# CAPITAL RAISING AND CORPORATE UPDATE

**19 January 2018**


LUCAS

AJ Lucas Group Limited (ACN 060 309 104)

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# CAPITAL RAISING

*Preston New Road exploration site, Lancashire*

# Entitlement offer and placement (Capital Raising)

**Offer summary**

- Pro-rata accelerated non-renounceable entitlement offer (**Offer**) to raise up to $31.2 million.
- Offer to existing shareholders at $0.32 per New Share; 1 New Share for every 6 existing shares held.
- The Offer is non-underwritten.

**Commitments for the Offer from investors representing approximately 75% of the existing share register**

- AJL and Patersons Securities (the **Lead Manager**) have received firm commitments to participate in the Offer from ten of AJL's largest shareholders.
- Substantial shareholders Kerogen Investments No.1 (UK) Limited (**Kerogen**) (58.6% stake prior to Capital Raising) and OCP Asia (Singapore) Pte. Limited (and associated entities) (**OCP**) (5.9% stake prior to Capital Raising) have agreed to take up their entitlements in full.

**Placement to institutional investors**

- Commitments have been received from institutional investors for the placement of 70.5 million shares, equivalent to $22.6 million, at the same price of $0.32 per share (**Placement**).
  - These commitments exceed AJL's present placement capacity by 3.7 million shares, accordingly AJL has sought an ASX waiver to calculate its placement capacity taking into account shares to be issued under the Offer. In the absence of a waiver, the Placement will be limited to 66.8 million shares, within the existing placement capacity.
- 40.5 million of the Placement shares, representing approximately 5.5% of the issued share capital of AJL after completion of the Capital Raising[1], will be issued to a new institutional investor, RodDCO Property Holdings Limited.
- Placement shares will settle at the same time as shares to be issued in the Institutional Entitlement Offer, and investors receiving Placement shares will not be entitled to participate in the Offer in respect of those shares.

1 Based on (i) the Placement of 70.5 million shares; and (ii) the Indicative Offer Size of 85.9 million shares, which is based on the commitments received prior to launch for approximately 75% of the Offer, and 50% take-up of the remainder of the Offer.

# Proceeds to fund UK investment, debt reduction and Australian working capital

- Net proceeds from the Capital Raising will be between approximately $45 million and $52 million depending on final take-up of the Offer, and approximately $49 million based on the Indicative Offer Size[1].

**Use of Offer proceeds**

- Proceeds from Kerogen's participation in the Offer ($18.3 million) will be used to reduce the existing Kerogen subordinated debt facility.
- Remaining Offer proceeds after expenses, based on the Indicative Offer Size, will be approximately $8.8 million. These proceeds will be applied to partially repay the US$45 million (c.$58 million) secured senior loan note facility (**Senior Loan Notes**), as recently amended (see separate slide "Amendment to Senior Loan Notes").
- Based on the above assumptions, interest expense would be reduced by approximately $4.6 million per annum.

**Use of Placement proceeds**

- Net cash proceeds from the Placement of up to $21.6 million will be used to:
  - Fund AJL's share of future capex for the Phase I exploration programme at Preston New Road, which has entered the horizontal drilling and hydraulic fracturing phase. Costs to complete Phase I are expected to be higher than initially budgeted due to unforeseen weather and technical issues delaying the drilling timetable;
  - Partially fund AJL's share of other future commitments to UK investments, including potentially the partial funding of wells 3 and 4 at Preston New Road which Cuadrilla has permission to drill and test;
  - Fund working capital in the Australian operating businesses, in particular in the drilling division in response to increasing demand from existing customers; and
  - To further reduce debt as appropriate.

1 The Indicative Offer Size of 85.9 million shares, equating to gross Offer proceeds of $27.5 million, is based on the commitments received prior to launch for approximately 75% of the Offer, and 50% take-up of the remainder of the Offer.

# Details of the Offer[1]

| | |
|---|---|
| **Offer description** | ▪ 1 for 6 pro-rata accelerated non-renounceable entitlement offer (**Offer**) to raise up to $31.2 million.<br>▪ Up to 97.5 million new AJL shares to be issued under the Offer. The Offer is non-underwritten.<br>▪ Offer Shares will rank equally in all respects with existing shares from the date of issue.<br>▪ Record Date for the Offer is 7:00pm Sydney time, Wednesday, 24 January 2018. |
| **Offer price** | ▪ $0.32 per Share: 22.9% discount to AJL's closing price of $0.415 prior to announcement of the Offer on 5 January 2017, and a 13.5% discount to AJL's closing price of $0.37 on 19 January 2018. |
| **Institutional Entitlement Offer** | ▪ Institutional Entitlement Offer closes on Monday, 22 January 2018.<br>▪ New Shares issued in the Institutional Entitlement Offer are expected to settle on Tuesday, 30 January 2018, with allotment and commencement of normal settlement trading on Wednesday, 31 January 2018. |
| **Retail Entitlement Offer** | ▪ Retail Entitlement Offer opens on Tuesday, 30 January 2018 and closes at 5:00pm (Sydney time) on Friday, 16 February 2018.<br>▪ Shareholders who take up their entitlement have the opportunity, under an over-allocation facility, to apply for additional shares up to 100% of their entitlement under the Offer, subject to allocations under the facility being limited to a maximum of 2 million shares.<br>• As an example, If a shareholder's original entitlement would enable them to subscribe for 2,000 shares they may apply for up to a further 2,000 shares, being up to 4,000 shares in total.<br>▪ AJL will not issue any shortfall shares to any person under the Offer who has not elected to participate in the retail over-allocation facility. Allocations under this retail over-allocation facility will be determined by AJL in its absolute discretion. Any additional allotment of over-allocation shares is not guaranteed.<br>▪ Any retail over-allocation shares will be limited to the extent that there are sufficient New Shares from eligible retail shareholders who do not take up their full entitlement. |

1 Timetable is indicative and subject to change at discretion of AJL

# Shareholder commitments to the Offer

- AJL and the Lead Manager have received firm commitments from ten of AJL's largest shareholders, representing approximately 75% of the share register (prior to Placement).
  - Kerogen (58.6% stake prior to Placement) has agreed to take up its pro rata entitlement of $18.3 million.
  - OCP (5.9% stake prior to Placement) has agreed to take up its pro rata entitlement of $1.8 million.
  - Other minority investors have agreed to take up their pro rata entitlements of approximately $3.6 million.
- The issue of New Shares under the Entitlement Offer would potentially have the following effect on existing substantial shareholders who have committed to participate in the Offer:

| Participating substantial shareholders | Holding prior to Capital Raising | | Indicative shareholding following Capital Raising[1] | |
|---|---|---|---|---|
| **Kerogen** | 342.8 million | 58.6% | 399.9 million | 53.9% |
| **OCP** | 34.3 million | 5.9% | 44.6 million | 6.0% |

1 Assumes (i) 70.5 million shares issued in the Placement (subject to ASX waiver); and (ii) an Indicative Offer Size of 85.9 million shares, based on the commitments received prior to launch for approximately 75% of the Offer, and 50% take-up of the remainder of the Offer. Actual shareholding % could be higher or lower depending on final participation in the Offer.

# Amendment to Senior Loan Notes

- At the end of December 2017, AJL amended certain provisions that govern the Senior Loan Notes (**Amendment**).
- The Amendment includes a commitment to reduce the principal from US$45 million ($58 million) prior to the Amendment to US$20 million (approximately $26 million) by 30 September 2018; with the balance of the Senior Loan Notes to be repaid by 22 July 2019.
- US$5.1 million ($6.5 million) was initially applied to reduce the balance of the Senior Loan Notes upon execution of the Amendment, using cash balances previously restricted to service the Senior Loan Notes.
- The remainder of the principal reduction commitment will be achieved through:
    i. The application of net cash proceeds from the Entitlement Offer, as described under "Use of Offer proceeds";
    ii. The application of part of the net cash proceeds from any sale of the Engineering & Construction business[1]; and
    iii. Other initiatives as determined by the Board.
- The testing of certain financial covenants (including an 8x leverage test and a 1x interest coverage test, which are calculated based on the financial performance of the Australian operations in the previous 12 months) will next be tested on 30 September 2018.

