



AJ Lucas Group Limited
ABN 12 060 309 104
394 Lane Cove Road
Macquarie Park NSW 2113
Locked Bag 2113
North Ryde BC NSW 1670
T (02) 9490 4000
F (02) 9490 4200
www.lucas.com.au

14 June 2013

Dear Shareholder

AJ LUCAS GROUP LIMITED A\$148.8 MILLION INSTITUTIONAL PLACEMENT AND PRO RATA ACCELERATED NON-RENOUNCEABLE ENTITLEMENT OFFER

On Thursday, 13 June 2013, AJ Lucas Group Limited (**AJL**) announced the launch of an institutional equity placement (**Institutional Placement**) and a 1 for 1.25 pro rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) (the Entitlement Offer, together with the Institutional Placement, the **Offer**) of new AJL shares (**New Shares**) at an offer price of A\$1.20 per New Share (**Offer Price**). The Offer will raise up to \$148.8 million.

The Institutional Placement

The Institutional Placement involves the placement of approximately 9.26 million New Shares to institutional investors, to raise approximately \$11.1 million. The Institutional Placement is being made in accordance with section 708A of the Corporations Act 2001 (Cth) (**Act**), meaning that no prospectus needs to be prepared in relation to the Institutional Placement.

The Entitlement Offer

The Entitlement Offer comprises an institutional entitlement offer (**Institutional Entitlement Offer**) and an offer to eligible retail shareholders (as described below, **Eligible Retail Shareholders**) to participate at the same Offer Price and offer ratio (**Retail Entitlement Offer**). The Entitlement Offer is being made in accordance with section 708AA of the Act (as modified by ASIC Class Order 08/35), meaning that no prospectus needs to be prepared in relation to the Entitlement Offer.

Offer proceeds

AJL will use the proceeds of the Offer to substantially reduce debt, support working capital requirements and pay for transaction fees associated with AJL's recapitalisation plan. As part of the debt retirement, AJL will repay all of its outstanding ANZ debt facilities of approximately \$31 million and a minimum of approximately \$75.3 million of a mezzanine facility with Kerogen Investments No.1 (HK) Limited ("**Kerogen**").

Further details regarding Entitlement Offer

If you are an eligible shareholder, you will be able to subscribe for 1 New Share for every 1.25 existing AJL shares held on the Record Date of 7.00pm (Sydney time) on Wednesday, 19 June 2013 (**Entitlement**). New Shares issued under the Offer will rank equally with existing AJL shares in all respects. Fractional Entitlements will be rounded down to the nearest whole number of shares.

Kerogen, AJL's largest shareholder, is supporting the Entitlement Offer and will subscribe for up to \$85.3 million of shares, including \$61.0 million via its pro rata participation in the Entitlement Offer and up to \$24.3 million via an underwriting commitment for the institutional component of the Entitlement Offer (other than institutional shareholders who have committed, prior to announcement of the offer, to take up their entitlements), in accordance with the underwriting agreement entered into between AJL and Kerogen ("**Kerogen Underwriting Agreement**"). In accordance with the Kerogen Underwriting Agreement, Kerogen's underwriting commitment includes subscribing for shortfall shares arising under the institutional component of the Entitlement Offer (provided that its shareholding in AJL does not exceed a total relevant interest of 49.99%). Kerogen will not be paid any fees for either its commitment for the institutional component of the Entitlement Offer or for entering



into the Kerogen Underwriting Agreement. AJL has also secured binding subscriptions from institutions to subscribe for any shortfall arising from the Retail Entitlement Offer, in the event of a shortfall.

Eligible Retail Shareholders

Eligible Retail Shareholders are those persons who:

- are registered as a holder of existing AJL shares as at the Record Date of 7.00pm (Sydney time) on Wednesday, 19 June 2013;
- have a registered address on the AJL share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent such person holds AJL shares for the account or benefit of such person in the United States);
- were not invited to participate (other than as nominee, in respect of other underlying holdings) in the Institutional Entitlement Offer and were not treated as ineligible institutional shareholders under the Institutional Entitlement Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Shareholders who are not Eligible Retail Shareholders are Ineligible Retail Shareholders.

