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NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

DESPATCH OF RETAIL OFFER BOOKLET

30 January 2018

Further to the announcement by AJ Lucas Group Limited ("**AJ Lucas**") on Friday, 19 January 2018 relating to a 1 for 6 pro rata accelerated non-renounceable entitlement offer ("**Entitlement Offer**"), AJ Lucas has today despatched the Retail Offer Booklet and personalised Entitlement and Acceptances Forms to Eligible Retail Shareholders.

Only Eligible Retail Shareholders in Australia and New Zealand may participate in the Retail Entitlement Offer. The eligibility criteria is set out in the Retail Offer Booklet. The Retail Offer Booklet is attached to this announcement.

For further information, please call the AJ Lucas Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia), or consult your stockbroker, accountant or other professional adviser. The AJ Lucas Offer Information Line will be open from 8.30am to 5.00pm (Sydney time), Monday to Friday until 28 February 2018.

For further information, please contact:

AJ Lucas Group Limited
Marcin Swierkowski

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Company Secretary

Disclaimer

This announcement is not financial product or investment advice, a recommendation to acquire new shares or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for new shares. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. AJ Lucas is not licensed to provide financial product advice in respect of an investment in shares.

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This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States. The securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and other applicable U.S. state securities laws.





AJ Lucas Group Limited

Retail Entitlement Offer

AJ Lucas Group Limited ACN 060 309 104

1 for 6 pro rata accelerated non-renounceable entitlement offer of AJ Lucas Group Limited ordinary shares at an Offer Price of \$0.32 per New Share.

Retail Entitlement Offer closes at 5.00pm (Sydney time) Friday, 16 February 2018.

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This Retail Offer Booklet requires your immediate attention. It is an important document which is accompanied by a personalised Entitlements and Acceptance Form and both should be read in their entirety. This Retail Offer Booklet is not a prospectus under the *Corporations Act 2001* (Cth) (**Corporations Act**) and has not been lodged with the Australian Securities & Investments Commission (**ASIC**). Please call your stockbroker, accountant or other professional adviser or the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) if you have any questions.

Important notices

Defined terms used in these important notices have the meaning given in this Retail Offer Booklet.

Future performance and forward looking statements

This Retail Offer Booklet contains certain “forward looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as “expect”, “anticipate”, “likely”, “intend”, “propose”, “should”, “could”, “may”, “guidance”, “outlook”, “predict”, “plan”, “will”, “believe”, “forecast”, “estimate”, “target”, and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings, distributions or financial position or performance, aspects of the Entitlement Offer and use of proceeds are also forward looking statements. The forward looking statements contained in this Retail Offer Booklet involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of AJ Lucas Group Limited (ACN 060 309 104) (**AJL**), and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this Retail Offer Booklet in light of those disclosures. You are cautioned not to place undue reliance on any forward looking statements. The inclusion of forward looking statements should not be regarded as a representation, warranty or guarantee with respect to its accuracy or the accuracy of the underlying assumptions, or that AJL will or is likely to achieve particular results.

The forward looking statements are based on information available to AJL as at the date of this Retail Offer Booklet. Except as required by law or regulation (including the Australian Securities Exchange (**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.

Key risks

Refer to the “Key risks” section of the AJL Investor Presentation included in Section 4 of this Retail Offer Booklet for a summary of certain general and AJL specific risk factors that may affect AJL.

Past performance

Investors should note that past performance, including past share price performance and pro forma historical information are included for illustrative purposes only, and cannot be relied upon as an indicator of (and provides no guidance as to) future AJL performance including future financial position or share price performance.

Jurisdictions

This Retail Offer Booklet, and any accompanying ASX announcements and each personalised Entitlements and Acceptance Form, do not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither this Retail Offer Booklet nor any personalised Entitlements and Acceptance Form may be distributed or released in the United States. Neither the entitlements to purchase new ordinary shares in AJL (**New Shares**) pursuant to the offer described in this Retail Offer Booklet (**Entitlements**) nor the New Shares have been, and none of them will be, registered under the US Securities Act of 1933, as

amended (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Entitlements may not be purchased or taken up by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. Neither the Entitlements nor the New Shares may be offered, sold or resold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction in the United States. The Entitlements and the New Shares may only be offered and sold in “offshore transactions” (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act.

Neither this Retail Offer Booklet nor any personalised Entitlements and Acceptance Form may be distributed or released in the United States.

References to “you” and “your Entitlements”

In this Retail Offer Booklet, references to “you” are references to Eligible Retail Shareholders (as defined in Section 5.1) and references to “your Entitlements” (or “your personalised Entitlements and Acceptance Form”) are references to the Entitlements (or personalised Entitlements and Acceptance Form) of Eligible Retail Shareholders.

Times and dates

Times and dates in this Retail Offer Booklet are indicative only and subject to change. All times and dates refer to Sydney time. Refer to the “Key Dates” section of this Retail Offer Booklet for more details.

Currency

Unless otherwise stated, all dollar values in this Retail Offer Booklet are in Australian dollars (A\$).

Trading New Shares

AJL will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by AJL or the AJL Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in any doubt as to these matters you should first consult with your stockbroker, accountant or other professional adviser.

Refer to Section 5 for more details.

Retail Offer Booklet

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Key dates

Event	Date
Announcement of the Entitlement Offer and the Placement	Friday, 5 January 2018
Launch of the Entitlement Offer (including the Retail Entitlement Offer) and the Placement	Friday, 19 January 2018
Record Date for eligibility in the Retail Entitlement Offer (7.00pm, Sydney time)	Wednesday, 24 January 2018
Retail Entitlement Offer opens	Tuesday, 30 January 2018
Retail Offer Booklet despatched, including personalised Entitlements and Acceptance Form	Tuesday, 30 January 2018
Retail Entitlement Offer closes (5.00pm, Sydney time) including retail oversubscriptions	Friday, 16 February, 2018
Settlement of Retail Entitlement Offer	Thursday, 22 February 2018
Issue of New Shares under the Retail Entitlement Offer	Friday, 23 February 2018
New Shares under the Retail Entitlement Offer commence trading on a normal settlement basis	Monday, 26 February 2018
Despatch of holding statements	Tuesday, 27 February 2018

The timetable above is indicative only and is subject to change. AJL reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, AJL reserves the right to extend the closing date of the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer (either generally or in particular cases) and to withdraw or vary the Retail Entitlement Offer without prior notice. Any extension of the closing date may have a consequential effect on the issue date of New Shares.

The commencement of quotation of New Shares is subject to confirmation from ASX.

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your application once it has been accepted. Eligible Retail Shareholders (as defined in Section 5.1) wishing to participate in the Retail Entitlement Offer are encouraged to submit their personalised Entitlements and Acceptance Form as soon as possible after the Retail Entitlement Offer opens.

Enquiries

If you have any questions, please call the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia), or consult your stockbroker, accountant or other professional adviser. The AJL Offer Information Line will be open from 8.30am to 5.00pm (Sydney time), Monday to Friday until 28 February 2018.

Alternatively, you can access information about the Retail Entitlement Offer online at www.lucas.com.au.



Letter from the Chairman

30 January 2018

Dear Shareholder,

On behalf of AJ Lucas Group Limited (**AJL**), I am pleased to invite you to participate in a 1 for 6 pro rata accelerated non-renounceable entitlement offer of new AJL ordinary shares (**New Shares**) at an offer price of \$0.32 per New Share (**Offer Price**), to raise gross proceeds of up to \$31.2 million (**Entitlement Offer**).

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**), and is being conducted in conjunction with a placement of ordinary shares to institutional investors to raise up to \$22.6 million (**Placement**), as announced on 5 January 2018 and 19 January 2018. The Offer Price is the same as the offer price under the Placement.

Under the Retail Entitlement Offer, eligible shareholders are being offered the opportunity to subscribe for 1 New Share for every 6 existing AJL ordinary shares (**Shares**) held on the Record Date of 7.00pm (Sydney time) Wednesday, 24 January 2018 (**Retail Entitlements**). The Offer Price of \$0.32 per New Share represents an approximate 13.5% discount to the closing share price of \$0.37 on 19 January 2018, being the last trading day before the Entitlement Offer was launched, and a discount of 22.9% to the closing share price of \$0.415 on 22 December 2017, being the last trading day before AJL entered into a trading halt and period of suspension immediately prior to its 5 January 2018 announcement. New Shares will rank equally with existing Shares in all respects from allotment.

Eligible retail shareholders may also apply for additional New Shares in excess of their Retail Entitlements up to that number of Shares that equal their Retail Entitlements as at the Record Date (**Additional New Shares**) (e.g., if their entitlements would enable them to subscribe for 2,000 New Shares, they may apply for up to a further 2,000 Additional New Shares, being up to 4,000 Shares in total). The size of the retail over-allocation facility is limited to the size of any shortfall in the Retail Entitlement Offer and the maximum number of Additional New Shares AJL would issue in satisfaction of applications for over-allocations it may receive under the retail over-allocation facility is capped at 2 million. Allocations under the retail over-allocation facility will be determined by AJL in its absolute discretion and any allotment of Additional New Shares is not guaranteed.

As announced to ASX on Tuesday, 23 January 2018, AJL has successfully completed the Institutional Entitlement Offer, raising approximately \$26.1 million for AJ Lucas, which represents approximately 83.5% of total entitlements available under the Entitlement Offer.

The Retail Entitlement Offer is expected to raise up to \$5.1 million. This offer booklet (**Retail Offer Booklet**) relates to the Retail Entitlement Offer and Entitlements allotted under it. This Retail Offer Booklet contains important information about the Retail Entitlement Offer and AJL's business under the following headings:

- Key dates;
- Summary of options available to you;
- Actions required by you;
- Australian taxation considerations;

AJ Lucas Group Limited – Retail Entitlement Offer

- ASX announcements (including the AJL Investor Presentation); and
- Important information.

Accompanying this Retail Offer Booklet is your personalised Entitlements and Acceptance Form which contains details of your Retail Entitlements. Your Retail Entitlements may have value and it is important that you determine whether to take up or do nothing in respect of your Retail Entitlements (see Section 2).

The Retail Entitlement Offer closes at 5.00pm (Sydney time) on Friday, 16 February 2018. To participate, you need to ensure that you have completed your application by paying the Offer Price multiplied by the number of New Shares you are applying for (**Application Monies**) by BPAY®, or by lodging your personalised Entitlements and Acceptance Form with your Application Monies paid by cheque, bank draft or money order so that they are received before this time in the manner described in this Retail Offer Booklet.

If you choose to do nothing, your Retail Entitlements will lapse and you will receive no value for your Retail Entitlements.

Please carefully read this Retail Offer Booklet in its entirety and consult your stockbroker, solicitor, accountant or other professional adviser before making your investment decision. In particular, you should read and consider the “Key risks” section of the AJL Investor Presentation included in Section 4 of this Retail Offer Booklet which contains a summary of some of the key risks associated with an investment in AJL.

If you have any questions in respect of the Entitlement Offer please call the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) at any time from 8.30am to 5.00pm (Sydney time) Monday to Friday until 28 February 2018.

Yours faithfully,



Phil Arnall
Chairman

Section 1 Summary of options available to you

If you are an Eligible Retail Shareholder (as defined in Section 5.1) you may take any one of the following actions:

- take up all of your Retail Entitlements;
- take up some of your Retail Entitlements and allow the balance to lapse;
- take up all of your Retail Entitlements and apply for Additional New Shares (as set out in Section 5.8); or
- do nothing, in which case your Retail Entitlements will lapse and you will receive no value for those lapsed Retail Entitlements.

If you are a retail shareholder that is not an Eligible Retail Shareholder, you are an Ineligible Retail Shareholder (as defined in Section 5.1).

Ineligible Retail Shareholders are not entitled to participate in the Retail Entitlement Offer.

