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**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

# DESPATCH OF RETAIL OFFER BOOKLET

**14 November 2019**

Further to the announcement by AJ Lucas Group Limited ("**AJ Lucas**") on Thursday, 7 November 2019 relating to a 19 for 20 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 are 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 13 December 2019.

A further note will be sent to retail shareholder highlighting elements of the offer and responding to some of the potential questions you as a Retail Shareholder may have.

**For further information, please contact:**

| | |
|---|---|
| **AJ Lucas Group Limited** | +61 (0)2 9490 4000 |
| Phil Arnall | Chairman |
| Marcin Swierkowski | 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

19 for 20 pro rata accelerated non-renounceable entitlement offer of AJ Lucas Group Limited ordinary shares at an Offer Price of $0.065 per New Share.

Retail Entitlement Offer closes at 5.00pm (Sydney time) Wednesday, 27 November 2019.

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

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

## Key dates

| Event | Date |
| --- | --- |
| Announcement of the Entitlement Offer | Thursday, 7 November 2019 |
| Launch of the Entitlement Offer (including the Retail Entitlement Offer) | Thursday, 7 November 2019 |
| Record Date for eligibility in the Retail Entitlement Offer (7.00pm, Sydney time) | Monday, 11 November 2019 |
| Retail Entitlement Offer opens | Thursday, 14 November 2019 |
| Retail Offer Booklet despatched, including personalised Entitlements and Acceptance Form | Thursday, 14 November 2019 |
| Retail Entitlement Offer closes (5.00pm, Sydney time) including retail oversubscriptions | Wednesday, 27 November 2019 |
| Settlement of Retail Entitlement Offer | Tuesday, 3 December 2019 |
| Issue of New Shares under the Retail Entitlement Offer | Wednesday, 4 December 2019 |
| New Shares under the Retail Entitlement Offer commence trading on a normal settlement basis | Thursday, 5 December 2019 |
| Despatch of holding statements | Friday, 6 December 2019 |

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 Friday, 13 December 2019.

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

## Letter from the Chairman

14 November 2019

**Dear Shareholder,**

On behalf of AJ Lucas Group Limited (**AJL**), I am pleased to invite you to participate in a 19 for 20 pro rata accelerated non-renounceable entitlement offer of new AJL ordinary shares (**New Shares**) at an offer price of $0.065 per New Share (**Offer Price**), to raise gross proceeds of up to $46.3 million (**Entitlement Offer**).

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**), as announced on Thursday, 7 November 2019.

Under the Retail Entitlement Offer, eligible shareholders are being offered the opportunity to subscribe for 19 New Shares for every 20 existing AJL ordinary shares (**Shares**) held on the Record Date of 7.00pm (Sydney time) Monday, 11 November 2019 (**Retail Entitlements**). The Offer Price of $0.065 per New Share represents an approximate 27.8% discount to the closing share price of $0.090 on the ASX on Wednesday, 6 November 2019, being the last trading day before the Entitlement Offer was launched. 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 300% of 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 6,000 Additional New Shares, being up to 8,000 Shares in total). The size of the retail over-allocation facility is limited to the size of any shortfall in the Entitlement Offer. 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 Monday, 11 November 2019, AJL has successfully completed the Institutional Entitlement Offer, raising approximately $26.2 million for AJ Lucas, which represents approximately 68.6% of total entitlements available under the Institutional Entitlement Offer.

The size of the Retail Entitlement Offer prior to the retail over-allocation facility is $8.1 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;
- 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 Wednesday, 27 November 2019. 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 Friday, 13 December 2019.

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** | • 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).<br>• 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.<br>• The Retail Entitlement Offer closes at 5.00pm (Sydney time) on Wednesday, 27 November 2019.<br>• 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.<br>• 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** | • 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.<br>• 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** | • 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.<br>• You will not receive any payment or value for those Retail Entitlements not taken up.<br>• 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 19 New Shares for every 20 existing Shares held as at 7.00pm (Sydney time) on Monday, 11 November 2019 (**Record Date**), at the Offer Price of $0.065 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 is equal to 300% of 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 6,000 Additional New Shares, being up to 8,000 Shares in total). The size of the retail over-allocation facility is limited to the size of any shortfall in the Entitlement Offer. 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.

Canaccord Genuity (Australia) Limited has been appointed by AJL as Lead Manager (the **Lead Manager**) and Barbon Advisors LLP has been appointed Co-Manager. Kerogen Investments No. 1 (HK) Limited (**Kerogen)** subscribed in full for its pro rata entitlement ($24.7 million) under the Institutional Entitlement Offer.

In total, approximately $26.2 million was raised in the Institutional Entitlement Offer, representing approximately 68.6% of total entitlements available under the Institutional 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 19 New Shares for every 20 existing Shares held as at the Record Date at the Offer Price of $0.065 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 Thursday, 14 November 2019 and will close at 5.00pm (Sydney time) on Wednesday 27 November 2019.

### 2.3 Your Retail Entitlements

Your Retail Entitlements are set out on the accompanying personalised Entitlements and Acceptance Form and have been calculated as 19 New Shares for every 20 existing Shares you held as at the Record Date. If the result is not a whole number, your Retail Entitlements have been rounded up 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 is equal to 300% of 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 6,000 Additional New Shares, being up to 8,000 Shares in total). The size of the retail over-allocation facility is limited to the size of any shortfall in the Entitlement Offer. 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 Wednesday, 27 November 2019.

You may only apply for Additional New Shares in excess of your Retail Entitlements up to that number of Shares that is equal to 300% of 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 6,000 Additional New Shares, being up to 8,000 Shares in total). The size of the retail over-allocation facility is limited to the size of any shortfall in the Entitlement Offer.

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 300% of 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 Wednesday, 4 December 2019. If you apply for Additional New Shares then, subject to 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 Wednesday, 4 December 2019. 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 Wednesday, 27 November 2019. 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 $0.065 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 Wednesday, 27 November 2019. 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 505, Melbourne VIC 3001, 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 sections 2.5.1 and 5.8 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, 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 Friday, 13 December 2019. 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.