1 Please refer to slide 16 "Operational update – Australian business performance" for further detail.

# Balance sheet impact of Amendment and Capital Raising

| $m | Financial position at 30-Jun-17 | Pro forma adjustments[1,2] | | | Notes to Pro Forma adjustments |
|---|---|---|---|---|---|
| | | Senior Loan Notes Amendment | Capital Raising[3] | Proforma position adjusted for Amendment and Capital Raising | |
| Current Assets | 76.6 | -6.5[4] | +21.6 | 91.7 | 1. Basis of Preparation: the proforma financial information is provided for illustrative purposes and is prepared on the assumption that the unaudited proforma adjustments occurred at 30 June 2017. |
| Non-Current Assets | 163.6 | | | 163.6 | 2. Based on AUD:USD exchange rate of 0.7800. |
| **Total Assets** | **240.2** | | | **255.3** | 3. Assumes (i) 70.5m Placement shares issued (subject to ASX waiver); and (ii) Indicative Offer Size of 85.9 million shares, based on the commitments received prior to launch for approximately 75% of the Offer and 50% take-up of the remainder of the Offer. |
| Current Liabilities | 35.5 | +25.1[4,5] | -9.7[6] | 50.8 | 4. $6.5m repayment following execution of the Amendment occurred in early January 2018, post 31-Dec-17 balance date. |
| Non-Current Liabilities | 107.0 | -31.6[4] | -17.4[7] | 58.0 | 5. Amendment prior to 31-Dec-17 requires AJL to reduce Senior Loan Note principal to US$20m by 30-Sep-18. This requires a total repayment (including accrued interest at 30-Jun-17) of US$26.3m ($33.7m) adjusted for remaining unamortised portion of up front borrowing costs of $2.1mWhile this does not require a reclassification from non-current to current liabilities at 30-Jun-17, it is illustrated to reflect the transactional impact as if this occurred at 30-Jun-17. |
| **Total Liabilities** | **142.5** | | | **108.9** | |
| **Net Assets** | **97.8** | | | **146.4** | 6. $0.9m of current liabilities under Kerogen facility repaid from Offer +$8.8m estimated repayment of Senior Loan Notes (based on Indicative Offer Size). |
| **Total Equity** | **97.8** | **0.0** | **+48.7[8]** | **146.4** | 7. $17.4m reduction in Kerogen facility ($18.3m total less $0.9m current liability). 8. Net proceeds from Capital Raising of $48.7m, based on Indicative Offer Size. |

## Outstanding debt facilities following Capital Raising

| Facility | Balance following Capital Raising[(i)] | | Maturity | Notes |
|---|---|---|---|---|
| | US$m | A$m | | |
| Senior Loan Note (USD) | 33.1 | 42.4 | July 2019 | 12% cash interest per annum (paid quarterly), with a further 6% accrued interest per annum (payable on maturity). |
| Subordinated (USD) | 28.6 | 36.7 | December 2019[(ii)] | 16% per annum (compounding and payable on maturity) until June 2018, and 18% per annum thereafter. |

(i) Based on AUD:USD of 0.7800.

(ii) If Senior Loan Notes are repaid in full before maturity, the subordinated facility will mature on the earlier of 31 December 2019 and six months following full repayment of the Senior Loan Notes.

# Indicative Offer timetable[1]

| Event | Date |
|---|---|
| Launch of Entitlement Offer and Placement | Friday, 19 January 2018 (after market close) |
| Trading halt | Monday, 22 January 2018 |
| Institutional Entitlement Offer and Placement close | Monday, 22 January 2018 |
| AJL shares recommence trading on ASX | Tuesday, 23 January 2018 |
| Record Date for Entitlement Offer (7:00pm Sydney time) | Wednesday, 24 January 2018 |
| Settlement of Institutional Entitlement Offer and Placement shares | Tuesday, 30 January 2018 |
| Retail Entitlement Offer opens, booklets despatched | Tuesday, 30 January 2018 |
| Institutional Entitlement Offer and Placement shares allotted and issued and commence normal settlement trading | Wednesday, 31 January 2018 |
| Retail Entitlement Offer closes | Friday, 16 February 2018 |
| Announce results of Retail Entitlement Offer | Wednesday, 21 February 2018 |
| Settlement of Retail Entitlement Offer shares | Thursday, 22 February 2018 |
| Retail Entitlement Offer shares allotted and issued[2] | Friday, 23 February 2018 |
| Normal trading of Retail Entitlement Offer shares[2] | Monday, 26 February 2018 |
| Despatch of holding statements for Retail Entitlement Offer shares[2] | Tuesday, 27 February 2018 |

1 Timetable is indicative and subject to change at discretion of AJL.
2 Including New Shares under retail over-allocation facility.

# AJ LUCAS CORPORATE OVERVIEW AND FINANCIAL UPDATE

*Preston New Road exploration site, Lancashire*

# Corporate summary

## Corporate Overview

### INVESTMENT

**UK Gas**

Exploration for and commercialisation of unconventional UK hydrocarbons, based on historical exploration and drilling experience

**One of the largest shale gas acreage positions in the UK**

Focused on unlocking value in the untapped unconventional gas resources of the UK

### OPERATING BUSINESS UNITS

**Drilling Services (LDS)**

The major drilling provider to the coal sector in Australia for mine degassing and exploration drilling in Australia

**Engineering & Construction (LEC)**

Pipeline contractor to leading infrastructure customers in the gas, water, waste water and coal sectors

**Delivering intelligent and practical solutions to support Australian miners and infrastructure providers**

A focused provider of surface to inseam (SIS) coal mine gas extraction and well field services

Provides complementary construction services for public utilities customers

## Ownership and governance

| AJL Board | |
|---|---|
| Chairman | Phil Arnall |
| Director | Julian Ball |
| Director | John O'Neill |
| Director | Ian Meares |
| Director | Andrew Purcell |

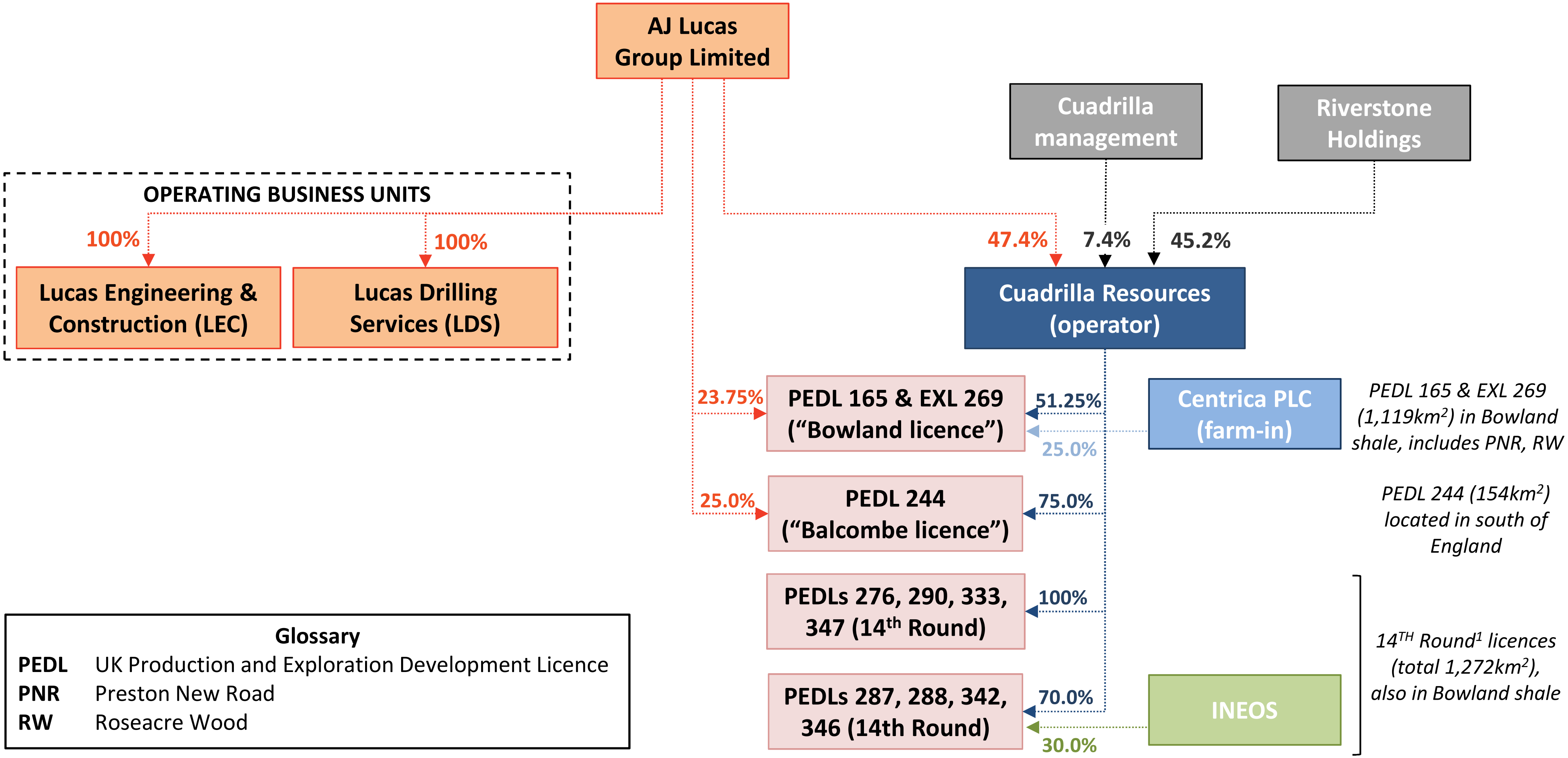
| AJL Nominees on Cuadrilla Board | |
|---|---|
| Chairman | Roy Franklin |
| Director | Ivor Orchard |
| Director | Phil Arnall |