Options available to you	Key considerations
1. Take up all or some of your Retail Entitlements	<ul style="list-style-type: none">• You may elect to purchase New Shares at the Offer Price (see Section 2.5.1 for instructions on how to take up your Retail Entitlements).• The New Shares will be fully paid and from allotment rank equally in all respects with existing Shares and will be entitled to dividends/distributions on the same basis as existing Shares.• The Retail Entitlement Offer closes at 5.00pm (Sydney time) on Friday, 16 February 2018.• If you only take up some of your Retail Entitlements, the part not taken up will lapse and you may have your percentage holding in AJL reduced.• Please follow the instructions on your personalised Entitlements and Acceptance Form.
2. Take up all of your Retail Entitlements and apply for Additional New Shares	<ul style="list-style-type: none">• Eligible Retail Shareholders may, in addition to their Retail Entitlements, apply for Additional New Shares. Refer to Section 5.8 if you wish to apply for Additional New Shares.• A single cheque, bank draft or money order should be used, or, if you are paying by BPAY®, a single payment should be made for the Application Monies for your Retail Entitlements and the number of Additional New Shares you wish to apply for.
3. Do nothing, in which case your Retail Entitlements will lapse and you will receive no payment or value for those lapsed Retail Entitlements	<ul style="list-style-type: none">• If you do not take up any of your Entitlements, you will not be allocated New Shares and your Retail Entitlements will lapse. Your Retail Entitlements are non-renounceable and cannot be traded on ASX or any other exchange, nor can they be privately transferred.• You will not receive any payment or value for those Retail Entitlements not taken up.• If you do not take up any Retail Entitlements, you will have your percentage holding in AJL reduced.

Section 2 Actions required by you

2.1 Overview of the Entitlement Offer

As part of the Entitlement Offer, Eligible Retail Shareholders (as defined in Section 5.1) are being offered the opportunity to subscribe for 1 New Share for every 6 existing Shares held as at 7.00pm (Sydney time) on Wednesday, 24 January 2018 (**Record Date**), at the Offer Price of \$0.32 per New Share.

The Entitlement Offer is comprised of:

- **Institutional Entitlement Offer** – eligible institutional shareholders were given the opportunity to take up all or some of their Entitlements. Entitlements under the Institutional Entitlement Offer (**Institutional Entitlements**) were non-renounceable;
- **Retail Entitlement Offer** – Eligible Retail Shareholders (as defined in Section 5.1) will be allotted Retail Entitlements under the Retail Entitlement Offer which can be taken up in whole or in part. Retail Entitlements are non-renounceable and are not tradeable or otherwise transferable; and
- **Retail over-allocation facility** – Eligible Retail Shareholders may also apply for Additional New Shares in excess of their Retail Entitlements up to that number of Shares that equal their Retail entitlements as at the Record Date (e.g., if their Retail Entitlements would enable them to subscribe for 2,000 New Shares, they may apply for up to a further 2,000 Additional New Shares, being up to 4,000 Shares in total). The size of the retail over-allocation facility is limited to the size of any shortfall in the Retail Entitlement Offer and the maximum number of Additional New Shares AJL would issue in satisfaction of applications for over-allocations it may receive under the retail over-allocation facility is capped at 2 million. Allocations under the retail over-allocation facility will be determined by AJL in its absolute discretion and any allotment of Additional New Shares is not guaranteed.

The Entitlement Offer is not underwritten. Patersons Securities Limited has been appointed by AJL as Lead Manager (the **Lead Manager**).

AJL's largest shareholder, Kerogen Investments No. 1 (HK) Limited (**Kerogen**), subscribed in full for its pro rata entitlement (\$18.3 million) under the Institutional Entitlement Offer. In total, approximately \$26.1 million was raised in the Institutional Entitlement Offer, representing approximately 83.5% of total entitlements available under the Entitlement Offer.

You have a number of decisions to make in respect of your Retail Entitlements. These decisions may materially affect the value (if any) that may be received in respect of your Retail Entitlements. You should read this Retail Offer Booklet carefully before making any decisions in relation to your Retail Entitlements.

Further details on the Retail Entitlement Offer and retail over-allocation facility are set out below.

2.2 The Retail Entitlement Offer

Under the Retail Entitlement Offer, Eligible Retail Shareholders (as defined in Section 5.1) are invited to apply for 1 New Share for every 6 existing Shares held as at the Record Date at the Offer Price of \$0.32 per New Share.

The offer ratio and Offer Price under the Retail Entitlement Offer are the same as for the Institutional Entitlement Offer.

The Retail Entitlement Offer opens at 9.00am (Sydney time) on Tuesday, 30 January 2018 and will close at 5.00pm (Sydney time) on Friday, 16 February, 2018.

2.3 Your Retail Entitlements

Your Retail Entitlements are set out on the accompanying personalised Entitlements and Acceptance Form and have been calculated as 1 New Share for every 6 existing Shares you held as at the Record Date. If

the result is not a whole number, your Retail Entitlements have been rounded down to the nearest whole number of New Shares.

In addition, Eligible Retail Shareholders may also apply for Additional New Shares in excess of their Retail Entitlements up to that number of Shares that equal their Retail Entitlements as at the Record Date (e.g., if their Retail Entitlements would enable them to subscribe for 2,000 New Shares, they may apply for up to a further 2,000 Additional New Shares, being up to 4,000 Shares in total). The size of the retail over-allocation facility is limited to the size of any shortfall in the Retail Entitlement Offer and the maximum number of Additional New Shares AJL would issue in satisfaction of applications for over-allocations it may receive under the retail over-allocation facility is capped at 2 million. Allocations under the retail over-allocation facility will be determined by AJL in its absolute discretion and any allotment of Additional New Shares is not guaranteed. AJL will not issue any shortfall shares under the Offer to any person other than a shareholder that has elected to participate under the retail over-allocation facility.

If you have more than one registered holding of Shares, you will be sent more than one personalised Entitlements and Acceptance Form and you will have separate Retail Entitlements for each separate holding.

New Shares issued under the Retail Entitlement Offer (including any Additional New Shares) will be fully paid and from allotment rank equally in all respects with existing Shares and will be entitled to dividends/distributions on the same basis as existing Shares.

See Sections 5.1 and 5.14 for information on restrictions on participation in the Retail Entitlement Offer.

2.4 Consider the Retail Entitlement Offer carefully in light of your particular investment objectives and circumstances

The Retail Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow entitlement offers to be made without a prospectus. This Retail Offer Booklet does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Retail Entitlement Offer. As a result, it is important for you to read carefully and understand the information on AJL and the Retail Entitlement Offer made publicly available, including the information lodged by AJL with ASX as part of its continuous disclosure obligations, prior to deciding whether to take up all or some of your Retail Entitlements or do nothing in respect of your Retail Entitlements. In particular, please refer to this Retail Offer Booklet and other announcements made available at www.asx.com.au (including announcements which may be made by AJL after publication of this Retail Offer Booklet).

Please consult with your stockbroker, accountant or other professional adviser if you have any queries or are uncertain about any aspect of the Retail Entitlement Offer. You should also refer to the “Key risks” section of the AJL Investor Presentation included in Section 4 of this Retail Offer Booklet.

2.5 Options available to you

If you are an Eligible Retail Shareholder, you may take any of the following actions. Each of these options may have a materially different outcome on any value you receive in respect of your Retail Entitlements:

- (a) take up all or some of your Retail Entitlements or take up all of your Retail Entitlements and apply for Additional New Shares (see Section 2.5.1); or
- (b) do nothing, in which case your Retail Entitlements will lapse and you will receive no payment or value for those lapsed Retail Entitlements (see Section 2.5.2).

2.5.1 If you wish to take up all or some of your Retail Entitlements, or take up all of your Retail Entitlements and apply for Additional New Shares

If you wish to take up all or some of your Retail Entitlements, or if you wish to take up all of your Retail Entitlements and apply for Additional New Shares, please either:

- complete and return the personalised Entitlements and Acceptance Form with the requisite Application Monies; or
- pay your Application Monies via BPAY® by following the instructions set out on the personalised Entitlements and Acceptance Form,

in each case, by no later than 5.00pm (Sydney time) on Friday, 16 February 2018.

You may only apply for Additional New Shares in excess of your Retail Entitlements up to that number of Shares that equal your Retail Entitlements as at the Record Date (e.g., if your Retail Entitlements would enable you to subscribe for 2,000 New Shares, you may apply for up to a further 2,000 Additional New Shares, being up to 4,000 Shares in total).

The size of the retail over-allocation facility is limited to the size of any shortfall in the Retail Entitlement Offer and the maximum number of Additional New Shares AJL would issue in satisfaction of applications for over-allocations it may receive under the retail over-allocation facility is capped at 2 million. Allocations under the retail over-allocation facility will be determined by AJL in its absolute discretion and any allotment of Additional New Shares is not guaranteed.

Application Monies received by AJL in excess of the amount in respect of your Retail Entitlements may be treated as an application to apply for as many Additional New Shares up to that number of Shares that equal your Retail Entitlements as at the Record Date, as that excess amount will pay for in full at the Offer Price.

If you take up and pay for all or some of your Retail Entitlements before the close of the Retail Entitlement Offer, it is expected that you will be issued New Shares on Friday, 23 February 2018. If you apply for Additional New Shares then, subject to the 2 million overall cap of Additional New Shares and AJL's absolute discretion to scale back your application for Additional New Shares (in whole or part), you will be issued those Additional New Shares on Friday, 23 February 2018. The decision on the number of Additional New Shares to be issued to you will be final.

2.5.2 If you take no action

If you take no action, you will not be allocated New Shares and your Retail Entitlements will lapse. Your Retail Entitlements are non-renounceable and will not be tradeable or otherwise transferable. Shareholders who do not take up their Retail Entitlements in full will not receive any payment or value for those Retail Entitlements they do not take up.

2.6 Payment

You can pay in the following ways:

- by BPAY®; or
- by cheque, bank draft, or money order.

Cash payments will not be accepted. Receipts for payment will not be issued. AJL will treat you as applying for as many New Shares (and any Additional New Shares in accordance with Section 2.5.1) as your payment will pay for in full at the Offer Price.

Any Application Monies received for more than your final allocation of New Shares (and any scale-back in relation to Additional New Shares) will be refunded as soon as practicable after the close of the Retail Entitlement Offer. No interest will be paid to applicants on any Application Monies received or refunded.

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the personalised Entitlements and Acceptance Form. You can only make payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions.

If you are paying by BPAY®, please make sure you use the specific Biller Code and your unique Customer Reference Number (**CRN**) on your personalised Entitlements and Acceptance Form. If you have multiple holdings and consequently receive more than one personalised Entitlements and Acceptance Form, when taking up your Retail Entitlements in respect of one of those holdings only, use the CRN specific to that holding. If you do not use the correct CRN specific to that holding your application will not be recognised as valid.

Please note that should you choose to pay by BPAY®:

- you do not need to submit your personalised Entitlements and Acceptance Form but are taken to make the declarations, representations and warranties on that personalised Entitlements and Acceptance Form and in Section 2.8; and
- if you do not pay for your full Retail Entitlements, you are deemed to have taken up your Retail Entitlements in respect of such whole number of New Shares which is covered in full by your Application Monies.

It is your responsibility to ensure that your BPAY® payment is received by the AJL Share Registry by no later than 5.00pm (Sydney time) on Friday, 16 February 2018. You should be aware that your financial institution may implement earlier cut-off times with regard to electronic payment, and you should take this into consideration in the timing of when you make payment.

Payment by cheque, bank draft or money order

For payment by cheque, bank draft or money order, you should complete your personalised Entitlements and Acceptance Form in accordance with the instructions on the form and return it accompanied by a cheque, bank draft or money order in Australian currency for the amount of the Application Monies, payable to “AJ Lucas Group Limited Entitlement Offer” and crossed “Not Negotiable”.

Your cheque, bank draft or money order must be:

- for an amount equal to the full Application Monies (being \$0.32 multiplied by the number of New Shares that you are applying for and any Additional New Shares in accordance with Section 2.5.1); and
- in Australian currency drawn on an Australian branch of a financial institution. Payment cannot be made in New Zealand dollars. New Zealand resident shareholders must arrange for payment to be made in Australian dollars.

If payment is made by cheque, you should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies as your cheque will be processed on the day of receipt.