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 2017 (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
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**www.lucas.com.au**

7 November 2019

**AJ Lucas Group Limited**
**Capital raising**

- **Entitlement Offer to raise up to $46.3m million**
- **19 for 20 pro-rata accelerated non-renounceable entitlement offer**
- **Entitlement Offer priced at $0.065 per AJ Lucas share**

AJ Lucas Group Limited **(ASX:AJL)** ("**AJ Lucas"** or the "**Company"**) today announced it is undertaking a 19 for 20 pro-rata accelerated non-renounceable entitlement offer to eligible shareholders to raise up to $46.3 million (the "**Entitlement Offer"**). New shares issued under the Entitlement Offer will be at an issue price of $0.065 representing a 27.8% discount to the last closing price on the ASX of $0.09 on Wednesday, 6 November 2019, and a 16.5% discount to TERP.

**Entitlement Offer**
The Entitlement Offer comprises an accelerated institutional component (**"Institutional Entitlement Offer"**) and a retail component (**"Retail Entitlement Offer"**). Canaccord Genuity (Australia) Limited has been appointed as Lead Manager and Barbon Advisors LLP has been appointed as Co-Manager

Proceeds from Kerogen's participation in the Entitlement Offer will be used to partially repay amounts due and payable under Kerogen's existing subordinated loan facility (the "**Kerogen Loan**"). Remaining proceeds from the Entitlement Offer, after fees, will be used to:

- meet AJL's share of future commitments to UK investments including to meet costs associated with the ongoing flow test of the second Preston New Road well (PNR-2) and the appraisal of other prospective sites;
- fund any investment required to grow the Australian drilling business; and
- balance to fund general corporate costs and/or service debt.

**Institutional Entitlement Offer**
Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer to be conducted between Thursday, 7 November 2019 and Friday, 8 November 2019. 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 Thursday, 14 November 2019 and close on Wednesday, 27 November 2019. 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 Thursday, 14 November 2019.

**Commenting on the Capital Raising, Phil Arnall, Chairman of the Company, said:**
*"This Entitlement Offer will allow the company to fund its share of costs to complete the flow testing of the PNR2 well and other activities relating to our UK assets as well as reduce the Company's debt service cost. The reduction in the Kerogen Loan, along with the recently announced refinancing of the OCP Loan Note facility on more favorable terms places the Company in a stronger financial position to execute its near-term plans and deliver on its long-term strategy."*

**Indicative Entitlement Offer timetable:**
These dates are indicative only and may change without notice.

| Event | Date |
|---|---|
| Announce launch of Entitlement Offer | Thursday, 7 November 2019 |
| Trading Halt | Thursday, 7 November 2019 – Friday, 8 November 2019 |
| Institutional Entitlement Offer opens | Thursday, 7 November 2019 |
| Institutional Entitlement Offer closes | Friday, 8 November 2019 |
| AJL shares recommence trading on ASX | Monday, 11 November 2019 |
| Record Date | 7.00pm (Sydney time), Monday, 11 November 2019 |
| Retail Entitlement Offer opens | Thursday, 14 November 2019 |
| Retail Entitlement Offer booklet despatched | Thursday, 14 November 2019 |
| Settlement of Institutional Entitlement Offer | Friday, 15 November 2019 |
| New Shares allotted and issued under the Institutional Entitlement Offer and commence normal settlement trading | Monday, 18 November 2019 |
| Retail Entitlement Offer closes (5.00pm (Sydney time)) | Wednesday, 27 November 2019 |
| Announce results of the Retail Entitlement Offer | Monday, 2 December2019 |
| Settlement of remaining new Shares under the Retail Entitlement Offer | Tuesday, 3 December 2019 |
| Allotment and issue of new Shares under the Retail Entitlement Offer | Wednesday, 4 December 2019 |
| Normal trading of new Shares under the Retail Entitlement Offer | Thursday, 5 December 2019 |
| Despatch of holding statements | Friday, 6 December 2019 |

*For further information, please contact:*

| | |
|---|---|
| **AJ Lucas Group Limited** | +61 (0)2 9490 4000 |
| Phil Arnall | Chairman |
| Marcin Swierkowski | Company Secretary |

**Media enquiries**

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| jstrong@citadelmagnus.com | |


***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.

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**www.lucas.com.au**

**NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES**

11 November 2019

**AJ Lucas Group Limited**
**AJ Lucas completes Institutional Entitlement Offer**

**AJ Lucas Group Limited (ASX:AJL) (*AJ Lucas*** or the ***Company***) today announced the completion of the institutional component of its 19 for 20 accelerated non-renounceable entitlement offer ("**Entitlement Offer**") of new fully paid ordinary shares ("**New Shares**") to raise gross proceeds of up to $46.3 million.

The institutional component of the Entitlement Offer ("**Institutional Entitlement Offer**") raised gross proceeds of $26.2 million, which represents approximately 68.6% of the total entitlement to New Shares available under the Institutional Entitlement Offer. Proceeds raised from Kerogen Investments No.1 (HK) Limited will be used to reduce Kerogen's subordinated debt facility.

Entitlements not taken up in the Institutional Entitlement Offer will be made available to Eligible Retail Shareholders who will have the ability to apply for additional shares by way of over-allocation during the Retail Entitlement Offer. The Company reserves the right to place the subsequent shortfall following the end of the Offer to provide additional funds for the purposes outlined in the Offer Documents.

Settlement of the Institutional Entitlement Offer will take place on Friday, 15 November 2019, with the New Shares to commence trading on the ASX on Monday, 18 November 2019. 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 Thursday, 14 November 2019 and close at 5.00pm (Sydney time) on Wednesday, 27 November 2019. The Retail Entitlement Offer could raise up to $8.1 million.

Eligible retail shareholders can choose to take up all, some, or none of their entitlements. In addition, eligible retail shareholders may apply for additional shares for up to a maximum of 300% of their entitlement allocations, 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 Thursday, 14 November 2019.

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 14 November 2019.

*For further information, please contact:*


| | |
|---|---|
| **AJ Lucas Group Limited** | +61 (0)2 9490 4000 |
| Phil Arnall | Chairman |
| Marcin Swierkowski | Company Secretary |

**Media enquiries**

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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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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
CAPITAL RAISING AND CORPORATE UPDATE
November 2019
Preston New Road exploration site, Lancashire

# Disclaimer

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.

**Past performance**

- 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 (cont.)