| Substantial Shareholders (% holdings prior to Capital Raising) | |
|---|---|
| Kerogen (Specialist O&G private equity fund) | 58.6% |
| Paul Fudge (Unconventional energy investor) | 7.9% |
| OCP (Asia-based investment manager) | 5.9% |

| AJL Key Financials (prior to Capital Raising) | |
|---|---|
| Market Cap (as at 19 January 2018) | $217 million |
| Net debt (as at 30 June 2017) | $85 million |
| Enterprise Value | $302 million |
| Underlying EBITDA 30 June 2017 (Australia & Corporate; pre-UK) | $(3.8) million |

# AJ Lucas & Cuadrilla corporate structure

## AJ Lucas effective interest in Bowland licence c.48%




**Glossary**

| | |
|---|---|
| **PEDL** | UK Production and Exploration Development Licence |
| **PNR** | Preston New Road |
| **RW** | Roseacre Wood |

1 In December 2015 the UK Government issued licences to a number of operators, including Cuadrilla, under the 14th Onshore Oil and Gas Licensing Round (**14th Round**).

# Operational update – Australian business performance

**Australian business performance update**

- The operational performance of the Australian businesses as a whole has improved considerably since the start of the current financial year, after performing below expectations in the year to June 2017.
- In the five months to 30 November 2017, underlying unaudited EBITDA was approximately $3.0 million, compared with the five months to 30 November 2016 (underlying unaudited EBITDA loss of $0.3 million).
  - Improvement driven primarily by stronger performance in the Drilling Services division which has seen increased rig utilisation flowing from a material improvement in the East Coast coal market.
- While trading results for the 6 months to 31 December 2017 are expected to be stronger than the comparative 6 month period, it should be noted that results for the month of December, which is traditionally loss making due to interruption in mining and pipeline activity caused by the holiday season, are yet to be finalised.

**Engineering and Construction division sale process**

- The previously announced process to evaluate the sale of the Engineering and Construction division has progressed; AJL is presently considering a proposal with a view to reaching a binding agreement. While presently incomplete, the key terms of this offer include:
  - The sale of the plant and equipment of the Engineering and Construction division;
  - AJL to participate in a profit share on two major existing contracts until their completion; and
  - Upon completion of a sale, the immediate release of outstanding cash-funded project bonds.
- Investors should note that the sale process and negotiations are ongoing. AJL cannot guarantee that a sale will occur, and nor can it currently be specific, if a sale does occur, what the final agreed terms may be.

# UK SHALE GAS OPPORTUNITY AND PROGRESS

*Preston New Road exploration  site, Lancashire*

# Preston New Road drilling progress update

**Preston New Road Phase I exploration programme**

- Drilling of the first vertical well at Preston New Road has now been completed to a depth of over 2,700 metres, and extensive cores have been successfully recovered from both the Upper and Lower Bowland shales.
  - The vertical section of the second well has also been completed.
- Drilling of the first of two planned horizontal wells from the first vertical well has recently commenced.
  - These horizontal wells are expected to be approximately 1,000 metres in length and Cuadrilla will use up to 46 hydraulic stimulation stages – each up to approximately 30 metres in length – to stimulate the shale.
- Drilling of the horizontal wells is presently expected to be completed by the end of the 1st quarter of calendar year 2018.
- Hydraulic stimulation is likely to be completed in the 2nd quarter.
- Initial flow tests are presently expected to commence in mid-2018, with the flow rate of natural gas from the horizontal wells to be tested for approximately six months.

**Shale cores by Cuadrilla from Becconsall and Grange Hill, near PNR, demonstrate promising lithology**


# Preston New Road planning permissions reaffirmed; Roseacre Wood consent process progressing

- Cuadrilla, as operator of PEDL 165, received planning permission from the UK Government in October 2016 to drill, frack and test gas flow of up to four wells at the Preston New Road site in Lancashire.
  - A number of legal challenges to the validity of the UK Government's planning permission for Preston New Road have since been brought, each of which has been dismissed.
  - Most recently on 12 January 2018, the Court of Appeal dismissed each of two appeals against the High Court's decision in April 2017 to uphold the validity of the UK Government's planning permission, following a 2-day hearing in August 2017.
- Cuadrilla has continued to progress the Preston New Road exploration programme throughout this period and the initial two well exploration programme is now well advanced.
- The UK Secretary of State for Communities and Local Government (**SOS**) advised he was also minded to grant planning consent at Cuadrilla's Roseacre Wood site, subject to satisfaction that identified highway safety issues can be addressed. The UK Planning Inspectorate is due to hear evidence at the reopened enquiry in April 2018.

**AJL's UK shale gas objectives**

"To participate in the exploration for and commercial recovery of hydrocarbons in the Bowland Basin and other prospective acreage, with a focus on delivering attractive returns to AJL shareholders."

# Centrica carry milestone updated to reflect extended gas flow testing

**Background to Centrica farm-in**

- In June 2013, AJL and Cuadrilla announced the sale of a combined 25% interest in Bowland to leading British energy company Centrica plc, in return for staged payments and carry totalling up to GBP160 million.
- Centrica's consideration for the stake comprised a GBP40 million upfront payment to Cuadrilla /AJL, and in addition:
  - An agreement to fully carry the subsequent GBP60 million of Bowland expenditure (**Initial Carry**); and
  - A further GBP60 million cash payment, contingent on certain operational milestones (**Contingent Cash Payment**).
- The original farm-in agreement has since been amended to reflect planning approval delays and adjustments to the exploration programme agreed between the parties. The status of the remaining carry obligations is as follows:

***Initial Carry***

- Receipt of planning permission in October 2016 triggered the recommencement of the remainder of the GBP60 million Initial Carry, substantially reducing AJL's financial commitments during the current exploration programme.
  - At 31 December 2017, Centrica's remaining Initial Carry obligation was approximately USD4.7 million.