If the amount of your cheque, bank draft or money order for Application Monies (or the amount for which a cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares you have applied for in your personalised Entitlements and Acceptance Form, you will be taken to have applied for such lower whole number of New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your personalised Entitlements and Acceptance Form) and to have made the representations and warranties in Section 2.8. Alternatively, your application will not be accepted.

2.7 Mail delivery

To participate in the Retail Entitlement Offer, your payment must be received no later than the close of the Retail Entitlement Offer, being 5.00pm (Sydney time) on Friday, 16 February 2018. If you make payment via cheque, bank draft or money order, you should mail your completed personalised Entitlements and Acceptance Form together with Application Monies to:

Mailing Address

AJ Lucas Group Limited
C/- Computershare Investor Services Pty Limited
GPO Box 2987, Adelaide SA 5001, Australia

Personalised Entitlements and Acceptance Forms and Application Monies will not be accepted at AJL's registered or corporate offices or other offices of the AJL Share Registry.

2.8 Representations by acceptance

By completing and returning your personalised Entitlements and Acceptance Form or making a payment by BPAY® or otherwise applying to participate (including after having acquired Retail Entitlements in New Shares), you will be deemed to have represented and warranted to AJL on behalf of yourself and each person or account for which you are acting that you are an Eligible Retail Shareholder and:

- acknowledge that you have read and understand this Retail Offer Booklet and your personalised Entitlements and Acceptance Form in their entirety;
- agree to be bound by the terms of the Retail Entitlement Offer, the provisions of this Retail Offer Booklet (including Sections 2.8 and 5.5), and AJL's constitution;
- authorise AJL to register you as the holder(s) of New Shares (and any Additional New Shares) allotted to you;
- declare that all details and statements in the personalised Entitlements and Acceptance Form are complete and accurate;
- declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under the personalised Entitlements and Acceptance Form;
- acknowledge that once AJL receives your personalised Entitlements and Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your application or funds provided except as allowed by law;
- agree to apply for and be issued up to the number of New Shares (and any Additional New Shares) specified in the personalised Entitlements and Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Offer Price per New Share (and any Additional New Share);
- authorise AJL, the AJL Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares (and any Additional New Shares) to be issued to you, including to act on instructions of the AJL Share Registry upon using the contact details set out in your personalised Entitlements and Acceptance Form;
- acknowledge and accept the scale-back policy in section 2.5.1 if you apply for Additional New Shares;
- declare that you were the registered holder(s) at the Record Date of the Shares indicated on the personalised Entitlements and Acceptance Form as being held by you on the Record Date;
- acknowledge that the information contained in this Retail Offer Booklet and your personalised Entitlements and Acceptance Form is not investment advice nor a recommendation that New Shares (and any Additional New Shares) are suitable for you given your investment objectives, financial situation or particular needs;
- acknowledge that this Retail Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in AJL and is given in the context of AJL's past and ongoing continuous disclosure announcements to ASX;

- acknowledge the statement of risks in the “Key risks” section of the AJL Investor Presentation contained in Section 4 of this Retail Offer Booklet, and that investments in AJL are subject to risk;
- acknowledge that none of AJL or its respective related bodies corporate and affiliates and their respective directors, contractors, partners, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of AJL, nor do they guarantee the repayment of capital;
- agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Retail Entitlement Offer and of your holding of Shares on the Record Date;
- authorise AJL to correct any errors in your personalised Entitlements and Acceptance Form or other form provided by you;
- represent and warrant (for the benefit of AJL and its related bodies corporate and affiliates) that you did not participate in the Institutional Entitlement Offer either directly or through a nominee, are not an Ineligible Retail Shareholder and are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that the law of any place does not prohibit you from being given access to this Retail Offer Booklet and the personalised Entitlements and Acceptance Form, nor does it prohibit you from making an application for New Shares (and any Additional New Shares) and that you are otherwise eligible to participate in the Retail Entitlement Offer;
- represent and warrant that you are not in the United States and you are not acting for the account or benefit of a person in the United States;
- understand and acknowledge that neither the Entitlements (including, the Retail Entitlements) nor New Shares (and any Additional New Shares) have been, and none of them will be, registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States; and that the Entitlements (including, the Retail Entitlements) may not be taken up or exercised by persons in the United States or by persons who are acting for the account or benefit of a person in the United States. You further acknowledge that New Shares (and any Additional New Shares) offered and sold pursuant to the Retail Entitlement Offer may only be offered and sold outside the United States in “offshore transactions” (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act;
- are subscribing for Retail Entitlements or purchasing New Shares (and any Additional New Shares) in an “offshore transaction” (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act;
- have not and will not send this Retail Offer Booklet, the personalised Entitlements and Acceptance Form or any other materials relating to the Retail Entitlement Offer to any person in the United States or any other country outside Australia and New Zealand;
- if in the future you decide to sell or otherwise transfer the New Shares (and any Additional New Shares), you will only do so in “regular way” transactions on the ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States or is acting for the account or benefit of a person in the United States; and
- if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the personalised Entitlements and Acceptance Form is resident in Australia or New Zealand and is not in the United States and is not acting for the account or benefit of a person in the United States, and you have not sent this Retail Offer Booklet, the personalised Entitlements and Acceptance Form or any information relating to the Retail Entitlement Offer to any such person.

2.9 Enquiries

If you have not received or you have lost your personalised Entitlements and Acceptance Form, or have any questions, please contact the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia). The AJL Offer Information Line will be open from 8.30am to 5.00pm (Sydney time), Monday to Friday, until Wednesday, 28 February 2018. Alternatively, you can access information about the Retail Entitlement Offer online at www.lucas.com.au. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

Section 3 Australian taxation considerations

Set out below is a general summary of the Australian income tax, goods and services tax (**GST**) and stamp duty implications associated with the subscription of New Shares and the subscription of Additional New Shares for certain Eligible Retail Shareholders (for the purposes of this Section 3, collectively the **Transactions**).

The summary does not take account of the individual circumstances of particular Eligible Retail Shareholders and does not constitute tax advice. It does not take into account any financial objectives, tax positions, or investment needs of Eligible Retail Shareholders. The tax implications associated with the Transactions will vary depending on your particular circumstances. Neither AJL nor any of its officers or employees, nor its taxation or other advisers, accepts any liability or responsibility in respect of any statement concerning taxation consequences, or in respect of the taxation consequences. ***You should consult your own professional tax adviser regarding the consequences of the Transactions to you in light of your particular circumstances.***

The comments in this section deal only with the Australian taxation implications associated with the Transactions if you:

- are a resident for Australian income tax purposes; and
- hold your Shares on capital account.

The comments do not apply to you if you:

- are not a resident for Australian income tax purposes; or
- hold your Shares as revenue assets or trading stock (which will generally be the case if you are a bank, insurance company or carry on a business of share trading), or acquired your Shares for the purpose of on-sale at a profit; or
- acquired the Shares in respect of which the Retail Entitlements are issued under any employee share scheme or where the New Shares (and any Additional New Shares) are acquired pursuant to any employee share scheme.

This summary is based on Australian tax laws and regulations and the current administrative practice of the Australian Taxation Office (**ATO**) as at the date of this Retail Offer Booklet. Other than as expressly discussed, the summary does not take into account or anticipate changes in Australian tax law or future judicial interpretations of law after this time unless otherwise specified. The summary also does not take into account tax legislation of any country other than Australia.

3.1 Issue of Retail Entitlements

The issue of the Retail Entitlements should not, of itself, result in any amount being included in your assessable income.

3.2 Exercise of Retail Entitlements and applying for Additional New Shares

If you take up (i.e. exercise) all or some of your Retail Entitlements, you will acquire New Shares. You will also acquire Additional New Shares if your application for Additional New Shares is accepted. The cost base (and reduced cost base) for capital gains tax (**CGT**) purposes of each New Share and Additional New Share will be equal to the Offer Price for those New Shares and Additional New Shares (respectively) plus certain non-deductible incidental costs you incur in acquiring them.

No income tax or capital gains tax liability will arise for you on the exercise of your Retail Entitlements or on acquiring any Additional New Shares if you apply for Additional New Shares and your application for Additional New Shares is accepted.

3.3 Retail Entitlements not taken up

Any Retail Entitlements not taken up under the Retail Entitlement Offer will lapse to the extent not taken up, and the Eligible Retail Shareholder will not receive any consideration. In these circumstances, there should not be any tax implications for an Eligible Retail Shareholder from the lapse of all or some of their Retail Entitlements.

3.4 Dividends on New Shares and Additional New Shares

Any future dividends or other distributions made in respect of New Shares and Additional New Shares will be subject to the same income taxation treatment as dividends or other distributions made on existing Shares held in the same circumstances.

3.5 Disposal of New Shares and Additional New Shares

The disposal of a New Share or an Additional New Share will constitute a disposal for CGT purposes.

On disposal of a New Share or Additional New Share, you will make a capital gain if the capital proceeds received on disposal exceed the total cost base of the New Share or Additional New Share (as relevant). You will make a capital loss if the capital proceeds are less than the total reduced cost base of the New Share or Additional New Share. The cost base of New Shares and Additional New Shares is described above in Section 3.2.

Eligible Retail Shareholders who are individuals, trustees or complying superannuation entities that have held New Shares or Additional New Shares for 12 months or more at the time of disposal (not including the date of acquisition or disposal) should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting any available capital losses).

The CGT discount factor is 50% for individuals and trustees and 33⅓% for complying superannuation entities.

New Shares will be treated for the purposes of the CGT discount as having been acquired when you exercise your Retail Entitlements and the Additional New Shares will be treated as having been acquired when they are issued to you. Accordingly, in order to be eligible for the CGT discount on the disposal of a New Share or Additional New Share:

- the New Share must be held for at least 12 months after the date that you exercised your Retail Entitlements; and
- the Additional New Share must be held for at least 12 months after the date that it was issued to you.

If you make a capital loss, you can only use that loss to offset capital gains from other sources; i.e. the capital loss cannot be used against taxable income on revenue account. However, if the capital loss cannot be used in a particular income year it can be carried forward to use in future income years, providing certain tests are satisfied.

3.6 Taxation of Financial Agreements

The Taxation of Financial Arrangements rules pursuant to Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**TOFA Provisions**) operate to make assessable or deductible, gains or losses arising from certain “financial arrangements”. An entitlement or right to receive a share is a “financial arrangement”. However, depending on the circumstances of the particular Eligible Retail Shareholder, the TOFA Provisions may not apply. Further, certain taxpayers (including many individuals) may be excluded from the operation of the TOFA Provisions unless they have made a valid election for it to apply.

The application of the TOFA Provisions is dependent on the particular facts and circumstances of the Eligible Retail Shareholder. Each Eligible Retail Shareholder should obtain their own advice regarding the potential application of the TOFA Provisions to their particular facts and circumstances.

3.7 Provision of TFN and/or ABN

AJL is required to deduct withholding tax from payments of dividends that are not 100% franked, at the rate specified in the Taxation Administration Regulations 1976 (currently 47%), and remit such amounts to the ATO, unless you have quoted a TFN or an ABN, or a relevant exemption applies (and has been notified to AJL). You are able to provide your TFN, ABN or relevant exemption online with the AJL Share Registry at www.computershare.com/au. When providing your details online, you will be required to enter your SRN/HIN as shown on your Issuer Sponsored/CHESS statements and other personal details such as your postcode.

3.8 Other Australian Taxes

No Australian GST or stamp duty will be payable by Eligible Retail Shareholders in respect of the issue or taking up of Retail Entitlements, the acquisition of New Shares or the acquisition of any Additional New Shares, pursuant to the Retail Entitlement Offer.

Section 4 ASX Announcements (including AJL Investor Presentation)

AJ Lucas Group Limited Capital Raising, Amendment to Senior Loan Notes and Operational Update

The Board of AJ Lucas (**the Company**) has recently undertaken a review of the Company's operations, as its UK investments enter a new phase. As a result of this review the Company is:

- Undertaking a Placement to raise gross proceeds of up to approximately A\$22 million, and a pro rata Entitlement Offer in the second half of January.
- Amending certain provisions of the US\$45 million senior loan notes facility (**Senior Loan Notes**).
- Evaluating a number of incomplete proposals to sell the Engineering and Construction division, as foreshadowed in the Company's response to ASX on 19 December 2017.