**Disclaimers**

- None of AJL's advisers or Canaccord Genuity (Australia) Limited, nor any of their respective affiliates, related bodies corporate, directors, officers, partners, employees, contractors, professional advisers or agents (**Limited Parties**), have authorised, permitted or caused the issue, submission, dispatch or provision of this Presentation and there is no statement in this presentation which is based on any statement by them. None of the Limited Parties take any responsibility for any information in this presentation or any action taken by investors on the basis of such information and, except to the extent referred to in this Presentation, none of them makes or purports to make any statement in this Presentation.
- Not all of the information contained in this Presentation has been subject to independent audit or review. No representation or warranty, express or implied, is made as to the currency, accuracy, fairness, sufficiency, reliability or completeness of the information, projections, opinions or beliefs contained in this Presentation. To the maximum extent permitted by law, no liability (including without limitation, any liability arising out of mistakes, omissions, misstatements, misrepresentations in this Presentation or out of any other fault or negligence) is accepted by AJL, its officers, employees or contractors or the Limited Parties for any loss, cost or damage suffered or incurred as a result of the reliance on such information, projections, opinions or beliefs. The Limited Parties make no recommendations or endorsements as to whether any recipient should participate in the Offer and, to the maximum extent permitted by law, disclaim any fiduciary relationship with any recipient.
- The information in this Presentation remains subject to change without notice. AJL reserves the right to withdraw the Offer and/or vary the timetable for the Offer without notice. AJL, its officers, employees and contractors and the Limited Parties undertake no obligation to provide any recipient with access to any additional information or to notify any recipient or any other person of any matter arising or coming to its notice after the date that this Presentation was issued.
- Investors represent, warrant and agree that they have not relied on any statements made by any of the Limited Parties in relation to the issue of New Shares or the Offer generally.

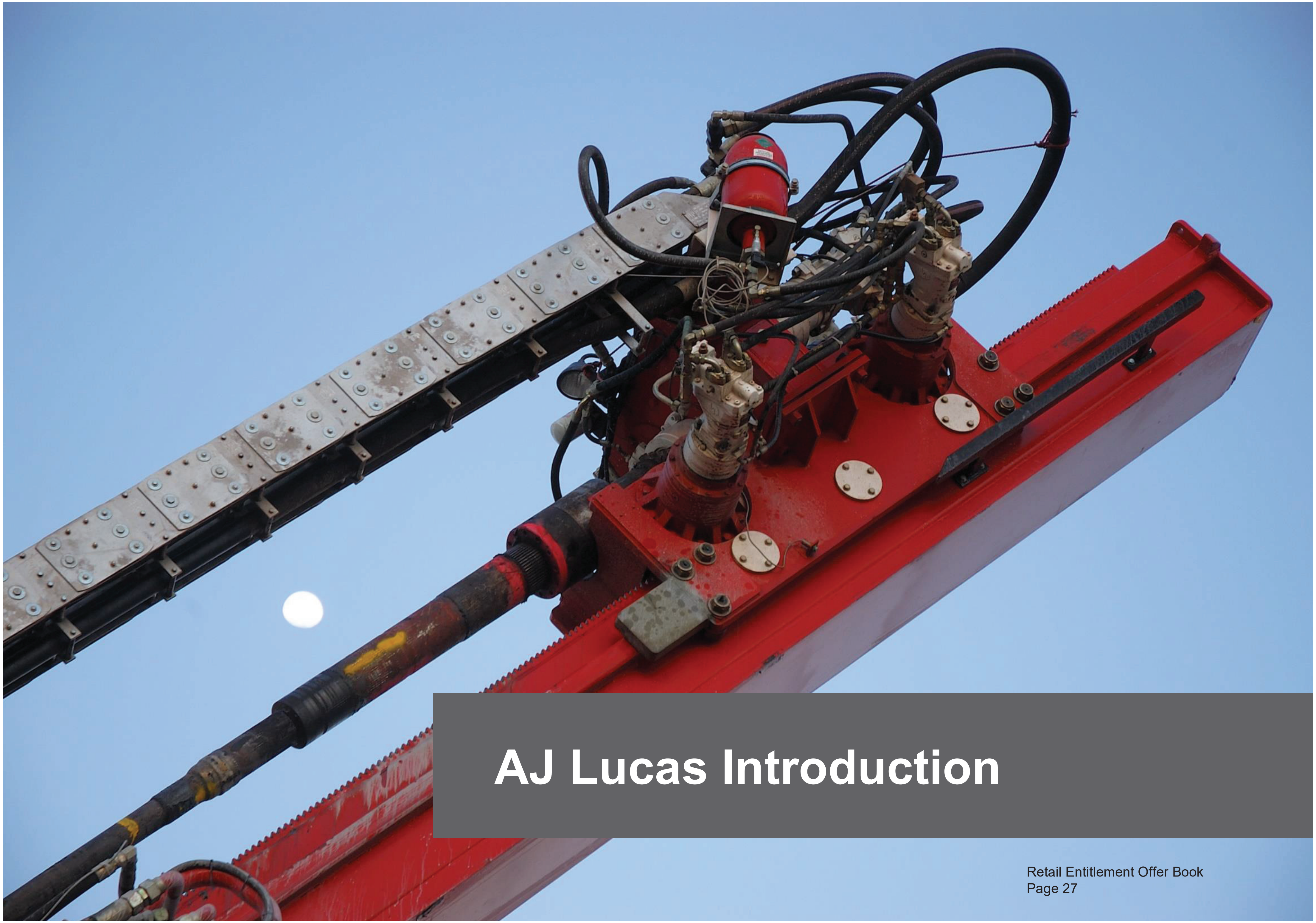
**Financial data**

- 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.
- Unless specifically indicated in this Presentation, the financial information contained in this Presentation has not been audited, examined or otherwise reviewed in accordance with Australian Accounting Standards.
- This Presentation presents financial information on both a statutory basis (prepared in accordance with Australian Accounting Standards which comply with International Financial Reporting Standards (**IFRS**) and a non-statutory basis.

**Distribution restrictions**

- Neither this Presentation, nor any copy of it, may be taken, transmitted into or otherwise made available in the United States or any jurisdiction where their issuance, distribution or transmission are prohibited under the law of that jurisdiction. Any failure to comply with any such restriction may constitute a violation of relevant local securities laws.