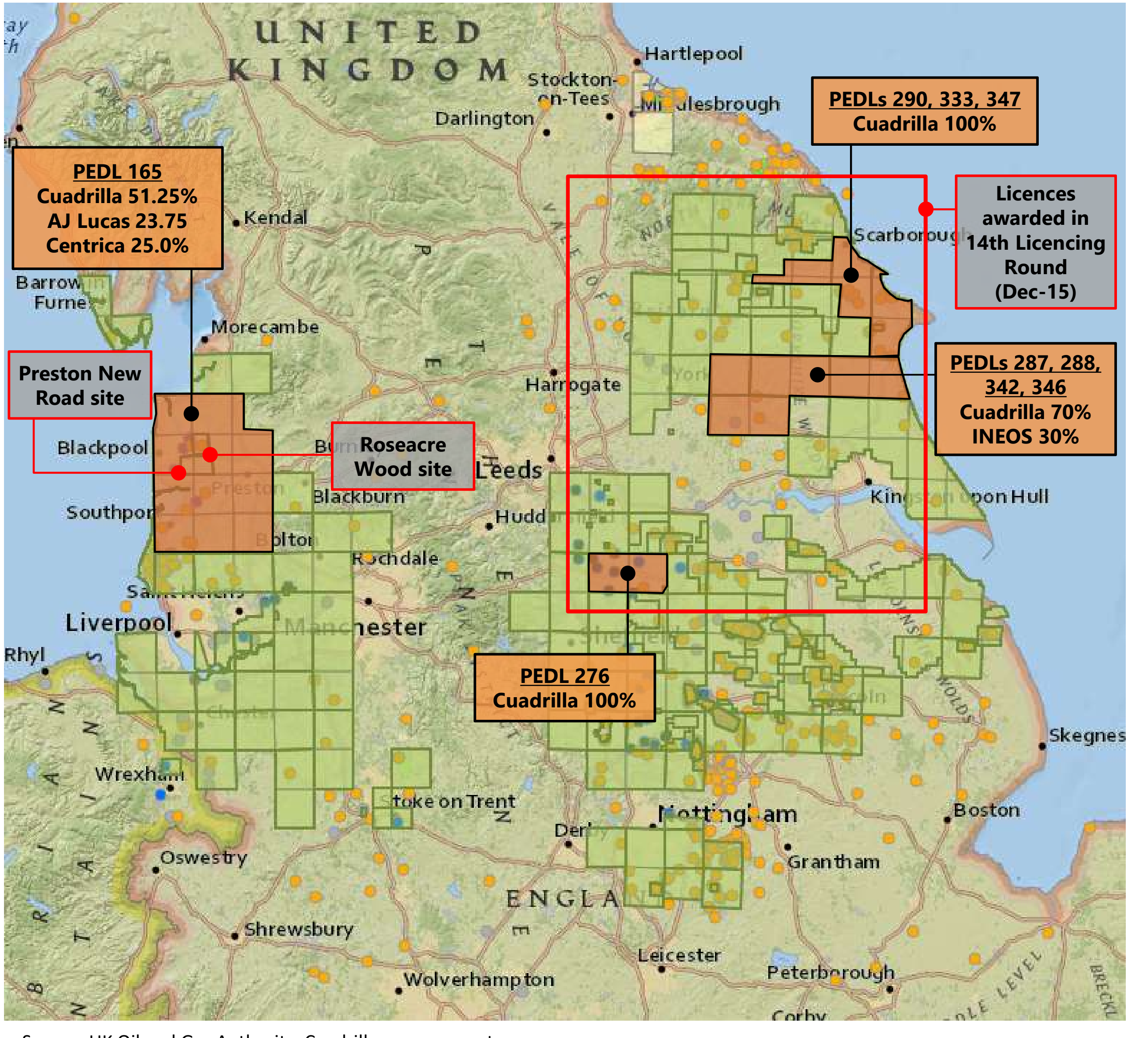
***Contingent Cash Payment / Contingent Carry***

- In August 2015 the GBP60 million Contingent Cash Payment was converted to a GBP46.7 million contingent carry, to be applied against various appraisal and development activities (**Contingent Carry**).
- The milestone for commencement of the Contingent Carry has recently been amended between the parties, to be the flow testing of gas for six months, rather than the original milestone of six months from commencement of gas sales.
  - Reflects the decision of the Bowland joint venture to test the flow of gas for six months before connecting the wells to the national grid and drilling the 3rd and 4th wells.

# Bowland licence details

## Bowland licences

- Cuadrilla is the operator of licences in the Bowland shale totalling 2,391 km$^2$, making it one of three significant operators by licence area along with INEOS and iGas (each with gross licence area >2,000 km$^2$).
- The Preston New Road and Roseacre Wood exploration sites are within the PEDL 165 licence, part of the Bowland shale in the North West of England.
- Preston New Road and Roseacre Wood are located near existing gas pipelines, which would enable cost effective transport of gas into the UK's extensive gas distribution network.
- In the 14$^{th}$ Round in December 2015, Cuadrilla was issued 8 further licences in the Gainsborough Trough and Cleveland Basin segments of the Bowland shale.

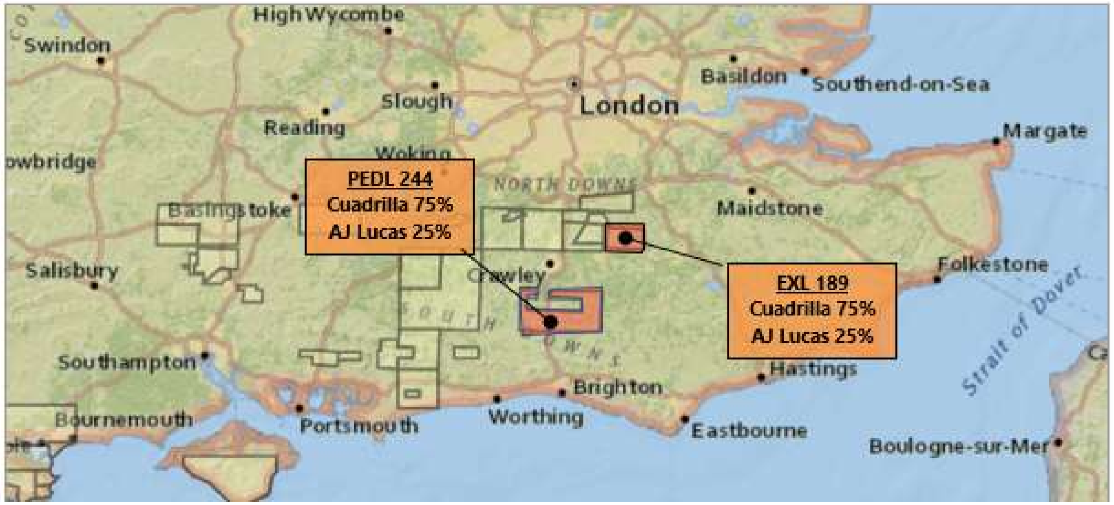



Source: UK Oil and Gas Authority, Cuadrilla management

# Balcombe licence details

**PEDL 244 (Balcombe licence) – background**

- Cuadrilla and AJL own a 75% and 25% interest respectively in PEDL 244 in West Sussex county in the South of England, giving AJL an effective interest of approximately 60% in the licence.
- Planning permission was granted for drilling at the site by West Sussex County Council (**WSCC**) in April 2010, and an exploration well was drilled in 2013.
- Planning approval to undertake flow test and monitoring of the existing well was granted in January 2018.




Source: UK Oil and Gas Authority, Cuadrilla management

**Farm-in negotiations**

- Cuadrilla and AJL have recently entered exclusive negotiations with a third party with a view to reaching a binding agreement to farm-out a minority stake in the Balcombe licence.
- As part of the proposed agreement, the party would acquire a minority working interest in the Balcombe licence, with the obligation to fund 100% of costs to complete well testing and prepare and submit a development plan for approval to the UK Oil & Gas Authority; and to pay cash consideration contingent on certain milestones.
- The transaction is subject to a number of preconditions and agreement between the parties, and accordingly AJL cannot guarantee that a binding agreement will be concluded.