Phil Arnall, Chairman of AJ Lucas said, "This review comes at a time of increasing awareness of the shale gas industry in the UK and the real prospect that it may provide a solution to the UK's sovereign energy needs. As a significant investor in the UK shale gas industry via its direct investments in Bowland acreage and its shareholding in the operator Cuadrilla Resources, AJ Lucas is well placed to benefit from the successful commercialisation of the UK shale gas industry. Cuadrilla occupies a leading position in the industry given its significant acreage in the prospective Bowland Shale and other parts of the UK, and the advanced stage of the Preston New Road project where it is about to commence drilling the first of two horizontal wells in preparation for hydraulic stimulation.

"The actions outlined will combine to provide the Company with a stronger platform as we move into the next phase of the UK asset development program."

Proposed Capital Raising

AJ Lucas has reached agreement to place shares with a new institutional investor and certain existing institutional shareholders, to raise gross proceeds of up to approximately A\$22 million (**Placement**). In addition, the Board has determined to undertake an entitlement offer (**Entitlement Offer**), to enable existing investors to participate in the capital raising. The Entitlement Offer will not be formally launched until later in January 2018 so shareholders need not take any immediate action at this point. Further details of the capital raising are provided below.

The Board has engaged Barbon Advisors and Patersons Securities which have received commitments from institutional investors for the placement of 70.5 million shares at a price of A\$0.32 per share. These commitments exceed the Company's present placement capacity by approximately 3.66 million shares, accordingly the Company plans to seek a waiver from ASX to calculate its placement capacity taking into account the shares to be



issued under the Entitlement Offer. In the absence of an ASX waiver, the number of shares placed to existing institutional shareholders will be limited to approximately 26.3 million shares, and the total Placement size limited to approximately 66.8 million shares, within the Company's existing placement capacity. No Placement shares are being offered to AJ Lucas' largest shareholder, Kerogen Investments No 1. (HK) Ltd. (**Kerogen**).

Proceeds from the capital raising will be used to:

- i. Fund future commitments to the Company's UK investments as the operating partner, Cuadrilla, enters the horizontal drilling and hydraulic fracturing phase at the Preston New Road site. Additional costs were incurred by Cuadrilla in drilling the first vertical well, due to unforeseen weather and technical issues delaying the drilling timetable;
- ii. Partially repay debt; and
- iii. Fund working capital.

The Entitlement Offer, which is proposed to be launched later in January, is intended to be offered on a 1-for-6 basis. On this basis, approximately 97.5 million new shares would be offered at a price of A\$0.32 per share, the same as the price for shares that would be issued under the Placement. The Entitlement Offer will not be underwritten and will be conducted on an accelerated, non-renounceable basis. Shares to be issued under the Placement would not be eligible to participate in the Entitlement Offer.

Existing institutional shareholders participating in the Placement have committed to take up their pro rata rights under the Entitlement Offer. In addition, Kerogen has agreed to take up its full entitlement of approximately 57.1 million shares, and will fund its entitlement subscription by way of off-setting debt owed by the Company as provided under the Kerogen subordinated debt facility. In total, commitments representing approximately 70% of the Entitlement Offer have already been received.

Indicative Capital Raising Timetable

Subject to ASX approval, it is anticipated that the Entitlement Offer will launch in the second half of January 2018, with the retail portion of the Entitlement Offer closing in the first half of March 2018.

Amendment to Senior Loan Notes

The Board has agreed to amend certain provisions that govern the Senior Loan Notes. These amendments include a commitment to reduce the principal to US\$20 million (approximately A\$26 million) by 30 September 2018; with the balance of the Senior Loan Notes to be repaid by 22 July 2019. The debt reduction will broadly be achieved through (i) the use of cash balances previously restricted to service the Senior Loan Notes; (ii) the application of net cash proceeds from the Entitlement Offer, which is expected to raise gross cash proceeds of up to approximately A\$7.5 million; (iii) part of the proceeds from any sale of the Engineering & Construction business; and if required, (iv) other initiatives as determined by the Board.



Upon completion of the Entitlement Offer, it is expected that AJ Lucas' debt will be reduced by approximately A\$31 million (US\$24 million) to approximately A\$82 million (US\$63 million), including the Kerogen subordinated debt facility. This will reduce the Company's annual interest commitments by approximately A\$5 million (US\$4 million).

In addition, as part of the amendment reached with the holders of the Senior Loan Notes, 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.

Operational Update – UK Investments

Drilling of the first vertical well at Preston New Road has now reached a depth of approximately 2,700 metres and extensive cores have been successfully recovered from both the Upper and Lower Bowland shales. The cores will be tested over the coming weeks to determine where best to place the two horizontal wells. As communicated at the AJ Lucas AGM in November 2017 (**AGM**), the first two horizontal wells are expected to be 1km 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, and hydraulic stimulation is therefore likely to take place in the 2nd quarter. Initial flow tests are presently expected to commence in mid-2018.

The Bowland joint venture has decided to test the flow of gas for a period up to six months before connecting the wells to the national grid and drilling the 3rd and 4th wells. Accordingly, the Centrica carry agreement has been amended such that the milestone for commencement of the contingent 2nd carry (£46.7 million gross) is the flow testing of gas for six months, rather than the original milestone of six months from commencement of gas sales. AJ Lucas expects this contingent 2nd carry to be exercised by Centrica on the successful flow of gas from the first two wells and the amendment brings forward the time at which this decision would be made.

As explained at the AGM, Cuadrilla and AJ Lucas remain committed to maintaining high standards of safety and environmental responsibility in their operations and Cuadrilla has implemented a comprehensive site environmental monitoring programme at Preston New Road. Cuadrilla has launched an ePortal on its website to enable the public to track various elements of its environmental site monitoring, the first UK operator to provide this level of transparency. Communication and engagement with the local community remains a priority and this year Cuadrilla has commenced a programme of providing live streamed site visits, accessible on the media section of its website, to enable it to share site activities transparently with as wide an audience as possible. Three of these "PNR live" videos and the ePortal can be accessed on the Cuadrilla website www.cuadrillaresources.com.



As also highlighted at the AGM, the UK Secretary of State for Communities and Local Government is minded to grant Cuadrilla approval to drill and hydraulically stimulate a further four wells at Roseacre Wood, subject to Cuadrilla addressing certain traffic control issues. This will be the subject of a planning hearing set down for April 2018. AJ Lucas expects Cuadrilla to put forward a strong case for approval. With respect to the Preston New Road site there remains an appeal against the High Court's dismissal of earlier judicial challenges against the planning consent. This has been heard by the Court of Appeal during a 2-day hearing in August 2017 and a judgment is expected early in 2018. AJ Lucas and Cuadrilla remain confident that the High Court's finding will be upheld by the Court of Appeal.

Operational Update – Australian Business Performance

As reported in the Annual Report to Shareholders and updated at the AGM, 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 four months to 31 October 2017, underlying unaudited EBITDA was \$2.5 million, representing a significant improvement in performance compared with the four months to 31 October 2016 (underlying unaudited EBITDA of positive \$0.5 million). As explained at the AGM, this has been driven primarily by an improved performance in the drilling division which has seen increased rig utilisation flowing from a material improvement in the East Coast coal market.

The Engineering and Construction division has focused on smaller projects within its capacity as well as larger projects awarded alongside bespoke partners, such as the Port of Tauranga project in New Zealand and the Tangguh Expansion Project in Indonesia. As previously stated, the Board continues to assess a number of incomplete proposals to sell the Engineering and Construction division, and AJ Lucas will provide a further update to the market as required.

- ENDS -

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The information in this announcement does not constitute financial advice and has not been prepared having regard to the financial position, needs or circumstances of any particular investor. AJ Lucas recommends that investors seek their own independent financial, tax or accounting advice before participating in the capital raising.



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19 January 2018

AJ Lucas Group Limited Capital raising

- Placement to raise up to \$22.6 million
- 1 for 6 pro-rata accelerated non-renounceable entitlement offer raising up to \$31.2 million
- Placement and Entitlement Offer priced at \$0.32 per AJ Lucas share

Further to its announcement on 5 January 2018, **AJ Lucas Group Limited (ASX:AJL) (AJ Lucas or the Company)** today announces the launch of the placement of ordinary shares to institutional investors to raise up to \$22.6 million (the **Placement**) and the launch of a 1 for 6 pro-rata accelerated non-renounceable entitlement offer to eligible shareholders to raise up to \$31.2 million (the **Entitlement Offer**, and together with the Placement, the **Capital Raising**). New shares issued under the Capital Raising will be at an issue price of \$0.32 representing approximately 13.5% discount to the closing share price of \$0.37 on 19 January 2018 and a discount of 22.9% to the closing share price of \$0.415 on 22 December 2017, being the last trading day before the Company entered into a trading halt and period of suspension immediately prior to the 5 January 2018 announcement.

Patersons Securities Limited has been appointed by the Company as Lead Manager (the **Lead Manager**) to the Capital Raising, and Barbon Advisors has advised the Company on the Placement.

Placement

The Placement will raise up to \$22.6 million through the issue of up to 70.5 million new shares. The proposed Placement size exceeds the Company's present placement capacity by 3.7 million shares, accordingly AJ Lucas has sought a waiver from ASX to calculate its placement capacity taking into account shares to be issued under the Offer, as announced on 5 January 2018. In the absence of a waiver the Placement will be limited to 66.8 million shares, within the existing placement capacity, raising \$21.4 million.

The Placement is expected to settle at the same time as the institutional component of the Entitlement Offer (further details below) on Tuesday, 30 January 2018, and shares issued under the Placement will be allotted on the following business day, Wednesday, 31 January 2018.

Entitlement Offer

The Entitlement Offer comprises a pro-rata accelerated non-renounceable Institutional Entitlement Offer and a Retail Entitlement Offer.

The Entitlement Offer is not underwritten. AJ Lucas and the Lead Manager have received firm commitments from existing shareholders for approximately 75% of the Entitlement Offer, including the Company's largest shareholder, Kerogen Investments No. 1 (HK) Limited (**Kerogen**).

Proceeds from the Capital Raising will be used to:

- Fund future commitments to the Company's UK investments as the operating partner, Cuadrilla, enters the horizontal drilling and hydraulic fracturing phase at the Preston New Road site. Additional costs were incurred by Cuadrilla in drilling the first vertical well, due to unforeseen weather and technical issues delaying the drilling timetable;
- Partially repay debt; and
- Fund working capital.

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer closing on Monday, 22 January 2018. Eligible institutional shareholders can choose to take up all, part, or none of their entitlements. These entitlements cannot be traded on the ASX or transferred.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same offer price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on Tuesday, 30 January 2018 and close on Friday, 16 February 2018. Eligible retail shareholders can choose to take up all, part, or none of their entitlements. Retail shareholders may also apply for additional share allocations above their entitlement, subject to certain constraints, with the final decision on allocation of additional shares at the sole discretion of the Company.

Further details about the Retail Entitlement Offer will be set out in a retail offer booklet, which the Company expects to lodge with the ASX on or around Tuesday, 30 January 2018.

Commenting on the Capital Raising, Phil Arnall, Chairman of the Company, said:

"We are delighted by the strong interest from our Institutional shareholders in this opportunity and look forward to similar interest from our retail shareholder base. The Phase 1 Preston New Road programme is entering an exciting phase and these funds will primarily be directed to ensuring AJL meets its commitments through to flow testing the two well programme and reducing our debt and therefore our interest burden. In addition, some funds from the raising will go towards working capital for our Australian drilling business to respond to the opportunities in the improving East Coast coal market.

Indicative Capital Raising timetable:

These dates are indicative only and may change without notice.