# Contents



# AJ Lucas Introduction

# AJ Lucas – at a glance

- Founded in Sydney, Australia in the 1950s, and listed on the ASX in 1999, AJ Lucas Group Limited (**AJ Lucas**, **AJL**, or the **Company**) has two core businesses:
  - **UK Shale Gas Investments** – leveraging a proven track record of investing in the exploration and commercialisation of oil and gas plays in Australia, AJ Lucas has accumulated a significant position for the exploration and appraisal of onshore UK shale gas in the north of England
  - **Lucas Drilling Services (LDS)** – a leading provider of integrated drilling services including exploration drilling and degasification to Australia's coal mining sector

**UK Shale Gas Investments**

Appraisal and commercialisation of unconventional hydrocarbons in the UK

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

**Lucas Drilling Services (LDS)**

Major drilling services provider to the east coast Australian coal sector for mine degassing and exploration

**Delivering intelligent and practical solutions to support the Australian mining sector**

# Entitlement Offer

# Entitlement Offer overview

**Offer summary**

- Pro-rata 19 for 20 non-renounceable entitlement offer (**Offer**) of new fully paid ordinary shares (**New Shares**)
- New Shares are offered at $0.065 per New Share to Eligible Shareholders[1] to raise up to $46.3 million
- The Offer comprises an accelerated institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**)
- Canaccord Genuity (**Lead Manager**) and Barbon Advisors (**Co-Manager**) have agreed to manage the Offer

**Kerogen debt to equity conversion**

- Kerogen Investments No.1 (HK) Limited (**Kerogen**) (53.32% stake prior to launch) has agreed to take up its entitlement in full
- Proceeds from Kerogen's participation in the Offer of $24.7 million will be used to reduce Kerogen's subordinated debt facility

**Retail overallocation facility**

- Eligible Shareholders who take up their entitlements through the Retail Entitlement Offer have the option under an over-allocation facility to apply for additional shares of up to a maximum of 300% of their entitlement under the Offer

**Offer size**

- Gross proceeds from the Offer are estimated to be between $32.5m and $37.0m based on Kerogen's take-up of its entitlement and assuming c.36% and c.57% take up[2] of the remainder of the Offer respectively (including through the retail over-allocation facility), with a midpoint of $34.8m (**Indicative Offer Size**)
- Net cash proceeds after fees & expenses will be applied to:
  - Meet AJL's share of future commitments to UK investments including to meet costs associated with the ongoing flow test of the second Preston New Road well (PNR-2) and the appraisal of other prospective sites
  - Fund any investment required to grow the Australian drilling business
  - Balance to fund general corporate costs and/or service debt

1. Retail and institutional shareholders with registered addresses in Australia and New Zealand and institutional shareholders in certain other jurisdictions that are on the Company's share register as at 7.00pm (Sydney time) on 11 November 2019 (**Eligible Shareholders**)
2. Based on management expectations including an analysis of historical shareholder take-up in previous capital raisings conducted by AJL

LUCAS

# Details of the Offer[1]

| | |
|---|---|
| **Offer description** | ▪ 19 for 20 pro-rata accelerated non-renounceable entitlement offer (**Offer**) to raise up to $46.3 million<br>▪ Up to 712.6 million new AJL shares to be issued under the Offer<br>▪ The Offer is not underwritten<br>▪ New Shares will rank equally in all respects with existing shares from the date of issue<br>▪ Record Date for the Offer is 7:00pm (Sydney time) on Monday, 11 November 2019 |
| **Offer price** | ▪ $0.065 per Share: a 27.8% discount to AJL's closing price on the ASX of $0.09 on Wednesday, 6 November 2019 |
| **Institutional Entitlement Offer** | ▪ Institutional Entitlement Offer closes on Friday, 8 November 2019<br>▪ New Shares issued in the Institutional Entitlement Offer are expected to settle on Friday, 15 November 2019, with allotment and commencement of normal settlement trading on Monday, 18 November 2019 |
| **Retail Entitlement Offer** | ▪ Retail Entitlement Offer opens on Thursday, 14 November 2019 and closes at 5:00pm (Sydney time) on Wednesday, 27 November 2019<br>▪ New Shares issued in the Retail Entitlement Offer are expected to settle on Tuesday, 3 December 2019, with allotment on Wednesday, 4 December, 2019, and commencement of normal settlement trading on Thursday, 5 December 2019 |
| **Over-allocation facility** | ▪ Eligible Shareholders who take up their entitlements through the Retail Entitlement Offer have the option under an over-allocation facility to apply for additional shares of up to a maximum of 300% of their entitlement under the Offer<br>    ▪ As an example, if a shareholder's original entitlement would enable them to subscribe for 1,000 shares then they may apply for up to 3,000 additional shares, being up to 4,000 shares in total<br>▪ Any allotment of New Shares under the over-allocation facility will be limited to the extent that there are sufficient New Shares from Eligible Shareholders who do not take up their full entitlement<br>▪ Allocations under the over-allocation facility will be determined by AJL in its absolute discretion and are not guaranteed |

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

# Details of the Offer (cont.)

| | |
|---|---|
| **Placement of unsubscribed shares** | ▪ The Board of AJL reserves the right, subject to the requirements of the Corporations Act and ASX Listing Rules, to place any unsubscribed New Shares within 3 months of the close of the Offer at a price no less than the Offer price<br>▪ The allocation policy relating to the placement of, and identity of, the allottees of, any unsubscribed New Shares will be determined on a case-by-case basis having regard to various factors (including, without limitation, (a) the methods of raising funds that are available to AJL; (b) the effect of the issue on the control of AJL; (c) the financial situation and solvency of AJL; and (d) advice from corporate, financial and broking advisers (if applicable))<br>▪ The allottees of any unsubscribed New Shares have not been determined as at the date of this presentation but may include existing shareholders and/or new investors, and who are not related parties or associates of a related party of AJL |
| **Kerogen's commitment to the Offer** | ▪ Kerogen (53.32% stake prior to the Offer) has agreed to take up its pro rata entitlement of $24.7 million, which equates to 379.9 million New Shares<br>▪ Proceeds from Kerogen's participation in the Offer will be used to reduce Kerogen's subordinated debt facility<br>▪ Kerogen's maximum post-Offer shareholding, assuming that no other shareholders took up their entitlement, would be 69.01% |

