



AJ Lucas Group Limited
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19 November 2013

Mr Anthony Ingegneri
Adviser, Listings
ASX Limited
Level 5, 20 Bridge Street
SYDNEY NSW 2000

By email: anthony.ingegneri@asx.com.au

Dear Mr Ingegneri

AJ Lucas Group Limited ("Company"): Response to ASX Aware Query

We refer to your letter of 15 November 2013.

The Company responds separately to each of the following questions raised in your letter:

- 1. Does the Company consider the Updated Guidance to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes.

- 2. If the answer to question 1 is "no", please advise the basis for that view.**

Not applicable.

- 3. If the answer to question 1 is "yes", when did the Company first become aware of the information?**

The Company's operating activities comprise its Engineering & Construction Division, where there is clearer visibility on the division's outlook, depending on the term of the contracted work and the nature of the underlying work, and the Drilling Division, which has a much higher level of earnings volatility. The higher level of volatility in the Drilling Division is principally due to contractual conditions common in the industry that allow the principals to order cessation of the provision of services by the Company at will and without notice. This is typically known as "termination for convenience". In a volatile market, these termination rights make it very difficult to predict the financial outcome for the Drilling Division. Contract terminations can be replaced by new contracts almost as quickly as existing contracts are suspended.



The Company undertakes a formal quarterly underlying profit review process as part of its continuous monitoring of its financial performance. This process commences following the completion of the previous quarter's numbers, which, in this case, was in mid-October 2013 and consists of a detailed review of all the inputs into each business, including the performance, profitability and status of each underlying contract, rig utilisation and costs.

During the review, a financial model is developed that looks at individual contracts across each of the Drilling Division and the Engineering & Construction Division and likely contract opportunities and conversions going forward.

As the financial model was developed in October and November, it became clear that the results of the Drilling Division were under strain but that the performance of the Engineering & Construction Division was satisfactory with the potential for improvement. Final data, however, was not available to be processed by the financial model until the morning of 12 November 2013. When that data was inputted, the model showed that the overall underlying EBITDA had in fact been adversely impacted on a consolidated basis across all of the Company's businesses. Accordingly, in accordance with its continuous disclosure obligations, the Company immediately prepared and issued the Market and Guidance Update.

The receipt of the ASX price query on 12 November 2013 was co-incidental to the work that the Company already had underway regarding the issue of a market and guidance update. Immediately it was determined that an update to market guidance was required, the Announcement was released to the Market. The timing of the finalisation of that process was coincidental to the timing of the ASX query.

The Company was not in a position to issue the Market and Guidance Update earlier than the date of the Announcement. To have released any form of underlying EBITDA guidance prior to that time would have been on the basis of an incomplete financial analysis and would have been misleading.

- 4. If the answer to question 1 is "yes" and the Company first became aware of the Updated Guidance before the date of the Announcement, did the Company make any announcement prior to the relevant date which disclosed the Updated Guidance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Company was obliged to release the Updated Guidance under Listing Rules 3.1 and 3.1A and what steps the Company took to ensure that the Updated Guidance was released promptly and without delay.**

The Company did not first become aware of the Updated Guidance before the date of the Announcement. See response to question 3 above.



5. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

We confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Nicholas JW Swan".

Nicholas JW Swan
COMPANY SECRETARY
AJ LUCAS GROUP LIMITED



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15 November 2013

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

By email: nicholas.swan@lucas.com.au

Dear Mr Swan,

AJ Lucas Group Limited (the “Company”): ASX aware query

ASX Limited (“ASX”) refers to the following:

1. The Company’s announcement entitled “Market and Guidance Update” lodged with ASX Market Announcements Platform and released at 6:42 p.m. on Tuesday, 12 November 2013 (the “Announcement”), disclosing a summary of the Company’s trading performance and outlook, including a variation in the Company’s guidance from the last guidance provided by the Company in June 2013 (“Updated Guidance”).
2. Listing Rule 3.1, which requires a listed entity to give ASX immediately 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.
3. The definition of “aware” in Chapter 19 of the Listing Rules. This definition states that:

“an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity.”

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

4. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 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; or*
 - *The information is a trade secret; and*
- 3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 *A reasonable person would not expect the information to be disclosed.”*
5. ASX’s policy position on the concept of “confidentiality” which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “Listing Rule 3.1A.2 – the requirement for information to be confidential”*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

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. Does the Company consider the Updated Guidance to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is “no”, please advise the basis for that view.
3. If the answer to question 1 is “yes”, when did the Company first become aware of the information.
4. If the answer to question 1 is “yes” and the Company first became aware of the Updated Guidance before the date of the Announcement, did the Company make any announcement prior to the relevant date which disclosed the Updated Guidance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe the Company was obliged to release the Updated Guidance under Listing Rules 3.1 and 3.1A and what steps the Company took to ensure that the Updated Guidance was released promptly and without delay.
5. Please confirm that the Company is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than half an hour before the start of trading (ie before **9.30 a.m. AEDT on Wednesday, 20 November 2013**). If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Company’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Company’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at anthony.ingegneri@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately 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. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Company to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Company's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Company's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- 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; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Anthony Ingegneri
Senior Adviser, Listings Compliance (Sydney)