Event	Date
Announce launch of Entitlement Offer and Placement	Friday, 19 January 2018
Trading Halt	Monday, 22 January 2018
Institutional Entitlement Offer closes	Monday, 22 January 2018
AJL shares recommence trading on ASX	Tuesday, 23 January 2018
Record Date	7.00pm (Sydney time), Wednesday, 24 January 2018
Retail Entitlement Offer opens	Tuesday, 30 January 2018
Retail Entitlement Offer booklet dispatched	Tuesday, 30 January 2018
Settlement of Institutional Entitlement Offer and Placement	Tuesday, 30 January 2018

Event	Date
Initial new Shares allotted under the Institutional Entitlement Offer and Placement and issued and commence normal settlement trading	Wednesday, 31 January 2018
Retail Entitlement Offer closes (5.00pm (Sydney time))	Friday, 16 February, 2018
Announce results of the Retail Entitlement Offer	Wednesday, 21 February 2018
Settlement of remaining new Shares under the Retail Entitlement Offer, including additional new Shares	Thursday, 22 February 2018
Final allotment and issue of remaining new Shares under the Retail Entitlement Offer, including additional new Shares	Friday, 23 February 2018
Normal trading of new Shares under the Retail Entitlement Offer, including additional new Shares	Monday, 26 February 2018
Dispatch of holding statements	Tuesday, 27 February 2018

For further information, please contact:

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Marcin Swierkowski Company Secretary

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Disclaimer

This announcement is not financial product or investment advice, a recommendation to acquire new shares or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for new shares. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. AJ Lucas is not licensed to provide financial product advice in respect of an investment in shares.

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CAPITAL RAISING AND CORPORATE UPDATE

19 January 2018



LUCAS

AT Lucas Group Limited (ACN 1060309 104)
Page 27

This Presentation has been prepared by AJ Lucas Group Limited (ACN 060 309 104) (**AJL**).

Summary information

- This Presentation contains summary information about AJL. This information is of a general nature and does not purport to be complete nor does it contain all the information which a prospective investor should consider when making an investment decision or that would be required in a prospectus or product disclosure statement prepared in accordance with the requirements of the Corporations Act. This Presentation should be read in conjunction with AJL's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (**ASX**), which are available at www.asx.com.au.

Not an offer

- This Presentation is not a prospectus, product disclosure statement or other offering document under Australian law (and will not be lodged with ASIC) or any other law. This Presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction.

Not investment advice

- This Presentation does not constitute investment or financial product advice nor any recommendation to acquire entitlements or new shares in AJL (**New Shares**). It is not intended to be used as the basis for making a financial decision, nor is it intended to constitute legal, tax, or accounting advice or opinion. Any references to, or explanations of, legislation, regulatory issues, benefits or any other legal commentary (particularly in the "Key risks" section of this Presentation) are indicative only, do not summarise all relevant issues and are not intended to be a full explanation of a particular matter. Recipients should make their own enquiries and investigations regarding any investment, and should seek their own professional advice on the legal, financial, accounting, taxation and other consequences of investing in any securities in AJL.
- This Presentation has been prepared without taking into account your investment objectives, financial situation or particular needs. No reliance may be placed for any purpose whatsoever on the information contained in this Presentation or on its accuracy or completeness. Any reliance on this communication could potentially expose you to a significant risk of losing all of the funds invested by you in AJL or the incurring by you of additional liability.

Investment risk

- An investment in shares is subject to known and unknown risks, some of which are beyond the control of AJL, including possible loss of income and principal invested. AJL does not guarantee any particular rate of return or the performance of AJL, nor does it guarantee the repayment of capital from AJL or any particular tax treatment.
- Investors should have regard to the risk factors outlined in this Presentation when making their investment decision.

Forward looking statements

- This Presentation contains forward looking statements. You should be aware that such statements are only estimates or predictions, which may be based on subjective judgments and assumptions as to future events, which may or may not occur and which are subject to inherent risks and uncertainties, many of which are beyond the control of AJL. Actual events or results may differ materially from the events or results expected or implied in any forward looking statement. No representation or warranty (whether express or implied) is made as to the accuracy or likelihood of fulfilment of any forward looking statement.

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- Investors should note that past performance, including past share price performance and historical information in this Presentation is given for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future performance including future share price performance. This historical information is not represented as being indicative of AJL's views on its future financial condition and/or performance. The historical information in this Presentation is, or is based upon, information that has been released to ASX.

Disclaimer (continued)

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- All dollar values are in Australian dollars (A\$), unless otherwise stated. Financial data is presented at actual foreign exchange rates, unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculations of these figures may differ from figures set out in this Presentation.
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1 Capital Raising

2 AJ Lucas Corporate Overview and Financial Update

3 UK Shale Gas Opportunity and Progress

4 Australian Operating Business Overview

5 Key Risks

6 Selling Restrictions



CAPITAL RAISING

Retail Entitled to
Preston New Road expansion and other assets

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 Raising¹, will be issued to a new institutional investor, RodCO 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 Size¹.

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 Offer¹

Offer description	<ul style="list-style-type: none"> ▪ 1 for 6 pro-rata accelerated non-renounceable entitlement offer (Offer) to raise up to \$31.2 million. ▪ Up to 97.5 million new AJL shares to be issued under the Offer. The Offer is non-underwritten. ▪ Offer Shares will rank equally in all respects with existing shares from the date of issue. ▪ Record Date for the Offer is 7:00pm Sydney time, Wednesday, 24 January 2018.
Offer price	<ul style="list-style-type: none"> ▪ \$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	<ul style="list-style-type: none"> ▪ Institutional Entitlement Offer closes on Monday, 22 January 2018. ▪ 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	<ul style="list-style-type: none"> ▪ Retail Entitlement Offer opens on Tuesday, 30 January 2018 and closes at 5:00pm (Sydney time) on Friday, 16 February 2018. ▪ 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. <ul style="list-style-type: none"> • 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. ▪ 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. ▪ 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 business¹; 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	<ol style="list-style-type: none"> 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. 2. Based on AUD:USD exchange rate of 0.7800. 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. 4. \$6.5m repayment following execution of the Amendment occurred in early January 2018, post 31-Dec-17 balance date. 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 \$2.1m. While 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. 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). 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.
Non-Current Assets	163.6			163.6	
Total Assets	240.2			255.3	
Current Liabilities	35.5	+25.1 ^{4,5}	-9.7 ⁶	50.8	
Non-Current Liabilities	107.0	-31.6 ⁴	-17.4 ⁷	58.0	
Total Liabilities	142.5			108.9	
Net Assets	97.8			146.4	
Total Equity	97.8	0.0	+48.7⁸	146.4	

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 timetable¹

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

Retail Entitled to 10% of
Preston New Road expansion and 10% of
the new 100,000 sq ft store



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 in-seam (SIS) coal mine gas extraction and well field services





Provides complementary construction services for public utilities customers

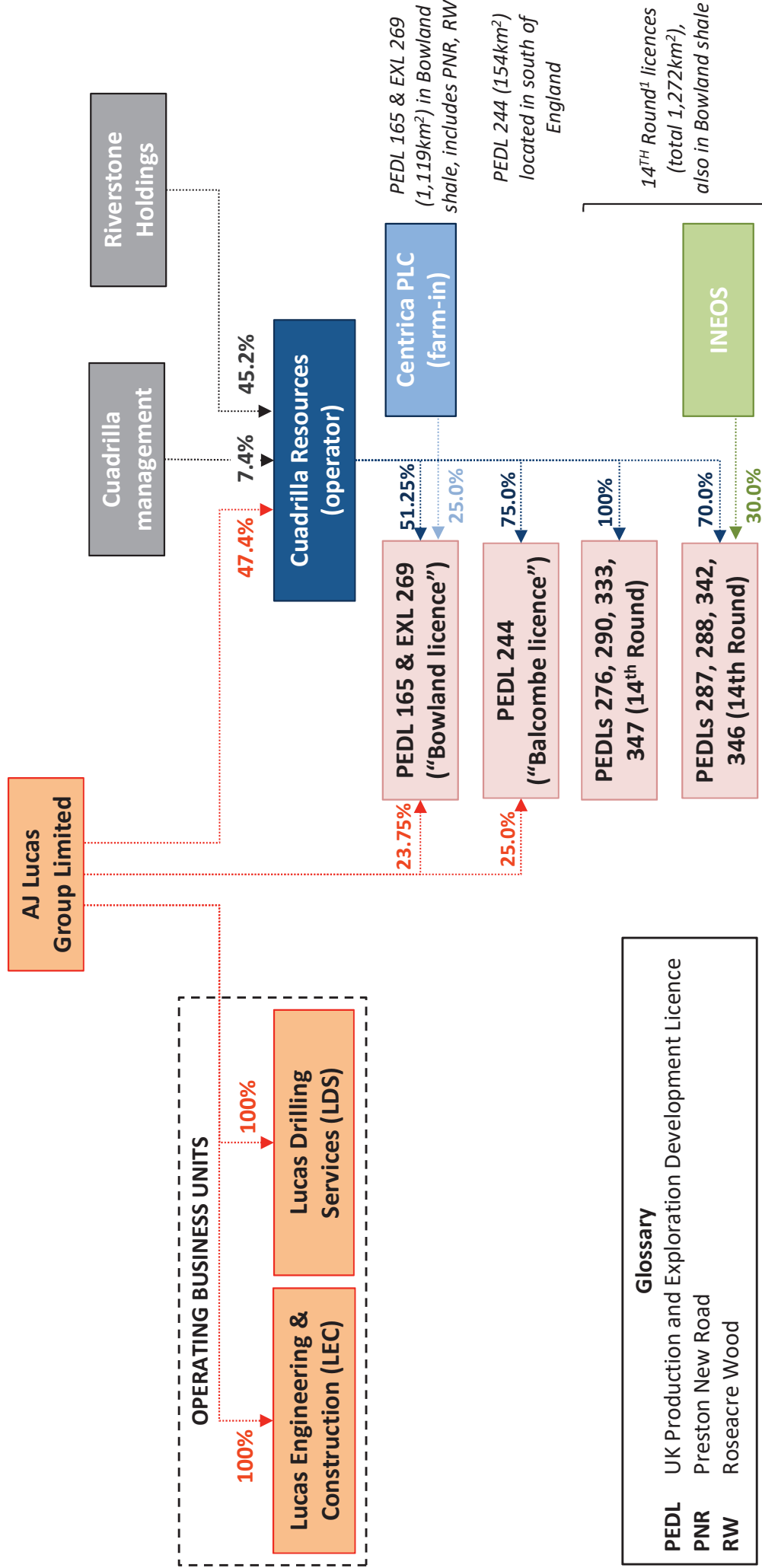
Ownership and governance

AUL Board		Substantial Shareholders (% holdings prior to Capital Raising)
Chairman	Phil Arnall	
Director	Julian Ball	Kerogen (Specialist O&G private equity fund) 58.6%
Director	John O'Neill	Paul Fudge (Unconventional energy investor) 7.9%
Director	Ian Meares	
Director	Andrew Purcell	OCP (Asia-based investment manager) 5.9%
AUL Nominees on Cuadrilla Board		
Chairman	Roy Franklin	
Director	Ivor Orchard	
Director	Phil Arnall	
AUL 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%



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

Retail Entitled to Gas
Provision New Road expansion and other developments

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.