Retail Offer Booklet

This letter is not an offer document but rather an advance notice of some key terms and conditions of the Retail Entitlement Offer. Full details of the Retail Entitlement Offer are set out in an offer booklet (**Retail Offer Booklet**), copies of which will be available on the Australian Securities Exchange (**ASX**) website www.asx.com.au.

Eligible Retail Shareholders will be mailed a Retail Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of your Entitlement, on or around Monday, 24 June 2013. You should read all of the Retail Offer Booklet carefully before deciding whether to participate in the Retail Entitlement Offer.

Action required by Eligible Retail Shareholders

Your Entitlement may have value and it is important you determine whether to (in whole or part) take up or do nothing in respect of your Entitlement.

If you choose to:

Take up all or part of your Entitlement: If you wish to take up all or part of your Entitlement, you will need to complete and return the personalised Entitlement and Acceptance Form together with the requisite application monies (**Application Monies**), or alternatively pay your Application Monies using BPAY, in each case by following the instructions set out on the personalised Entitlement and Acceptance Form. Application Monies must be received by the AJL Share Registry by 5.00pm (Sydney time) on Thursday, 11 July 2013. Eligible Retail Shareholders may also apply for more New Shares than their entitlement.

Do nothing: If you take no action in respect of your Entitlements by the close of the Retail Entitlement Offer, then your Entitlements will lapse and you will not be allocated any New Shares. As the Entitlement Offer is non-renounceable, Entitlements under the Retail Entitlement Offer cannot be traded on the Australian Securities Exchange or on any other exchange, nor can they be privately transferred.

Before you either, take up your Entitlement, or choose to do nothing in respect of your Entitlement, you should seek your own tax advice (and you may wish to refer to the tax disclosures contained in the Retail Offer Booklet which will provide information on potential implications for Australian shareholders).

Further information in relation to the Offer has been disclosed on ASX.



Key Dates for Eligible Retail Shareholders

Announcement of the Entitlement Offer	Thursday, 13 June 2013
Entitlement Offer Record Date (7.00pm Sydney time)	Wednesday, 19 June 2013
Retail Entitlement Offer opens	Monday, 24 June 2013
Retail Offer Booklet despatched	Monday, 24 June 2013
Retail Entitlement Offer closes (5.00pm Sydney time)	Wednesday, 3 July 2013
Settlement of the Retail Entitlement Offer	Friday, 12 July 2013
Issue of the New Shares under the Retail Entitlement Offer	Monday, 15 July 2013
New Shares under the Retail Entitlement Offer commence trading on ASX	Tuesday, 16 July 2013
Despatch of holding statements	Wednesday, 17 July 2013

The above timetable is indicative only and subject to change. All times are references to Sydney time. AJL reserves the right to vary these dates or to withdraw the Entitlement Offer at any time.

For further information on the Entitlement Offer you should call the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30am to 5.00pm (Sydney time) Monday to Friday. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

The AJL Board is pleased to offer this opportunity to you.

Yours faithfully

A handwritten signature in black ink, appearing to read "Allan Campbell".

Allan Campbell
Chairman
AJ Lucas Group Limited

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Important Information

This letter is issued by AJ Lucas Group Limited, ABN 12 060 309 104 (**AJL**). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in AJL in any jurisdiction. This letter does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of AJL shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been, or will be, taken to register, qualify or otherwise permit a public offering of the Entitlements or the New Shares in any jurisdiction outside Australia or New Zealand. In particular, neither the Entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933 (the **Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not, directly or indirectly, be taken up by, and the New Shares may not be offered or sold to, persons in the United States except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.

This letter contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "should", "could", "may", "will", "believe", "forecast", "outlook" and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, the outcome and effects of the Entitlement Offer and the use of proceeds. The forward looking statements contained in this letter are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of AJL, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. AJL cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements. The forward looking statements are based on information available to AJL as at the date of this letter. Except as required by law or regulation (including the ASX Listing Rules), AJL undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.