (the "Announcement"), disclosing that the British Government announced last night to in principle allow the resumption of fracking in the UK, subject to certain conditions (the "Decision"), attaching an announcement made by Cuadrilla Resources in response to the Decision.

2. Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.

3. The definition of "aware" in Chapter 19 of the listing rules. This definition states that:

   *"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."*

4. Paragraph 17 of Guidance Note 8 states:

   *"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."*

5. Listing rule 3.1A, which sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

   *"3.1A.1 A reasonable person would not expect the information to be disclosed.*

   *3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*

   *3.1A.3 One or more of the following applies.*

   - *It would be a breach of a law to disclose the information.*

- *The information concerns an incomplete proposal or negotiation.*

- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*

- *The information is generated for the internal management purposes of the entity.*

- *The information is a trade secret."*

6. ASX's policy position on the concept of *"confidentiality"* which is detailed in paragraphs 33 to 39 of Guidance Note 8. In particular, paragraphs 34 and 35 of the Guidance Note state that:

   *"'Confidential' in this context has the sense of 'secret'…" and "Loss of confidentiality may be indicated by otherwise unexplained changes to the price of the entity's securities, or by reference to the information in the media or analysts reports".*

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with listing rule 18.7A.

1. Whether the Company considers the Decision as referred to in the Announcement to be material to the Company?

2. If the answer to question 1 is "no", please advise the basis on which the Company does not consider the Decision to be material.

3. If the answer to question 1 is "yes", when did the Company first become aware of the information in the Announcement concerning the Decision? Please comment on when the Decision was first disclosed to the Company.

4. If this was before the release of the Announcement, please identify any earlier announcement from the Company which disclosed the Decision.

5. If there was no earlier announcement, and the Company became aware of the Decision prior to the release of the Announcement, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A and whether consideration was given to the request for a trading halt prior to the commencement of trading today.

6. Please confirm that the Company is in compliance with listing rule 3.1.

Your response should be sent to me by e-mail at **anthony.ingegneri@asx.com.au** or by facsimile on **facsimile number (02) 9241 7620**. It should not be sent to ASX Market Announcements.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie **before 9.30 a.m.** A.E.D.T.) on **Wednesday, 19 December 2012**.

If you are unable to respond by the time requested, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 - Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.

- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we may ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

*(Sent electronically without signature)*

Anthony Ingegneri
**Adviser, Listings Compliance (Sydney)**