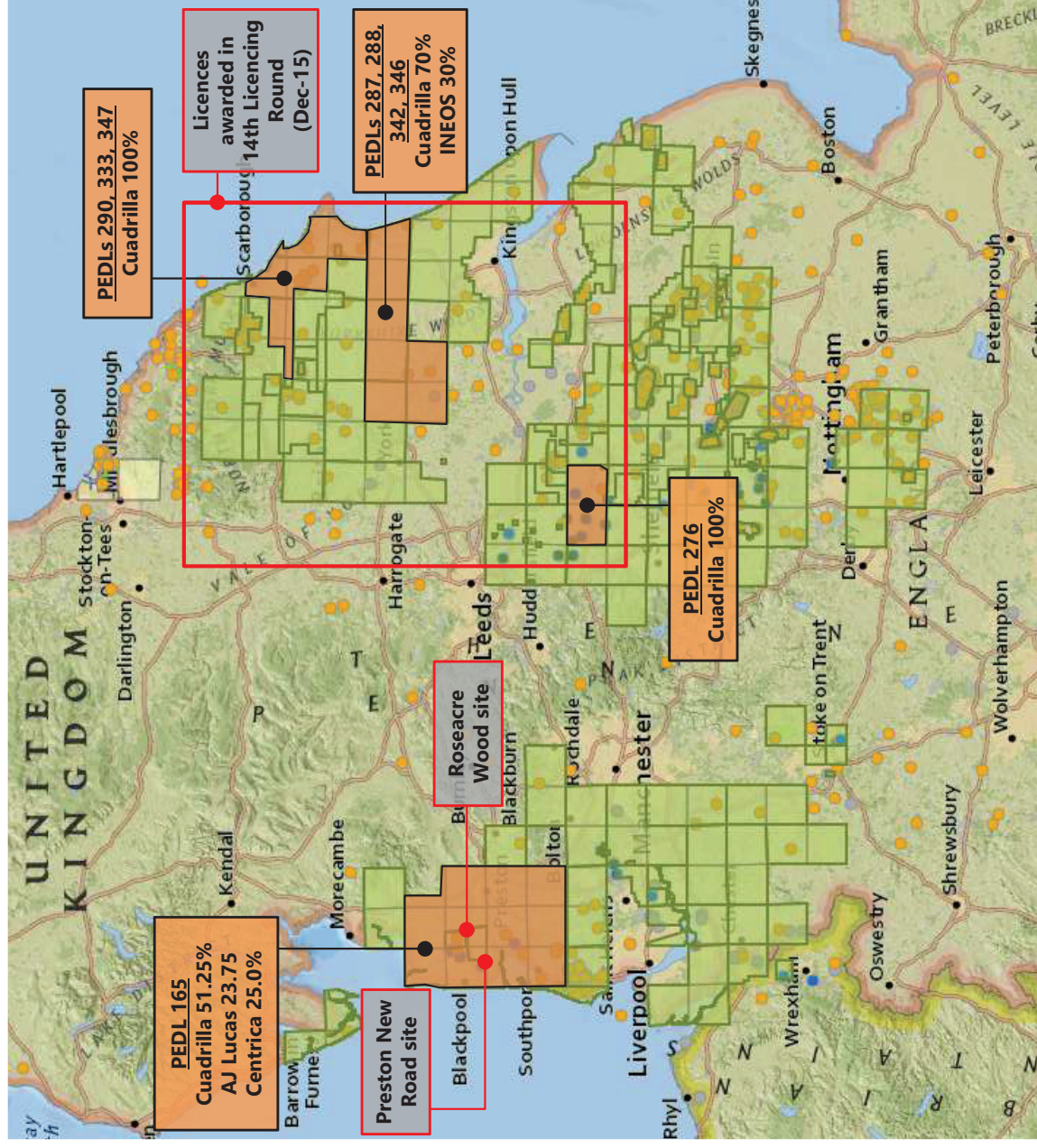
Contingent Cash Payment / Contingent Carry

- 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 km², making it one of three significant operators by licence area along with INEOS and iGas (each with gross licence area >2,000 km²).
- 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 14th Round in December 2015, Cuadrilla was issued 8 further licences in the Gainsborough Trough and Cleveland Basin segments of the Bowland shale.



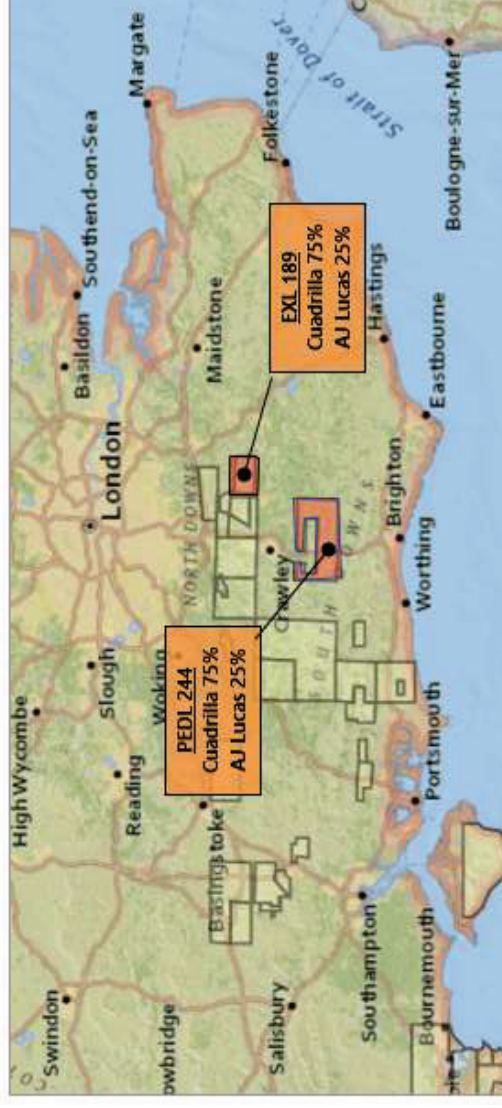
Balcombe licence details

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.

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.



Source: UK Oil and Gas Authority, Cuadrilla management

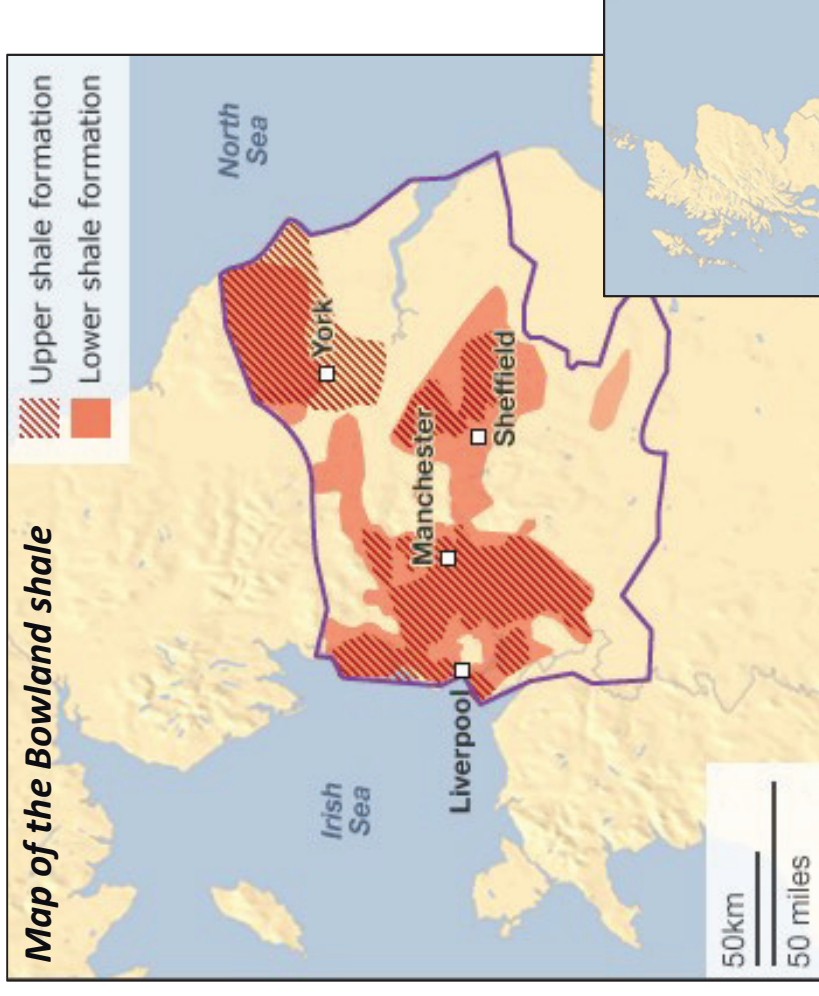
Potential for gas extraction from the Bowland shale

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 tcf¹).
- 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.
- 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 AIL holds a stake)

Macro support for UK shale gas extraction

UK gas sources¹



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.”

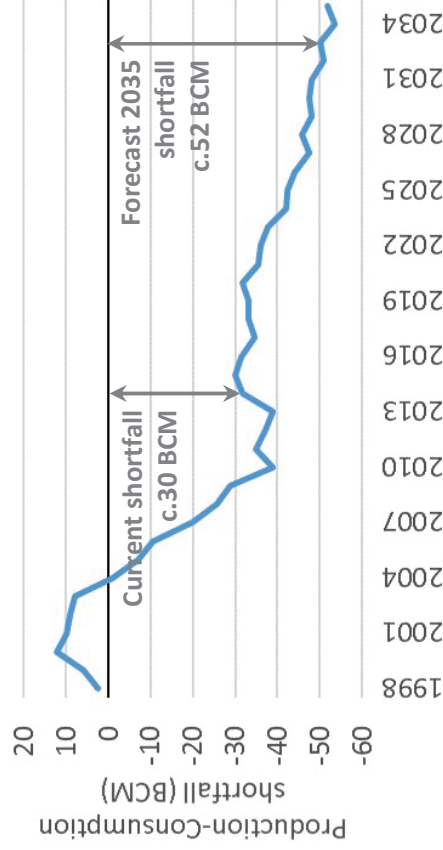
Importance of natural gas to the UK economy

- 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 2004¹. In 2015, the Production-Consumption shortfall in the UK had widened to 30 billion cubic metres per annum².
- The UK Government predicts that by 2030 nearly $\frac{3}{4}$ of UK gas will be imported, in the absence of increased domestic production².
- Production-Consumption shortfall estimated to widen to 52 billion cubic metres by 2035².

Widening UK Production-Consumption shortfall²



¹ Source: British Gas, December 2017

² UK O&GA and DECC projections, March 2017

Other UK shale gas industry activity

INEOS	iGas Energy	Third Energy
<ul style="list-style-type: none"> • 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). <ul style="list-style-type: none"> – 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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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.



AUSTRALIAN OPERATING BUSINESS OVERVIEW

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

Retail, Entertainment, Office

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 • BHP-Mitsubishi • South32
- Arrow • Rio Tinto • 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.





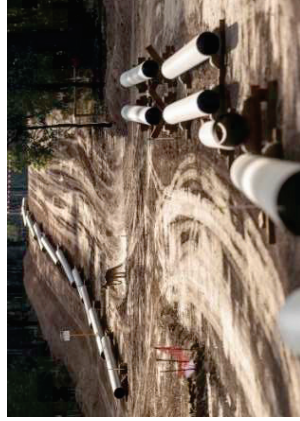
Lucas Engineering & Construction (LEC) overview

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 LEC¹

- 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.



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.

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

Regulatory risk	<p>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.</p> <p>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.</p>
UK regulatory risk	<p>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.</p> <p>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.</p> <p>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.</p>
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 <i>Direct</i> 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 <i>Indirect</i> 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.

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	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>f) Commercial extraction of hydrocarbons will also depend on installation of infrastructure which will require Cuadrilla to obtain additional regulatory approvals.</p> <p>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.</p> <p>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.</p>



Key risks

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

Risks relating to the unconventional hydrocarbon sector	<p>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:</p> <ul style="list-style-type: none">• the legal and regulatory regimes governing the production of energy are subject to change;• energy exploration, especially in relation to unconventional resources such as shale gas, is speculative, capital intensive and can result in complete loss of capital;• a substantial or extended decline in gas prices may adversely affect AJL's business prospects, financial condition and results of operations; and• technical and other risks.
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B. General risks relating to the operating businesses of AJL and the markets in which they operate

Commercial, financial and operational risks	<p>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.</p> <p>b) AJL is subject to, and seeks to manage, a number of contractual risks which include the following:</p> <ul style="list-style-type: none">• 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;• 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;• 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• 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.
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B. General risks relating to the operating businesses of AJL and the markets in which they operate (continued)

Technical and other operating risks	<p>A range of factors may affect the investments of AJL, including, but not limited to, exploration, appraisal and production:</p> <ul style="list-style-type: none"> • geological conditions; • unanticipated operating and technical difficulties encountered in seismic survey, drilling and production activities; • mechanical failure of operating plant and equipment; and • prevention of access by reason of community unrest, outbreak of hostilities, inability to obtain consents and approvals.
Resources sector risks	<p>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.</p>
Counterparty (client) payment risk	<p>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.</p> <p>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.</p>
Project based sales revenue	<p>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.</p>

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

Project delays	<p>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.</p> <p>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.</p>
Cost variation	<p>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.</p> <p>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.</p>
Unapproved contract variation	<p>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.</p> <p>b) To the extent that AJL recovers less than expected on the variations, its financial performance may be materially adversely impacted.</p>

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

Debt facilities	<p>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.</p> <p>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.</p>
Additional funding requirements and financing risk	<p>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.</p> <p>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.</p>
Material contracts	<p>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.</p> <p>b) The termination of any drilling contracts could have a material adverse effect on AJL's revenue.</p> <p>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.</p>
Natural disasters and seasonal weather conditions	<p>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.</p>

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

Environmental	<p>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.</p> <p>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.</p>
Availability of skilled employees, equipment and resources	<p>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.</p>
Reliance on Key Personnel	<p>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.</p>

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 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.