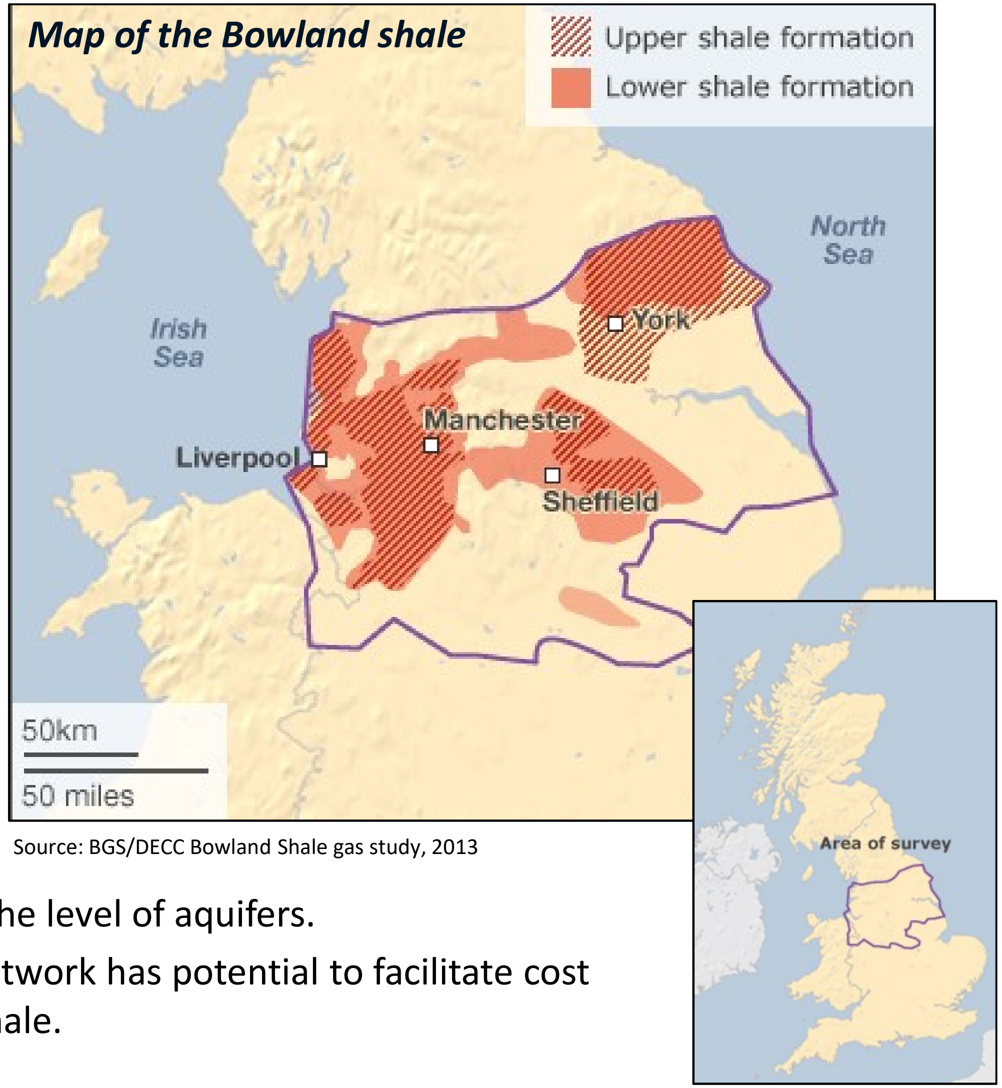
# Potential for gas extraction from the Bowland shale

**Bowland shale gas extraction potential based on independent research**

- British Geological Survey (BGS) scientists have estimated total gas in place within northern England's Bowland shale is 1,329 trillion cubic feet (**tcf**) (central estimate; lower and upper range 822 tcf and 2,281 tcf[1]).
- The BGS 2013 report notes that "only with further shale gas exploration drilling and testing over an extended period, and optimization of the extraction process, will it be possible to determine whether this identified shale gas prospectivity can be exploited commercially".
- Based on UK natural gas consumption of 2.7 tcf in calendar 2016, the recovery of 10% of the BGS central estimate could meet the UK's natural gas demand for approximately 50 years.

**Bowland shale attributes attractive for commercialisation**

- Over 1,000m thickness of shales and associated lithologies identified within the region.
- Bowland shale can and has been fractured.



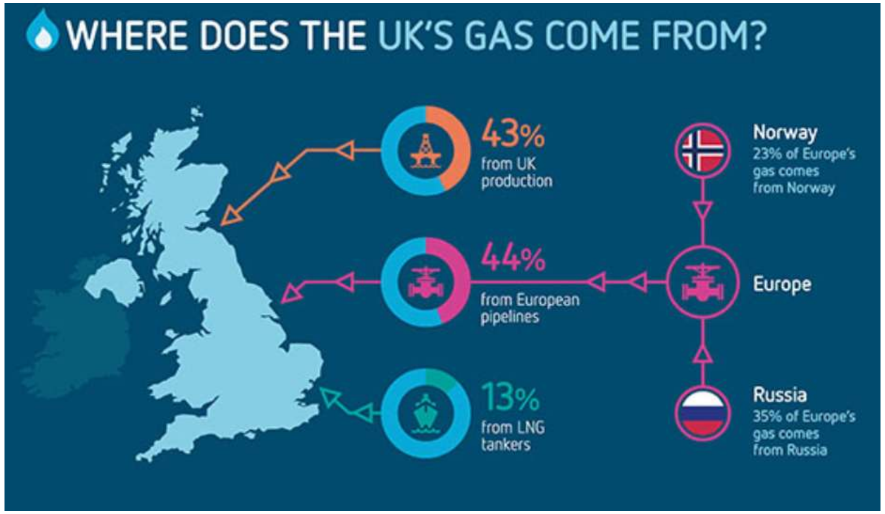

Source: BGS/DECC Bowland Shale gas study, 2013

- The shale strata are located several thousand feet below the level of aquifers.
- Close to pipeline infrastructure: UK's extensive pipeline network has potential to facilitate cost efficient distribution of gas produced from the Bowland shale.
- Potential for exportation of excess gas.

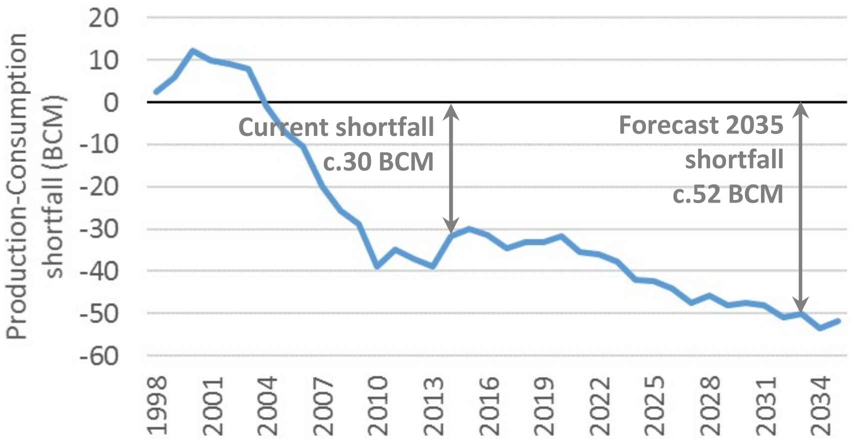
1. BGS/DECC Bowland Shale gas study, 2013 (note this comment refers to the entire Bowland shale and not only the licences in which AJL holds a stake)

# Macro support for UK shale gas extraction

**UK gas sources**[1]




**Widening UK Production-Consumption shortfall**[2]




**Strong UK Government support for domestic shale gas industry**

- Strong Government support for commercial shale gas development in the UK, as evidenced by statements in October 2017 from UK Prime Minister Theresa May:
  - "Shale gas has the potential to power economic growth in this country and to support thousands of jobs in oil and gas and other sectors. It will provide a new domestic energy source."
  - "This is an important potential source of energy, and it is right that we should use it and take benefits from it for our economy, for jobs and for people's futures."

**Importance of natural gas to the UK economy**

- In 2015, just over a third of the UK's energy came from natural gas (of which 45% was from UK production).

**Increasing reliance on natural gas imports**

- UK natural gas consumption has exceeded production since 2004[1]. In 2015, the Production-Consumption shortfall in the UK had widened to 30 billion cubic metres per annum[2].
- The UK Government predicts that by 2030 nearly ¾ of UK gas will be imported, in the absence of increased domestic production[2].
- Production-Consumption shortfall estimated to widen to 52 billion cubic metres by 2035[2].

1 Source: British Gas, December 2017
2 UK O&GA and DECC projections, March 2017

# Other UK shale gas industry activity

## INEOS

- Multinational chemicals company, Britain's largest privately owned firm.
- Has steadily built its shale portfolio to become the UK's largest shale gas licence holder.
- Acquired the interests of French energy company Engie (minority interests in 15 licences) in March 2017 (price undisclosed).
  - Three of the licences are operated by INEOS, eight by IGas Energy and four by Cuadrilla.
- In 2014, INEOS announced it was planning to invest US$1 billion in UK shale gas exploration and appraisal.
- Has submitted a number of planning applications for core sampling across its licences.

## iGas Energy

- UK publicly listed company.
- April 2017: announced completion of significant equity raising and reduction and restructuring of outstanding debt.
- March 2017: approval from Nottinghamshire County Council (**NCC**) for an exploration well at Tinker Lane.
- November 2016: approval from NCC for two exploration wells at Springs Road site in Misson – received final planning consents from NCC in 2017.
- March 2015: secured a farm-out agreement with INEOS.