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# Debt restructuring update

- In October 2019, AJL refinanced its Senior Loan Note facility (owing to OCP) through two new debt facilities:
  - a 3-year senior-ranking Asset Based Lending facility (**ABL**) of up to A$30 million provided by Investec; and
  - a 3.5-year junior-ranking loan note facility (**Junior facility**) of A$50 million arranged by member of the HSBC Group.
- Both the ABL and Junior facility are Australian dollar denominated which substantially reduces the Company's foreign exchange risk
- The Junior facility will amortise over the life of the loan to A$24 million (payable at maturity) which will result in a gradual deleveraging of AJL's balance sheet
- The two facilities have a weighted-average nominal interest rate of approximately 11% when fully drawn
- The maturity date of the Kerogen subordinated loan facility has been extended to six months after the later of the full repayment of the Junior facility and the maturity date of the ABL
- An initial amount of A$75 million was drawn under the two facilities with net proceeds (after related fees and expenses) used to fully repay the balance of the OCP Senior Loan Notes of ~A$70 million at 25 October 2019; further amounts have subsequently been drawn under the ABL and applied to working capital in the Australian drilling division
- The refinancing has provided incremental funding for the Australian business; AJL still has an obligation to meet funding for its investments in UK shale – this is expected to be met from equity
- As a result of the new debt facilities, there will be an immediate improvement to AJ Lucas's current ratio, a decrease in the company's exposure to foreign currency risk and an initial saving in financing costs over the next twelve months of approximately A$5 million

# Balance sheet impact of the Offer and the Debt Restructuring

| $m | Financial position at 30 Jun 19 | Pro forma adjustments[1] Existing Senior Loan Notes[2] | New debt facilities [3,4,5] | Capital Raising[6] | Pro forma position as at 30 June 19 |
|---|---|---|---|---|---|
| Current Assets | 52.8 | (69.5) | 71.6 | 9.6 | 64.5 |
| Non-Current Assets[7] | 213.1 | - | - | - | 213.1 |
| **Total Assets** | **266.0** | **(69.5)** | **71.6** | **9.6** | **277.7** |
| Current Liabilities | 105.1 | (67.2) | 25.8 | - | 63.7 |
| Non-Current Liabilities | 53.3 | - | 45.8 | (24.7) | 74.4 |
| **Total Liabilities** | **158.4** | **(67.2)** | **71.6** | **(24.7)** | **138.1** |
| **Net Assets** | **107.5** | **(2.3)** | **-** | **34.2** | **139.4** |
| **Total Equity** | **107.5** | **(2.3)** | **-** | **34.2** | **139.4** |

**Notes to Proforma adjustments**

1. Basis of Preparation: the pro forma financial information is provided for illustrative purposes and is prepared on the assumption that the unaudited pro forma adjustments occurred at 30 June 2019.
2. The balance of the Senior Loan Notes at 30 June 2019 of $67.2m was net of $2.3m remaining in unamortised upfront borrowing costs which have been expensed on repayment of the loan notes. Finance and foreign exchange costs incurred between 30 June 2019 and the actual repayment date of 25 October 2019 have not been represented in this pro forma.
3. The classification of the new debt facilities and capitalised borrowing costs as current or non-current has been represented as at 30 June 2019.
4. The amount drawn under the new facilities of $75m is net of $3.4m in associated borrowing costs which have been capitalised.
5. At the time of drawdown a further $5m was available as undrawn capacity under the ABL facility.
6. Assumes the Indicative Offer Size based on Kerogen subscribing for its full entitlement & gross proceeds of $34.8m less estimated fees of $0.6m. Kerogen's subscription of $24.7m has been offset against the balance of its non-current debt.
7. No consideration has been made to the carrying value of the UK investments. A review will be undertaken at the half-year in accordance with the Company's accounting policies.

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# Indicative Offer timetable[1]

| Event | Date |
|---|---|
| Launch of Offer and commencement of trading halt | Thursday, 7 November 2019 (before market open) |
| Institutional Entitlement Offer closes | Friday, 8 November 2019 |
| AJL shares recommence trading on ASX | Monday, 11 November 2019 |
| Record date for Offer (7:00pm Sydney time) | Monday, 11 November 2019 |
| Retail Entitlement Offer opens, booklets despatched | Thursday, 14 November 2019 |
| Settlement of Institutional Entitlement Offer shares | Friday, 15 November 2019 |
| Institutional Entitlement Offer shares allotted and issued and commence normal settlement trading | Monday, 18 November 2019 |
| Retail Entitlement Offer closes | Wednesday, 27 November 2019 |
| Announce results of Retail Entitlement Offer | Monday, 2 December 2019 |
| Settlement of Retail Entitlement Offer shares[2] | Tuesday, 3 December 2019 |
| Retail Entitlement Offer shares allotted and issued[2] | Wednesday, 4 December 2019 |
| Normal trading of Retail Entitlement Offer shares[2] | Thursday, 5 December 2019 |
| Despatch of holding statements for Retail Entitlement Offer shares[2] | Friday, 6 December 2019 |

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

# AJ Lucas Corporate Overview

# AJ Lucas – a renewed focus

- **Australian Operations**
  - AJ Lucas sold the assets of its Engineering & Construction (**E&C**) division in mid-2018 – LDS remains the backbone of the Company's Australian operations
  - AJL management has taken active steps to restructure LDS's cost base and refocus the division on its core, higher-margin surface-to-inseam (**SIS**) and large diameter (**LD**) drilling service offerings, in which it is now the market leader to the Australian east coast coal market
  - As such, LDS is well positioned to capitalise on the strengthening coal sector, especially metallurgical coal (important in the manufacture of steel) where the market has strong near and long term fundamentals driven by growing infrastructure demand globally
  - In FY2019, LDS generated Underlying EBITDA of $24.4 million from revenues of $143.4 million
  - The start of FY2020 has been positive and management is optimistic that LDS can build on the performance achieved in FY2019

| *$m* | **Q1 FY2019[1]** | **Q1 FY2020[1]** |
|---|---|---|
| Revenue | 39.0 | 38.5 |
| Underlying EBITDA | 6.8 | 9.3 |