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	<p>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.</p> <p>b) Liquidity in AJL shares has typically been low and there can be no assurance that liquidity will improve.</p>
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.



SELLING RESTRICTIONS

Retail Entitled to Sell
Protestant New Fund expansion and other



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.

This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

Selling restrictions (continued)

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.



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23 January 2018

AJ Lucas Group Limited AJ Lucas successfully completes Institutional Entitlement Offer

AJ Lucas Group Limited (ASX:AJL) (AJ Lucas or the Company) today announced the successful completion of the institutional component of its 1 for 6 accelerated pro rata non-renounceable entitlement offer ("**Entitlement Offer**") of new fully paid ordinary shares ("**New Shares**") to raise gross proceeds of up to \$31.2 million.

The institutional component of the Entitlement Offer ("**Institutional Entitlement Offer**") had strong support from AJ Lucas shareholders, raising approximately \$26.1 million, which represents approximately 83.5% of the total entitlement to New Shares available under the Entitlement Offer.

AJ Lucas' Chairman, Phil Arnall said, "We are very pleased with the support received for the institutional component of our entitlement offer which raised approximately \$26.1 million. We now look forward to completing the retail component of the offer, which opens on Tuesday 30 January 2018".

Settlement of the Institutional Entitlement Offer will take place on Tuesday, 30 January 2018, with the New Shares to commence trading on the ASX on Wednesday, 31 January 2018.

Trading of AJL shares is expected to resume from market open on ASX today.

Retail Entitlement Offer

The retail component of the Entitlement Offer ("**Retail Entitlement Offer**") will open at 9.00am (Sydney time) on Tuesday, 30 January 2018 and close at 5.00pm (Sydney time) on Friday, 16 February 2018. The Retail Entitlement Offer is expected to raise up to \$5.1 million.

Eligible retail shareholders can choose to take up all, some, or none of their entitlements. Retail shareholders may also apply for additional share allocations above their entitlements, subject to certain constraints, with the final decision on allocation of additional shares at the sole discretion of AJL.

Further details about the Retail Entitlement Offer will be set out in a retail offer booklet, which the Company expects to lodge with the ASX on Tuesday, 30 January 2018.

If you have any questions about the Retail Entitlement Offer, please call the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) when the Retail Entitlement Offer opens on 30 January 2018.

For further information, please contact:

AJ Lucas Group Limited	+61 (0)2 9490 4000
Marcin Swierkowski	Company Secretary
Austen Perrin	Chief Financial Officer

Disclaimer

This announcement is not financial product or investment advice, a recommendation to acquire new shares or accounting, legal or tax advice. It does not constitute an invitation or offer to apply for new shares. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. AJ Lucas is not licensed to provide financial product advice in respect of an investment in shares.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States. The securities described in this announcement have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the **U.S. Securities Act**) or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act and other applicable U.S. state securities laws.

Section 5 Important information

This Retail Offer Booklet (including the ASX announcements in Section 4) and enclosed personalised Entitlements and Acceptance Form (**Information**) have been prepared by AJL.

This Information is dated 30 January 2018 (other than the ASX Announcements dated 5 January 2018, 19 January 2018 and 23 January 2018 and the AJL Investor Presentation published on the ASX website on 19 January 2018). This Information remains subject to change without notice and AJL is not responsible for updating this Information.

There may be additional announcements made by AJL after the launch of the Entitlement Offer on 19 January 2018 and throughout the period that the Retail Entitlement Offer is open that may be relevant to your consideration of whether to take up or do nothing in respect of your Retail Entitlements. Therefore, it is prudent that you check whether any further announcements have been made by AJL (by visiting the ASX website at www.asx.com.au) before submitting your application to take up your Retail Entitlements or doing nothing with your Retail Entitlements.

No party other than AJL has authorised or caused the issue of this Information, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information.

This Information is important and requires your immediate attention.

You should read this Information carefully and in its entirety before deciding how to deal with your Retail Entitlements. In particular, you should consider the risk factors outlined in the “Key risks” section of the AJL Investor Presentation included in Section 4 of this Retail Offer Booklet, any of which could affect the operating and financial performance of AJL or the value of an investment in AJL.

You should consult your stockbroker, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

5.1 Eligible Retail Shareholders

This Retail Offer Booklet contains an offer of Retail Entitlements to subscribe for New Shares to Eligible Retail Shareholders in Australia or New Zealand and has been prepared in accordance with section 708AA of the Corporations Act as notionally modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

Eligible Retail Shareholders are those persons who:

- are registered as a holder of Shares as at the Record Date, being 7.00pm (Sydney time) on Wednesday, 24 January 2018;
- 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 persons hold AJL ordinary shares for the account or benefit of persons in the United States;
- did not participate (other than as nominee, in respect of other underlying holdings) under 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.

Retail shareholders who are not Eligible Retail Shareholders are ineligible retail shareholders (**Ineligible Retail Shareholders**). AJL reserves the right to determine whether a retail shareholder is an Eligible Retail Shareholder or an Ineligible Retail Shareholder.

By returning a completed personalised Entitlements and Acceptance Form or making a payment by BPAY®, you will be taken to have represented and warranted that you satisfy each of the criteria listed

above to be an Eligible Retail Shareholder. Nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

AJL may (in its absolute discretion) extend the Retail Entitlement Offer to any institutional shareholder that was eligible to participate in the Institutional Entitlement Offer but was not invited to participate in the Institutional Entitlement Offer (subject to compliance with relevant laws).

AJL has decided that it is unreasonable to make offers under the Retail Entitlement Offer to retail shareholders who have registered addresses outside Australia and New Zealand, having regard to the number of such holders in those places and the number and value of the New Shares that they would be offered, and the relevant legal and regulatory requirements in those places, including the cost of complying with the relevant legal and regulatory requirements.

AJL may (in its absolute discretion) extend the Retail Entitlement Offer to shareholders who have registered addresses outside Australia and New Zealand (except the United States) in accordance with applicable law.

5.2 Ranking of New Shares

New Shares issued under the Retail Entitlement Offer will be fully paid and from allotment rank equally in all respects with existing Shares and will be entitled to dividends/distributions on the same basis as existing Shares. The rights and liabilities attaching to the New Shares are set out in AJL's constitution, a copy of which is available at www.lucas.com.au.

5.3 Risks

The AJL Investor Presentation details important factors and risks that could affect the financial and operating performance of AJL and your decision whether and how to participate in the Retail Entitlement Offer. You should refer to the "Key risks" section of the AJL Investor Presentation released to ASX on 19 January 2018 which is included in Section 4 of this Retail Offer Booklet. You should consider these factors in light of your personal circumstances, including financial and taxation issues, before making a decision in relation to your Retail Entitlements.

5.4 Reconciliation, Top-Up Shares and the rights of AJL

The Entitlement Offer is a complex process and in some instances investors may believe that they owned more Shares than they ultimately were recorded as holding as at the Record Date or are otherwise entitled to more New Shares than initially offered to them. These matters may result in a need for reconciliation. If reconciliation is required, it is possible that AJL may need to issue additional New Shares (**Top-Up Shares**) to ensure that the relevant investors receive their appropriate allocation of New Shares. The price at which these Top-Up Shares would be issued is not known.

AJL also reserves the right to reduce the size of Retail Entitlements or the number of New Shares allocated to Eligible Retail Shareholders, or persons claiming to be Eligible Retail Shareholders or other applicable investors, if AJL believes in its absolute discretion that their claims are overstated or if they or their nominees fail to provide information requested to substantiate their claims.

5.5 No cooling off rights

Cooling off rights do not apply to an investment in New Shares (or Additional New Shares). You cannot withdraw your application once it has been accepted.

5.6 Rounding down of Entitlements

Where fractions arise in the calculation of Entitlements, they have been rounded down to the nearest whole number of New Shares.

5.7 No rights trading

The Entitlement Offer is non-renounceable. This means that Entitlements under the Retail Entitlement Offer are non-renounceable and will not be tradeable or otherwise transferable. If you choose not to take up your Retail Entitlements, you will receive no benefit and your shareholding in AJL will be diluted as a result.

5.8 Applying for Additional New Shares

Eligible Retail Shareholders may, in addition to their Retail Entitlements, apply for Additional New Shares regardless of the size of their present holding (as further set out in Section 2.3).

Retail Entitlements not taken up may become available as Additional New Shares. It is possible that there will be few or no Additional New Shares available for issue. It is an express term of the Retail Entitlement Offer that applicants for Additional New Shares will be bound to accept a lesser number of Additional New Shares allocated to them than applied for (if any). If a lesser number is allocated to them, excess Application Monies will be refunded following close of the Offer without interest. AJL reserves the right to scale back any applications for Additional New Shares in its absolute discretion.

5.9 Notice to nominees and custodians

If AJL believes you hold Shares as a nominee or custodian you will have received, or will shortly receive, a letter in respect of the Entitlement Offer. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Retail Entitlement Offer is not available to, and they must not purport to accept the Retail Entitlement Offer in respect of, eligible institutional shareholders who participated in the Institutional Entitlement Offer (whether they accepted their Entitlements or not) and institutional shareholders who were treated as ineligible institutional shareholders under the Institutional Entitlement Offer.

Persons acting as nominees for other persons must not take up any Entitlements on behalf of, or send any documents related to the Retail Entitlement Offer to, any person in the United States or any person that is acting for the account or benefit of a person in the United States. Persons in the United States and persons acting for the account or benefit of persons in the United States will not be able to exercise any Entitlements and may receive no payment or value for them.

AJL is not required to determine whether or not any registered holder or investor is acting as a nominee or custodian or the identity or residence of any beneficial owners of existing Shares or Entitlements. Where any person is acting as a nominee or custodian for a foreign person, that person, in dealing with its beneficiary, will need to assess whether indirect participation in the Entitlement Offer by the beneficiary complies with applicable foreign laws. AJL is not able to advise on foreign laws.

5.10 Not investment advice

This Retail Offer Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC. It is also not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs. AJL is not licensed to provide financial product advice in respect of the New Shares (and Additional New Shares). This Information does not purport to contain all the information that you may require to evaluate a possible application for New Shares, nor does it purport to contain all the information which would be required in a prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with AJL's other periodic statements and continuous disclosure announcements lodged with ASX, which are available at www.lucas.com.au.

Before deciding whether to apply for New Shares (or any Additional New Shares), you should consider whether they are a suitable investment for you in light of your own investment objectives and financial circumstances and having regard to the merits or risks involved. If, after reading the Information, you have any questions about the Retail Entitlement Offer, you should contact your stockbroker, accountant or other professional adviser or call the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415

4000 (outside Australia) between 8.30am and 5.00pm (Sydney time) Monday to Friday until Wednesday, 28 February 2018.

Nominees and custodians may not distribute any part of this Retail Offer Booklet in the United States or in any other country outside Australia and New Zealand except (i) Australian and New Zealand nominees may send this Retail Offer Booklet and related offer documents to beneficial shareholders who are professional or institutional shareholders in other countries (other than the United States) listed in, and to the extent permitted under the “Selling Restrictions” section of the AJL Investor Presentation included in Section 4 of this Retail Offer Booklet and (ii) to beneficial shareholders in other countries (other than the United States) where AJL may determine it is lawful and practical to make the Retail Entitlement Offer.