## Third Energy

- Third Energy is looking to fracture and flow test its existing Kirby Misperton-8 well (KM8) in Yorkshire.
- The KM8 well was drilled by Third Energy in 2013.
- In December 2016 a High Court judge dismissed a judicial review brought against North Yorkshire County Council's decision to grant planning permission for Third Energy to frack the KM8 well.

LUCAS

# AUSTRALIAN OPERATING BUSINESS OVERVIEW

*Surface-to-inseam drilling at Goonyella Riverside Mine for BMA*

# Lucas Drilling Services (LDS) overview

**Business Highlights**

- LDS is a market leader in coal seam development and exploration drilling in Australia and the leading surface-to-inseam (SIS) directional driller to Australia's coal sector.
- Comprehensive offering to coal miners includes technical consultancy, exploration, production, directional, well design, steering, completion, surface infrastructure, civil and construction.
- Outstanding safety record: no lost time injuries since FY15.

**Revenue base dominated by low cost coal, CSG producers**

- Anglo
- Arrow
- BHP-Mitsubishi
- Rio Tinto
- South32
- Whitehaven

**Recent financial performance and outlook: FY17**

- Gradual improvement in conditions in the coal market during FY17 was partially offset by adverse weather conditions in 2H17 affecting Queensland operations.
- Year-on-year comparison of FY17 results impacted by the successful completion of a key long-term contract in 4Q16.
- New contracts in the Water and CSG segments in FY17 contributed strong revenues but teething issues resulted in a negative contribution to Underlying EBITDA. These issues have since been addressed.

| Financials metrics (year ended 30 June - $m) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | *2011A* | *2012A* | *2013A* | *2014A* | *2015A* | *2016A* | *2017A* |
| Revenue | 185.9 | 189.6 | 163.4 | 94.2 | 83.5 | 79.6 | 73.4 |
| Underlying EBITDA | 19.1 | 14.9 | 23.5 | 10.8 | 6.2 | 11.4 | 2.7 |

**Recent financial performance and outlook: FY18 YTD**

- Improving Australian coal mining conditions underlined by improved coal prices over the last 18 months and sustained east coast production in recent years.
- Improvement in financial performance has been witnessed in FY18 year to date and is expected to continue, reflecting a material improvement in order book.
- FY18 revenues will be dominated by traditional coal mine degassing and exploration drilling.

# Lucas Engineering & Construction (LEC) overview

### Business Highlights

- Specialist civil engineering contractor focused on long distance, high pressure pipeline construction for clients in the Australian resources, energy and water sectors.
- Work tendered on a standalone basis and with selected partners for larger projects.
- Strong safety record: zero LTI incidents in past 40 months; recognised by International Pipeline & Offshore Contractors Association (IPLOCA) health and safety award in 2016.

### Status of pipeline projects

- Completed the 165km Victorian Northern Interconnect Expansion (**VNIE**) project for APA Group in JV with Spiecapag, in 1H FY18.
- Recently completed 4km 1 metre dia. gas suction pipeline for South32 in Appin NSW.
- Currently completing Southern Pipeline harbour crossing for Port of Tauranga in New Zealand.

| Financials metrics (year ended 30 June - $m) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | *2011A* | *2012A* | *2013A* | *2014A* | *2015A* | *2016A* | *2017A* |
| Revenue | 247.4 | 314.6 | 131.4 | 133.7 | 61.5 | 45.8 | 48.6 |
| Underlying EBITDA | 6.3 | (6.0) | (14.6) | 1.7 | 8.0 | 6.9 | (1.9) |

### Recent financial performance and outlook

- Unseasonal wet weather caused extended site closure at VNIE project in FY17, contributing to weaker revenue and EBITDA recognition in the period. A stronger second half reflected two new self-perform contracts won in Australia and New Zealand.
- Recently awarded HDD onshore works contract for Tangguh LNG plant expansion in Indonesia and a HDD gas pipeline river crossing project in Brisbane for APA.

### Potential sale of LEC[1]

- As previously stated, AJL is presently considering a proposal with a view to reaching a binding agreement which is presently incomplete.
- We note the sale process and negotiations are ongoing. AJL cannot guarantee that a sale will occur, and nor can it currently be specific, if a sale does occur, what the final agreed terms may be.

1 Please refer to slide 16 “Operational update – Australian business performance” for further detail.

LUCAS

# KEY RISKS

*Preston New Road exploration site, Lancashire*

# Key risks

**Introduction**

- As with all businesses, there are a number of factors that are specific to AJL and of a general nature that may have a material impact on AJL’s future operating and financial performance. This section describes certain specific areas that are believed to be risks associated with AJL and with an investment in the New Shares.

- Each of the risks described below could, if they eventuate, have a material impact on AJL's operating and financial performance and on the market price of AJL’s shares. These risk factors are not exhaustive. Whilst some of the risks identified can be mitigated by the use of safeguards and appropriate systems and actions, many of these risks are outside the control of AJL, the Directors and the senior executives of AJL.

- Risks have been outlined in three categories:
    A. General risks relating to overseas investments of AJL including Cuadrilla;
    B. General risks relating to the operating businesses of AJL and the markets in which they operate; and
    C. Specific risks relating to investing in the New Shares.

# Key risks

## A. General risks relating to overseas investments of AJL including Cuadrilla

| | |
|---|---|
| Regulatory risk | a) AJL has an interest in a number of assets that are located in different jurisdictions. Accordingly, such assets are subject to risks particular to its location, such as changes in laws, practices and policies in the relevant jurisdiction, including laws that deal with overseas investments.<br>b) In particular, there may be considerable resistance from the public or legislators or both in a region to certain exploration and development activities, particularly drilling and fracking, arising in connection with, for example, environmental sensitivities and concerns about pollution, concerns about the potential effects of fracking on aquifers or earth tremors and concerns about the impact of large scale drilling operations on landscapes, which may result in the suspension of activities, increasing regulations imposed on the activities, delays or cost increases. |
| UK regulatory risk | a) Following the dismissal by the Court of Appeal on 12 January 2018 of two appeals against the High Court's decision on 12 April 2017 to uphold the validity of the UK Government's planning permission, the Court of Appeal has refused permission in both cases to appeal further. Appellants have the right to appeal directly to the Supreme Court within 28 days of the Court of Appeal's decision. In the event that the Supreme Court agrees to hear such an appeal, and that it is successful, the Supreme Court may choose to set aside some or all of the UK Government's planning permission, which may result in additional costs and extend the timeline for future exploration at Preston New Road, or preclude future exploration at Preston New Road.<br>b) Assuming the appraisal programme proves commerciality, additional regulatory approvals will be required to further develop AJL's licences in the Bowland shale on a commercial scale. There may be considerable resistance from significant sections of the public to Cuadrilla's exploration and development activities, particularly drilling and fracking.<br>c) Oil and gas tenements are issued by the UK government on terms and conditions set out in each license. Such terms typically require a tenement holder to relinquish a certain percentage of the license area at set times. |
| Currency risk | A substantial proportion of AJL's sales revenue, expenditures and cash flows are generated in Australian dollars. However, AJL is exposed to foreign currencies through its funding obligations to Cuadrilla which are expressed in United States dollars, and through its debt facilities, which are denominated in United States dollars. As a UK-domiciled company, a significant proportion of Cuadrilla's expenses are also denominated in GBP. Any adverse exchange rate fluctuations or volatility in such foreign currencies could have an adverse effect on AJL's ability to fund its financial obligations to Cuadrilla or repay its debt and on its future financial performance and position. |
| Inability to meet exploration licence funding obligations - AJL *Direct* Interests | Cuadrilla is the operator of the PEDL 165 and PEDL 244 licences, and under the joint operating agreements between the owners of the licences, Cuadrilla prepares the budget for exploration of these areas which is then approved by the joint operating committee. If AJL fails to make its required contributions to project expenditures in a timely manner, it is exposed to the risk that it may lose its Direct Interests in these licences by way of the forfeiture provisions under the joint operating agreements that govern the joint ventures. |
| AJL's inability to meet funding obligations - AJL *Indirect* Interests | Under the Cuadrilla Shareholders Agreement, AJL may be called upon to make further capital contributions to Cuadrilla. If AJL is not able to meet its equity funding obligations in Cuadrilla, it is likely that its ownership in Cuadrilla would be diluted, affecting the value of its shareholding in Cuadrilla. |