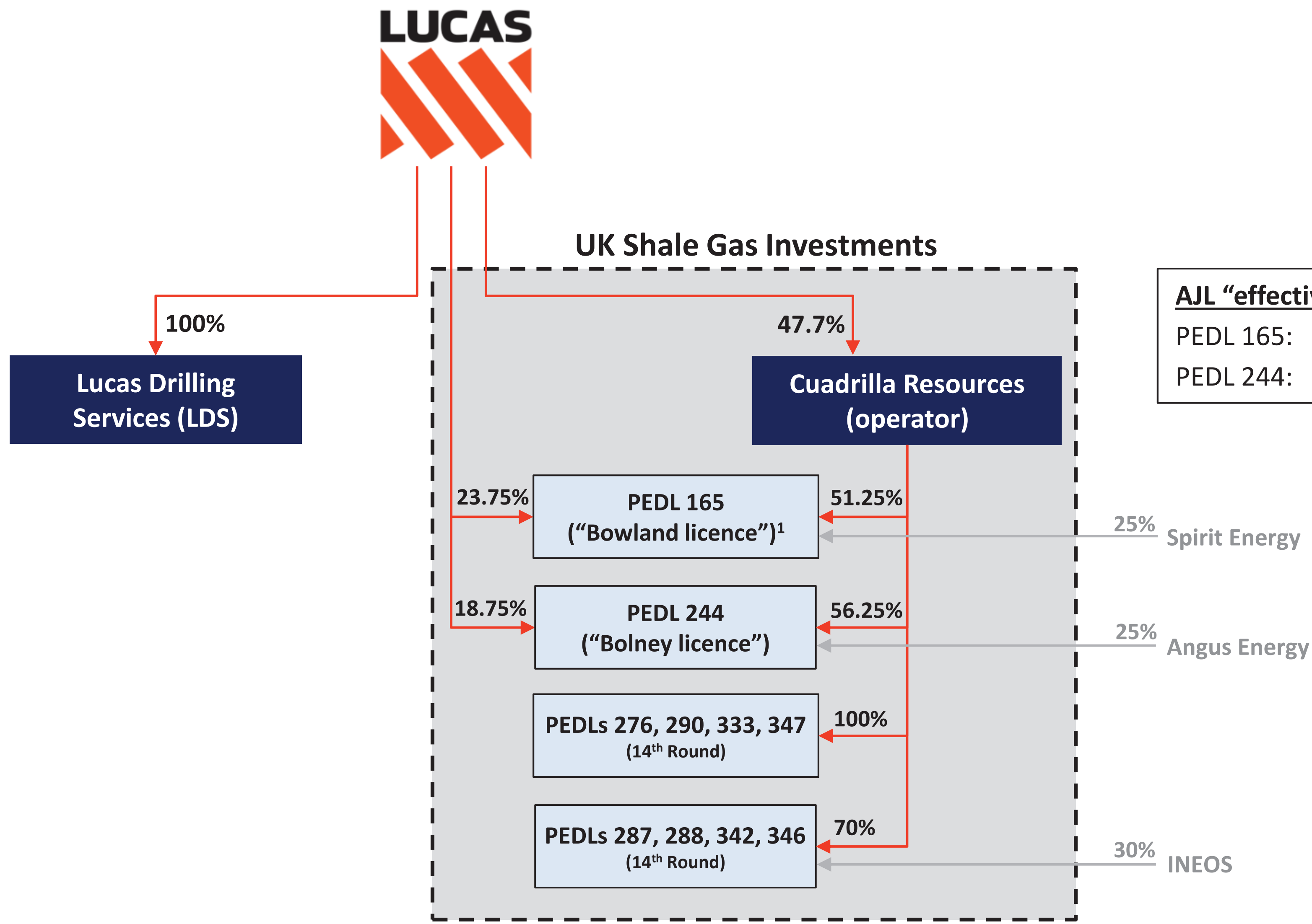
1. Unaudited management accounts

# AJ Lucas – a renewed focus (cont.)

- **UK Shale Gas Investments**
  - AJ Lucas has a ~48% shareholding in Cuadrilla Resources and, together with its direct licence holding, a ~48% effective interest in PEDL 165 in Lancashire (**Bowland licence**), which at >1,000 sq. km is the largest shale gas licence in the UK; and, with shales >1km thick in places, highly prospective for shale gas
  - Through its Cuadrilla shareholding and portfolio of direct licence interests, the Company has exposure to a number of additional licences to explore for gas across the UK either in its own right or in partnership with other operators[1]
  - Cuadrilla's recent operations have focused on the Preston New Road (**PNR**) site on the Bowland licence:
    - Hydraulic fracturing of six stages on the PNR-2 well was carried out in August 2019
    - Following a trailing event measuring 2.9ML on 26 August 2019, hydraulic fracturing was temporarily suspended pending a review by the Oil and Gas Authority (**OGA**)
    - On 30 September 2019 a decision was taken to move to well testing the six stages that had been hydraulically fractured
    - Well testing is ongoing and is expected to continue towards the end of the year
  - AJ Lucas is required to fund its share of outstanding costs of the PNR-2 fracturing and flow testing program and for ongoing costs in calendar year 2020, although these are likely to be reduced substantially compared to costs incurred in 2019 as site operations will be scaled back (see slide 30 on the recently imposed hydraulic fracturing moratorium)

1. Appendix 1 outlines the Company's direct and indirect interests in licence areas across the UK and, where applicable, its partners in these licences

# AJL corporate structure




**AJL "effective interests":**

PEDL 165: ~48.2%

PEDL 244: ~45.6%

1. AJL and Cuadrilla also have interests in EXL 269, which covers an area of ~55 sq. km and is fully surrounded by PEDL 165, of 23.75% and 53.5% respectively (AJL's effective interest = ~49.3%). Spirit Energy holds the remaining interest of 22.75%. PEDL 165 and EXL 269 together constitute the "Bowland licence".

# AJ Lucas Group – financial performance & position

| *Financial year ended 30 June - A$m* | FY15A | FY16A | FY17A | FY18A[5] | FY19A |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| **Revenue (Australia)** | **145.0** | **125.5** | **122.0** | **124.7** | **143.4** |
| Revenue (LDS only) | 83.5 | 79.6 | 73.4 | 124.7 | 143.4 |
| Underlying EBITDA (LDS only) | 6.2 | 11.4 | 2.7 | 19.7 | 24.4 |
| **Underlying EBITDA (Australia)** | **9.4** | **14.6** | **(3.8)** | **14.9**[1] | **20.4** |
| **Balance sheet** | | | | | |
| Working capital | 15.2 | 29.0 | 41.5 | 39.8 | 14.2[3] |
| PP&E | 53.2 | 39.0 | 37.8 | 27.7 | 29.7 |
| UK shale assets | 120.5 | 124.5 | 125.8 | 156.5 | 183.4 |
| Loans & borrowings | (109.4)[2] | (105.7) | (107.3) | (84.8) | (119.7)[4] |
| **Net assets** | **79.5** | **86.8** | **97.8** | **139.1** | **107.5** |