5.11 Quotation and trading

AJL has applied to ASX for official quotation of the New Shares in accordance with the ASX Listing Rules requirements. If ASX does not grant quotation of the New Shares, AJL will repay all Application Monies (without interest).

Subject to approval being granted, it is expected that normal trading of New Shares allotted under the Retail Entitlement Offer will commence at 10.00am (Sydney time) on Monday, 26 February 2018.

5.12 Information availability

If you are in Australia or New Zealand, you can obtain a copy of this Retail Offer Booklet during the Entitlement Offer on AJL’s website at www.lucas.com.au or you can call the AJL Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday until Wednesday, 28 February 2018.

A replacement personalised Entitlements and Acceptance Form can also be requested by calling the AJL Offer Information Line.

If you access the electronic version of this Retail Offer Booklet, you should ensure that you download and read the entire Retail Offer Booklet. The electronic version of this Retail Offer Booklet on the AJL website at www.lucas.com.au will not include a personalised Entitlements and Acceptance Form.

5.13 Continuous disclosure

AJL is a ‘disclosing entity’ under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports. AJL is required to notify the ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the stock markets conducted by the ASX. In particular, AJL has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities. That information is available to the public from the ASX and can be accessed at www.asx.com.au.

Some documents are required to be lodged with ASIC in relation to AJL. These documents may be obtained from, or inspected at, an ASIC office.

5.14 Foreign jurisdictions

This Information has been prepared to comply with the requirements of the securities laws of Australia and New Zealand. To the extent that you hold Shares or Entitlements on behalf of another person resident outside Australia or New Zealand, it is your responsibility to ensure that any participation (including for your own account or when you hold Shares or Entitlements beneficially for another person) complies with all applicable foreign laws and that each beneficial owner on whose behalf you are submitting the personalised Entitlements and Acceptance Form is not in the United States and not acting for the account or benefit of a person in the United States.

This Retail Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Retail Entitlement Offer, the Retail Entitlements, the New Shares or any Additional New Shares, or otherwise permit the public offering of the New Shares or any Additional New Shares, in any jurisdiction other than Australia and New Zealand.

The distribution of this Information (including an electronic copy) outside Australia and New Zealand may be restricted by law. If you come into possession of this Information, you should observe such restrictions and should seek your own advice on such restrictions. See the foreign selling restrictions set out in the “Selling Restrictions” section of the AJL Investor Presentation included in Section 4 of this Retail Offer Booklet for more information.

Any non-compliance with these restrictions may contravene applicable securities laws.

New Zealand

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of AJL with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct Act 2013 and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

This document has been prepared in compliance with Australian law and has not been registered, filed with or approved by any New Zealand regulatory authority. This document is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

United States

The Retail Entitlements, the New Shares and any Additional New Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or other jurisdiction in the United States, and may not be offered, sold or resold in the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and the applicable securities laws of any state or other jurisdiction in the United States. Retail Entitlements may not be taken up, purchased or exercised by persons in the United States or by persons who are acting for the account or benefit of persons in the United States, and New Shares and any Additional New Shares may not be offered to or sold to persons in the United States or to persons who are acting for the account or benefit of persons in the United States. The Retail Entitlements, the New Shares and any Additional New Shares in the Retail Entitlement Offer will be sold only in “offshore transactions” (as defined in Rule 902(h) under the US Securities Act) in compliance with Regulation S under the US Securities Act. Because of these legal restrictions, you must not distribute, release or send copies of this Retail Offer Booklet or any other material relating to the Retail Entitlement Offer to any person in the United States.

5.15 Lead Manager

The Entitlement Offer is not underwritten.

AJL has appointed the Lead Manager to manage the Entitlement Offer and has agreed to pay to the Lead Manager a management fee of 0.5% of the gross proceeds of the Entitlement Offer and a selling fee of 4% on the gross dollar value of commitments secured by the Lead Manager under the Entitlement Offer excluding existing substantial Shareholders.

It is the final and absolute responsibility of AJL to ensure, and AJL has undertaken to ensure, that this Retail Offer Booklet and certain other materials related to the Entitlement Offer comply in all respects with the relevant provisions of applicable laws, notwithstanding that the Lead Manager has assisted AJL in their preparation.

5.16 Governing law

This Information, the Retail Entitlement Offer and the contracts formed on acceptance of each personalised Entitlements and Acceptance Form are governed by the laws applicable in New South Wales, Australia. Each applicant for Retail Entitlements, New Shares and any Additional New Shares submits to the non-exclusive jurisdiction of the courts of New South Wales, Australia.

5.17 Disclaimer of representations

No person is authorised to give any information, or to make any representation, in connection with the Retail Entitlement Offer that is not contained in this Information.

Any information or representation that is not in this Information may not be relied on as having been authorised by AJL, or its related bodies corporate, in connection with the Retail Entitlement Offer. Except as required by law, and only to the extent so required, none of AJL, nor any other person, warrants or guarantees the future performance of AJL or any return on any investment made pursuant to this Information or its content.

5.18 Withdrawal of the Entitlement Offer

AJL reserves the right to withdraw or vary all or part of the Entitlement Offer and this Information at any time, subject to applicable laws, in which case AJL will refund Application Monies in relation to Retail Entitlements, New Shares or any Additional New Shares not already issued in accordance with the Corporations Act and without payment of interest. In circumstances where allotment under the Institutional Entitlement Offer has occurred, AJL may only be able to withdraw the Entitlement Offer with respect to New Shares and any Additional New Shares to be issued under the Retail Entitlement Offer.

To the fullest extent permitted by law, you agree that any Application Monies paid by you to AJL will not entitle you to receive any interest and that any interest earned in respect of Application Monies will belong to AJL.

5.19 Privacy

As a shareholder, AJL and the AJL Share Registry have already collected certain personal information from you. If you apply for Retail Entitlements, New Shares and any Additional New Shares, AJL and the AJL Share Registry may update that personal information or collect additional personal information. Such information may be used to assess your acceptance of the Retail Entitlements, New Shares and any Additional New Shares, service your needs as a shareholder, provide facilities and services that you request and carry out appropriate administration.

To do that, AJL and the AJL Share Registry may disclose your personal information for purposes related to your shareholdings to their agents, contractors or third party service providers to whom they outsource services, in order to assess your application for your Retail Entitlements, New Shares and any Additional New Shares, the AJL Share Registry for ongoing administration of the register, printers and mailing houses for the purposes of preparation of the distribution of shareholder information and for handing of mail, or as otherwise under the *Privacy Act 1988* (Cth).

If you do not provide us with your personal information we may not be able to process your application. In most cases you can gain access to your personal information held by (or on behalf of) AJL or the AJL Share Registry. We aim to ensure that the personal information we retain about you is accurate, complete and up to date. To assist us with this please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it. You can request access to your personal information by telephoning or writing to AJL through the AJL Share Registry as follows:

AJ Lucas Group Limited – Retail Entitlement Offer

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne
VIC 3001 Australia

Corporate Directory

AJ Lucas Group Limited ACN 060 309 104

Level 6, 1 Elizabeth Plaza
North Sydney
NSW 2060 Australia
www.lucas.com.au

AJL Offer Information Line

Within Australia: 1300 556 161

Outside of Australia: +61 3 9415 4000

Open between 8.30am to 5.00pm (Sydney time), Monday to Friday until 28 February 2018

AJL Share Registry

Computershare Investor Services Pty Limited
GPO Box 1903
Adelaide
SA 5001 Australia
www-au.computershare.com



AJ Lucas Group Limited

ABN 12 060 309 104

For all enquiries:

Phone:

(within Australia) 1300 556 161
(outside Australia) 61 3 9415 4000

Web:

www.investorcentre.com/contact

Make your payment:



See overleaf for details of the Entitlement Offer and how to make your payment

Accelerated Non-Renounceable Entitlement Offer — Entitlement and Acceptance Form

Your payment must be received by 5:00pm (Sydney time) Friday 16 February 2018

This personalised Entitlement and Acceptance Form relates to an accelerated pro-rata non-renounceable entitlement offer of New Shares to Eligible Retail Shareholders of AJ Lucas Group Limited (**Entitlement Offer**). As an Eligible Retail Shareholder, you are entitled to subscribe for 1 New Share for every 6 Existing Shares you hold on the Record Date, at an Offer Price of A\$0.32 per New Share.

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

IMPORTANT: The Retail Entitlement Offer is being made under the Retail Offer Booklet dated 30 January 2018 (Retail Offer Booklet). The Retail Offer Booklet contains information about investing in New Shares. Before applying for New Shares (and any Additional New Shares), you should carefully read the Retail Offer Booklet. This Entitlement and Acceptance Form should be read in conjunction with the Retail Offer Booklet.

By completing and returning your personalised Entitlement and Acceptance Form or making a payment by **BPAY®** or otherwise applying to participate, you will be deemed to have represented and warranted on behalf of yourself and each person or account for which you are acting to AJ Lucas Group Limited that you are an Eligible Retail Shareholder and represent and warrant that you have read and understood the Retail Offer Booklet and you acknowledge the matters, and make the warranties and representations contained in section 2.8 of the Retail Offer Booklet.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. If you accept your full Entitlement, you can also apply for Additional New Shares (**up to 100% of your Entitlement**). Enter the number of New Shares (and any Additional New Shares) you wish to apply for and the amount of payment for those New Shares (and any Additional New Shares).

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Retail Offer Booklet.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the payment slip with **BPAY** payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to **"AJ Lucas Group Limited Entitlement Offer"** and cross **"Not Negotiable"**. The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

If you do not have a paper copy of the Retail Offer Booklet, you can obtain a paper copy at no charge, by calling the AJ Lucas Group Limited Offer Information Line on 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia). The AJ Lucas Group Limited Offer Information Line will be open from 8:30am to 5:00pm (Sydney time) Monday to Friday. Unless otherwise defined, capitalised terms have the meaning in the Retail Offer Booklet.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Entitlement Offer are shown overleaf. Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect. If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

The Retail Entitlement Offer opens on Tuesday, 30 January 2018 and closes at 5pm (Sydney time) on Friday, 16 February 2018. Retail shareholders who take up their entitlements have the opportunity, under an over-allocation facility, to apply for Additional New Shares up to 100% of their Entitlement under the Entitlement Offer, subject to allocations under the facility being limited to a maximum of 2 million shares in accordance with the terms set out in the Retail Offer Booklet. As an example, if a retail 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. Allocations under this retail over-allocation facility will be determined by AJ Lucas Group Limited in its absolute discretion. Any Additional New 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.

Turn over for details of the Entitlement Offer




AJ Lucas Group Limited Accelerated Non-Renounceable Entitlement Offer
Payment must be received by 5:00pm (Sydney time) Friday 16 February 2018

Entitlement and Acceptance Form with Additional New Shares

STEP 1

Registration Name & Offer Details

 For your security keep your SRN/
HIN confidential.

Registration Name:

Entitlement No:

Offer Details:

Existing shares entitled to participate as at
Wednesday 24 January 2018:

Entitlement to New Shares
on a 1 for 6 basis:

Amount payable on full acceptance
at \$0.32 per New Share:

STEP 2

Make Your Payment



Billers Code: 281071
Ref No:

Pay by Mail:



Make your cheque, bank draft or money order payable to "AJ Lucas Group
Limited Entitlement Offer" and cross "Not Negotiable".

Return your cheque with the below payment slip to:

Computershare Investor Services Pty Limited
GPO BOX 2987 Adelaide South Australia 5001 Australia

Contact your financial institution to make your
payment from your cheque or savings account.

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (Sydney time) Friday 16 February 2018. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor AJ Lucas Group Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (Sydney time) Friday 16 February 2018. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor AJ Lucas Group Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

AJ Lucas Group Limited Acceptance Payment Details

Entitlement taken up:

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Number of Additional New Shares applied
for (up to 100% of your Entitlement):

--	--	--	--	--	--	--	--

Amount enclosed at \$0.32 per New
Share / Additional New Share:

A\$

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Entitlement No:

Payment must be received by 5:00pm (Sydney time) Friday 16 February 2018

Contact Details

Contact
Name

Daytime

Telephone

Cheque Details

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

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A\$