# Key risks

## A. General risks relating to overseas investments of AJL including Cuadrilla (continued)

| | |
|---|---|
| Cuadrilla funding | In the event that Cuadrilla is unable to raise funding, as required, from its shareholders (AJL, Riverstone and Cuadrilla management) or other sources, it may not be able to take the required actions to execute its development plans for its key assets (notably, Bowland) and exit strategy, either in part or at all. This may affect the value of AJL's shareholding in Cuadrilla and possibly the value of AJL's Direct Interests. |
| Extent of, and ability to recover unconventional hydrocarbons | a) Cuadrilla's ability to develop its concessions for unconventional hydrocarbons depends upon the presence of significant in-place hydrocarbon resources in Cuadrilla's concession areas and the ability of Cuadrilla to recover those resources in a commercially viable manner. There can be no guarantee that Cuadrilla will be able to recover any hydrocarbons in its concession areas or that it will be able to do so at a cost that makes production commercially feasible, in which eventuality may lead to the loss of the Contingent Carry from Centrica.<br>b) There has been, as yet, no commercial production of unconventional hydrocarbons in any of the countries in which Cuadrilla operates, whether by Cuadrilla or by any other party. The data provided by the initial seismic appraisals, drilling and testing of vertical wells (which has not been carried out so as to generate a continuous flow of gas over an extended period of time) and other exploration activities undertaken to date are insufficient at this stage to evaluate the likelihood of commercial recovery of unconventional hydrocarbons.<br>c) Further drilling and production testing of horizontal wells will be necessary before Cuadrilla is able to make an estimate of recoverable volumes in any of its concessions and it is possible that such further drilling and production testing may not yield positive results.<br>d) There is a risk that unconventional hydrocarbons extraction and recovery may not be feasible at all in Cuadrilla's concessions with existing technology due to technical complications arising from factors such as rock properties, reservoir pressure, fracture complexity and conductivity and other factors specific to the shale plays within Cuadrilla's concession areas.<br>e) If recovery of hydrocarbons is technically feasible in Cuadrilla's concessions, there is a risk that it may not be commercially viable due to the costs of the technology, drilling, equipment and other resources needed to extract the hydrocarbons from the reservoirs, all of which will depend to a significant extent on the specific conditions of each particular reservoir.<br>f) Commercial extraction of hydrocarbons will also depend on installation of infrastructure which will require Cuadrilla to obtain additional regulatory approvals.<br>g) The commercial viability of any particular unconventional reservoir will be largely a function of the prevailing prices for oil and natural gas compared to the costs of extracting hydrocarbons from that reservoir. A higher cost base for a particular reservoir, whether due to its particular geophysical qualities or otherwise (including installation of gathering pipelines and related investments necessary to install any required supply infrastructure) could make profitable extraction from such reservoir impossible.<br>h) If Cuadrilla is unable to recover hydrocarbons from its concessions at all, due to geological factors or technical infeasibility, or if it is able to recover hydrocarbons only at a cost which makes production commercially unviable, this may have a material adverse effect on the value of AJL's investment in Cuadrilla and the value of AJL's direct interests in those licences operated by Cuadrilla. |

# Key risks

## A. General risks relating to overseas investments of AJL including Cuadrilla (continued)

| | |
|---|---|
| Risks relating to the unconventional hydrocarbon sector | AJL has international operations in the unconventional hydrocarbon sector. Any variance in the level of activity in these sectors may have an adverse effect on results and the factors influencing that variance may be beyond the control of AJL. These factors vary, but can include:<br>• the legal and regulatory regimes governing the production of energy are subject to change;<br>• energy exploration, especially in relation to unconventional resources such as shale gas, is speculative, capital intensive and can result in complete loss of capital;<br>• a substantial or extended decline in gas prices may adversely affect AJL's business prospects, financial condition and results of operations; and<br>• technical and other risks. |

## B. General risks relating to the operating businesses of AJL and the markets in which they operate

| | |
|---|---|
| Commercial, financial and operational risks | a) As a business operating in the engineering, energy, mining and infrastructure sectors, AJL faces general commercial risks, including the loss of major customers, competition and other causes of business interruption, each of which may have a material adverse effect on AJL. The development of new technologies which compete with AJL may also have a material adverse effect on AJL.<br>b) AJL is subject to, and seeks to manage, a number of contractual risks which include the following:<br>• AJL's businesses enjoy a number of contracts with long-term customers and business relationships. If any of these key customers reduce exploration or production or terminate the relationship, or if potential contracts are not awarded, this may have an adverse effect on the financial performance and/or financial position of AJL;<br>• for certain major projects, AJL may need to participate in joint ventures which can bring counterparty risks or may limit AJL's access to opportunities if suitable joint venture partners are not available;<br>• contracts in the sectors in which AJL operates often contain penalty clauses and contractual disputes can potentially have a material adverse effect on AJL; and<br>• some projects depend on contractual rights to access sites owned or controlled by others and contractual disputes and other incidents affecting such access can cause disruption to AJL's operations. |

# Key risks

**B. General risks relating to the operating businesses of AJL and the markets in which they operate (continued)**

| | |
|---|---|
| Technical and other operating risks | A range of factors may affect the investments of AJL, including, but not limited to, exploration, appraisal and production:<br>• geological conditions;<br>• unanticipated operating and technical difficulties encountered in seismic survey, drilling and production activities;<br>• mechanical failure of operating plant and equipment; and<br>• prevention of access by reason of community unrest, outbreak of hostilities, inability to obtain consents and approvals. |
| Resources sector risks | AJL's operating businesses in Australia provide services to customers who extract and transport natural resources for sale, principally coking coal, thermal coal and natural gas. The demand for these resources may be adversely affected by downturns in economic activity, competition from alternative sources of energy, technological developments in energy efficiency, changes in consumer behaviour, policy shifts towards lower carbon emissions and other environmental concerns, concerns around hydraulic fracturing of shale deposits, changes to competition policy and a large number of other factors outside the control of AJL. A fall in demand for the products of AJL's customers may reduce or delay levels of production, exploration and construction activity which may potentially have a material adverse effect on the levels of work that contractors such as AJL are able to win and may lead to existing contracts being reduced in scope. This may adversely affect the profitability, financial performance and prospects of AJL. |
| Counterparty (client) payment risk | a) In the ordinary course of business, AJL extends credit terms and relies on its clients for payments. Should a client enter financial distress or become insolvent, AJL may not be paid for work completed. Should a project cease mid-construction, AJL may find itself with an unexpected under-employed workforce to manage. Preliminary works on some projects are commenced prior to formal contracts being signed.<br>b) AJL maintains provisions for bad and doubtful debts which are regularly reviewed. If these provisions are inadequate, or a bad debt arises during a period for which no provision has yet been made, there may be an adverse impact on AJL's financial performance and position. |
| Project based sales revenue | A significant proportion of AJL's revenue and earnings is sourced from specific projects. These may not be repeated or offer recurring revenue following the end of the project's finite life. The number of projects awarded to AJL may also vary in number and value from year to year. AJL's operating and financial performance is partly dependent on its ability to win work and secure sufficient projects within contemplated timeframes. Failure to do so may have a significant impact on financial performance and any forecast earnings. |

# Key risks

**B. General risks relating to the operating businesses of AJL and the markets in which they operate (continued)**

| | |
|---|---|
| Project delays | a) Delays to the commencement or completion of work on projects have occurred from time to time and may occur in the future due to a variety of reasons, including general market down-turns, reductions in commodity prices, commercial factors/client delays, changes in the scope of work, legal issues, supply of labour, scarcity of quality materials and equipment, lower than expected productivity levels, accidents, natural disasters, inclement weather conditions, land contamination, regulatory intervention, delays in necessary approvals, difficult site access and industrial relations issues.<br>b) Delays may lead to cost increases, some or all of which may not be recoverable by AJL, and may also result in an obligation by AJL to pay compensation for late completion, often in the form of liquidated damages. Delays in the execution of projects may result in projects not achieving their forecast level of profitability. |
| Cost variation | a) AJL regularly enters into contracts for construction and services projects following a competitive tendering process. Certain contracts entered into by AJL may be contracted on a fixed price basis with limited entitlements to price adjustments. Failure by AJL to properly assess and manage project risks may result in cost overruns which could cause the project to be less profitable than expected or loss making. If any of the above were to occur, there may be an adverse impact on AJL's future financial performance and financial position.<br>b) Further, in some contracts, AJL assumes the risk that sub-contractors do not perform to their contracts. Although replacement sub-contractors can generally be appointed quickly, there is no assurance that their price will be the same as or lower than the original sub-contractor. |
| Unapproved contract variation | a) In the ordinary course of business, AJL submits variation claims in relation to ongoing or completed projects in support of work that is out of scope from the original contract. These variation claims involve negotiation with contractual counterparties.<br>b) To the extent that AJL recovers less than expected on the variations, its financial performance may be materially adversely impacted. |