1. Increase in Australian EBITDA from FY17 to FY18 reflects discontinuation of E&C division and upturn in Australian coal sector increasing demand for drilling services
2. "Loans & borrowings" in FY15 includes $35.8m liability owed to the Australian Taxation Office under a deferred installment arrangement
3. Drop in working capital primarily relates to the unwind and write-off of E&C current assets
4. Increase in loans & borrowings in FY19 was due to drawdown of additional senior facility, accrual of payment-in-kind (PIK) interest and weakening of Australian currency relative to US currency
5. Australian E&C division became a discontinued operation in FY2018; revenue and Underlying EBITDA from FY2018 only includes results from continuing operations

# UK Shale Gas

LUCAS

| |
|---|
| **a. Background** |
| b. Operations Update |
| c. Next Steps |

LUCAS

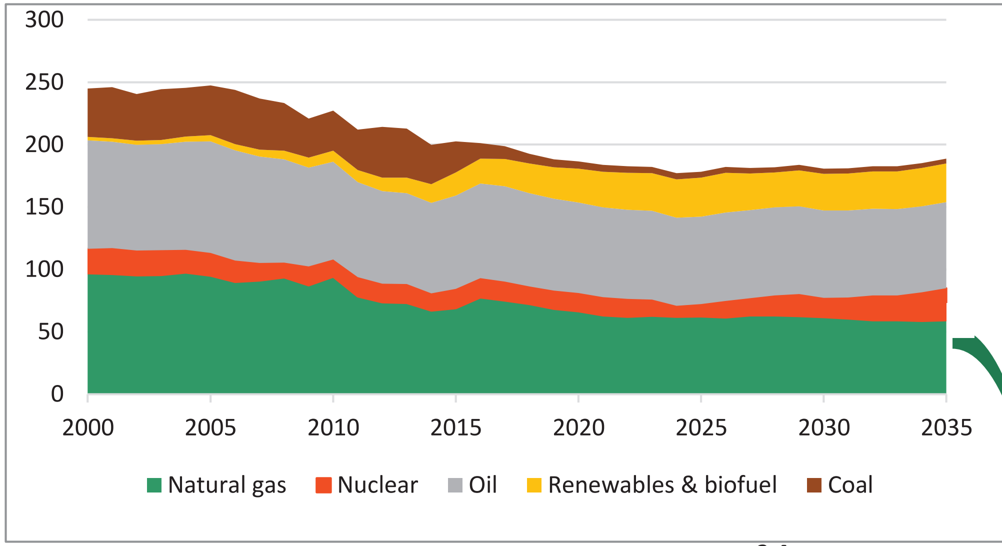
# Intro: UK energy challenges & shale gas as a solution

- The UK faces a number of long-term energy challenges, many of which are linked to its recent legislated commitment to a carbon-neutral economy by 2050. In terms of gas:
    - Projections by both the Department for Business, Energy and Industrial Strategy (**BEIS**) and the Committee on Climate Change (**CCC**), an independent environmental advisory group to the UK Government, foresee the UK continuing to consume significant quantities of gas out to 2050 and beyond, even where the UK achieves carbon-neutrality;
    - Domestic gas (and oil) production is in decline which impacts tax revenues and makes the UK increasingly dependent on imports;
    - UK highly vulnerable to interruptions in foreign supply of gas:
        - Gas storage capacity significantly reduced after closure of Rough storage facility in 2017;
        - 2018 "Beast from the East" cold snap served notice of the limitations of the UK's interconnectors to secure impromptu access to continental EU gas supplies;
    - Brexit presents additional uncertainty around the terms under which the UK will continue to have access to Norwegian and EU-piped gas and whether any changes could lead to increased gas prices domestically due to tariffs, fees and other trade barriers;
    - Where the UK imports gas it has no control over the environmental standards under which that gas is produced and transported;
    - Intermittency of solar & wind energy may necessitate additional sources of dispatchable electricity generation, e.g. gas-fired plants;
    - Gas has a number of uses across industrial (including chemical), transportation and building sectors that are difficult to decarbonise as they require process heat at a very high temperature.
- The Bowland Shale is a 'low-hanging' opportunity to overcome many of these challenges:
    - British Geological Survey has estimated, as a P50 case, total gas-in-place in the Bowland shale of 1,329 trillion cubic feet;
    - Recovery of 10% (vs 15-30% US recovery rates) of this gas-in-place could meet UK natural gas demand for a number of decades;
    - UK regulatory framework for onshore shale gas exploration gives considerable weight to environmental considerations through the role of the Environment Agency and other regulators.

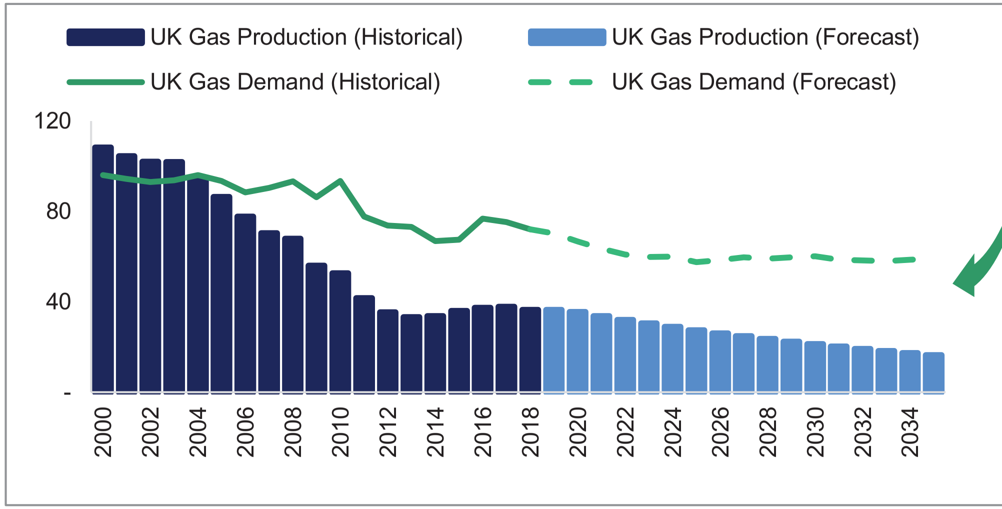
# Natural gas is critical to UK energy needs