# Key risks

## B. General risks relating to the operating businesses of AJL and the markets in which they operate (continued)

| | |
|---|---|
| Debt facilities | a) The terms of the Senior and Kerogen subordinated facilities include a number of events of default, including non-payment of any amount due under the facility and breach of financial covenants which, if triggered, could require AJL to cure the event of default. If no cure is undertaken by AJL, AJL could be required to repay the outstanding commitments under the facility on demand from the lenders.<br>b) If AJL is unable to repay or refinance its debt facilities upon maturity or in the event of a breach of covenant, AJL may have to seek further equity, dispose of assets or enter into new debt facilities on less favourable terms. These factors could materially adversely affect AJL's ability to operate its business and to fund capital expenditure and could materially adversely affect the financial performance of AJL. In such circumstances there is no guarantee that AJL will be able to refinance AJL's debt or obtain terms consistent with its current debt facilities. |
| Additional funding requirements and financing risk | a) Following the Offer the Company's ability to service its debt will continue to depend on its future performance, which may be affected by many factors, some of which may be beyond AJL's control and that of the Directors. Any inability of AJL to service its debt may have a material adverse effect on AJL.<br>b) The inability to obtain additional finance from capital markets, if required, could have a material adverse effect on AJL's operations and its financial condition or performance. |
| Material contracts | a) A number of AJL's drilling contracts contain a right for the customer to terminate the contract at their convenience by providing notice to AJL. Under such arrangements, the customers are not required to state a reason for such termination nor are they required to attribute termination to any breach by AJL.<br>b) The termination of any drilling contracts could have a material adverse effect on AJL's revenue.<br>c) AJL regularly tenders for various new contracts and extensions to existing contracts. If AJL is unsuccessful in its tender activity or is unable to extend the terms of its existing contracts, this may have a material adverse effect on AJL's revenue. |
| Natural disasters and seasonal weather conditions | Some of the areas in which AJL has operations, particularly its drilling operations in Queensland, may be adversely affected by seasonal weather conditions. AJL is seeking to incorporate, and in some cases has incorporated wet weather standby payments to mitigate risks associated with wet weather events, thereby underpinning the revenue stream. The impact (directly or indirectly) of events beyond AJL's control may adversely impact AJL's operational and financial performance. |

## B. General risks relating to the operating businesses of AJL and the markets in which they operate (continued)

| | |
|---|---|
| Environmental | a) Environmental laws and regulations in Australia and abroad can affect the operations of businesses, including AJL and entities in which it has an interest. These regulations provide penalties or other remedies for any violation of laws and regulations and, in certain circumstances, impose obligations to undertake remedial action. In common with other businesses in the energy, resources and infrastructure sectors, there is a risk that significant damages or penalties might be imposed on AJL or an entity in which it has an interest, including for certain discharges into the environment, effects on employees, sub-contractors or customers or as clean up costs.<br>b) Private entities, including the owners of properties upon which AJL's wells (or the operations of an entity in which AJL has an interest) are drilled and facilities where AJL's waste materials are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. In addition, the risk of accidental spills or releases of gas or hazardous materials could expose AJL to significant liabilities. Any significant increase in the costs of compliance with, or the liabilities and costs associated with any failure to comply with, environmental and operational safety laws and regulations could have a material adverse effect on AJL's business, prospects, financial condition or results of operations. |
| Availability of skilled employees, equipment and resources | AJL operates in sectors which are technically demanding and utilises a range of specialised equipment. To operate effectively, the business needs to continue to source and commission new equipment as well as recruit, train and retain skilled employees to operate the specialised equipment. The availability or supply of skilled personnel and the necessary equipment can be relevant to AJL's future financial performance and growth. The drilling industry in which AJL operates is capital intensive. The operating and financial performance of that division is partly reliant on adequate capital investment. AJL's capital expenditure requirements may impact the cash flow available to service financing obligations and pay dividends. Incurred capital expenditure may or may not deliver the expected operational benefits and may have a material adverse effect on AJL. |
| Reliance on Key Personnel | Like other companies, AJL's performance is dependent on the ability of its senior executives and key personnel to manage and grow its business and respond to customers' needs. The loss of the services of its senior executives or key personnel, or a loss of the ability to continue to attract and retain qualified and competent employees, could have a material adverse effect on AJL's operations and financial results. Continuity and retention of staff is important for customer retention and ongoing customer negotiations. A change of staff or resourcing issues could affect ongoing relationships with various parties connected to AJL. |

# Key risks

**B. General risks relating to the operating businesses of AJL and the markets in which they operate (continued)**

| | |
|---|---|
| Reputation and goodwill | There is significant goodwill vested in the "Lucas" trademark which may be adversely affected in a number of circumstances, including major breaches of workplace safety, litigation or accidents. Where such circumstances become known in its markets, there is a risk that AJL's goodwill may be damaged, including goodwill arising from AJL's reputation as a reliable and safe service provider. In addition, as with any listed company, AJL's share price may be affected by market sentiment. |
| Labour disputes | If any material disputes were to arise between AJL and its employees or sub-contractors, there would be potential for disruption to the operations of AJL. Any disruption may increase labour costs and availability and adversely impact revenue and profitability. |
| Litigation and legal risks | Litigation risks to AJL include, but are not limited to, claims from various parties, including employees, suppliers, customers and other contractual counterparties, government and special interest groups, as well as claims in relation to environmental matters, accidents and other commercial matters. To the extent that such risks are not covered by insurance, then any of an adverse outcome in litigation, the cost of responding to potential, threatened or actual litigation or the disruptive effect of disputes may have a material adverse impact on the financial performance of AJL. |
| Occupational Health and Safety | AJL's operations are subject to a wide variety of stringent and complex laws, regulations and permit requirements, many of which relate to the protection of human health, safety and the environment. The laws and regulations exist at the local, state, national and supranational levels. AJL manages risks associated with the occupational health and safety of its employees, sub-contractors and others. It is possible for incidents resulting in injuries to occur which may result in expenses which are not covered by insurance or which are in excess of the amount insured or provided for, with a resultant impact on AJL's earnings. |

# Key risks

## C. Specific risks relating to investing in the Offer Shares

| | |
|---|---|
| Market conditions | The market price of shares can fall, as well as rise, and may be subject to varied and unpredictable influences. Neither AJL nor the Directors warrant the future performance of the Offer Shares, AJL or any return on an investment in AJL. |
| Liquidity | a) There can be no guarantee that an active market in the Shares on ASX will exist at all times. There may be relatively few or many potential buyers or sellers of the Shares on the ASX at any given time. This may increase the volatility of the market price. It may also affect the market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for Shares that is less or more than the Offer Price for Offer Shares.<br>b) Liquidity in AJL shares has typically been low and there can be no assurance that liquidity will improve. |
| Future issue of securities of AJL | It is possible that AJL may require further financing in addition to the amounts raised under the Offer. Any additional equity financing may dilute shareholdings, and any debt financing, if available, may involve restrictions on financing and operating activities. Any inability to obtain additional finance, if required, could have a material adverse effect on AJL's operations and its financial condition and performance. |
| Dilution risk | Investors who do not participate in the Offer, or do not take up all of their entitlement under the Offer, will have their investment in AJL diluted and receive no value for their entitlement. |

LUCAS

# SELLING RESTRICTIONS

*Preston New Road exploration site, Lancashire*

# Selling restrictions

**International Offer Restrictions**

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

**Cayman Islands**

No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands.

**United Kingdom**

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

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# Selling restrictions (continued)

**Hong Kong**

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