- Natural gas accounts for over a third of the UK's primary energy demand and ~85% of UK homes are heated by gas[1]
- North Sea gas production is in long-term decline, and in the absence of domestic shale gas, the Oil and Gas Authority (**OGA**) forecasts that net gas imports will rise to ~72% of demand by 2035[3]
- The UK Government acknowledges the importance of gas:
  - BEIS forecasts gas demand of 59 Mtoe in 2035 under its central estimate of future primary energy demand[4]
  - The CCC's recent Net Zero report (a roadmap for emissions neutrality by 2050) recognises that the UK will continue to use significant quantities of gas out to 2050 and beyond; the report forecasts gas demand equating to ~600TWh in 2050[2]
- Recovery of 10% (vs 15-30% US recovery rates) of domestic shale gas resources could meet gas demand for a number of decades
- On 15 August 2019, BEIS stated:
  - *"Shale gas could be an important new domestic energy source reducing the level of gas imports while delivering broad economic benefits, including through the creation of well-paid, quality jobs. It could also support our transition to net zero emissions by 2050."*

**UK primary energy consumption 2000-2035 (Mtoe)[4]**




**Widening UK gas supply gap (bcm)[3,4]**




(1) BEIS, "Guidance on fracking: developing shale gas in the UK", updated Mar 2019; (2) CCC "Net Zero Technical report", May 2019; (3) OGA "Projections of UK Oil and Gas Production and Expenditure", Mar 2019; (4) Central projection of UK primary energy demand, BEIS Updated energy and emissions projections 2018

# Benefits of UK shale gas - environmental

**1. Gas has a clear environmental advantage over coal**

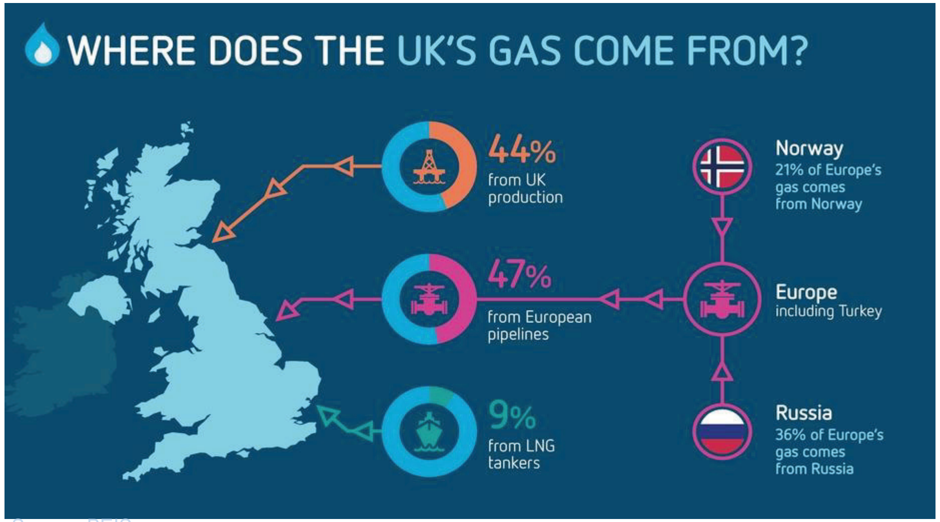
- Natural gas emits ~40% less $CO_2$ than coal and produces negligible $SO_2$, mercury, and particulates when combusted[1]
- International Energy Agency (**IEA**): "Since 2010, coal-to-gas switching has saved around 500 million tonnes of $CO_2$ – an effect equivalent to putting an extra 200 million EVs (electric vehicles) running on zero-carbon electricity on the road over the same period."[2]
- University of Sheffield: in the UK, carbon emissions dropped by 6% in 2016 almost entirely due to coal-to-gas switching[3]

**2. Shale gas is less carbon-intensive than long-distance pipeline and LNG imports**

- 2013 UK Government commissioned report estimated UK shale gas could offer a 50% pre-combustion emission saving compared to Liquefied Natural Gas (**LNG**) and long distance pipeline supplies[4]
- In March 2019, the United Kingdom Onshore Oil and Gas (**UKOOG**) industry group estimated that a national roll-out of 100 shale gas production pads (40 wells each) would reduce $CO_2$ emissions by over 80 million tonnes by 2035 versus importing the same gas as LNG[5]

**3. Methane emissions from UK shale gas to be highly regulated**

- Gas's environmental advantage over other fossil fuels can be negated by methane emissions along the value chain, e.g. from venting, flaring or accidental leaks (fugitive emissions)
- In July 2016, the UK Government confirmed its position that shale gas production will require "a range of technologies and techniques to limit methane emissions" [6]; the CCC has estimated that deploying low-cost mitigation technologies could limit emissions to 0.3-0.9% of throughput[7]
- UK gas imports may be sourced from areas of the world where there are less stringent regulations to mitigate methane emissions – e.g., fugitive emissions in Russia alone have been estimated at 5-7% of throughput[8]




Source: BEIS

(1) IEA "World Energy Outlook 2017"; (2) IEA "The Role of Gas in Today's Energy Transitions" Jul 2019; (3) University of Sheffield research paper "Rapid fuel switching from coal to natural gas through effective carbon pricing"; (4) DECC "Potential Greenhouse Gas Emissions Associated with Shale Gas Extraction and Use", Sep 2013; (5) UKOOG "Updated shale gas production scenarios", Mar 2019; (6) DECC, "Onshore petroleum: the compatibility of UK onshore petroleum with meeting the UK's carbon budgets (Government Response to the Committee on Climate Change Report)", Jul 2016; (7) CCC "Onshore petroleum: the compatibility of UK onshore petroleum with meeting the UK's carbon budgets, Mar 2016; (8) Environmental Science & Technology journal, article titled "Life Cycle Greenhouse Gas Emissions From U.S. Liquefied Natural Gas Exports: Implications for End Uses", Feb 2015

# Benefits of UK shale gas – macroeconomic

**Balance of payments**

- UK North Sea oil & gas production continues to decline – approximately half of the UK's current gas demand is imported[1]
- In 2018 the UK imported an estimated £7 billion of gas[2]
- UKOOG: central development case of 100 well pads with 40 wells would improve the balance of payments by £8bn a year by early 2030s[2]

**Tax revenue**

- In FY19 tax revenue from the oil and gas industry totalled £1.2bn vs £12.4bn ten years ago as a result of declining domestic oil & gas production[3]
- UK shale gas could redress some of the above

**Job creation**

- EY estimated at the end of 2014 that the UK O&G industry supported 375,000 jobs[4] which is likely to have fallen with North Sea production
- The Institute of Directors has estimated that the first 100 shale gas sites could generate 74,000 jobs and that a shale gas industry could safeguard up to 100,000 jobs in the petrochemicals industry[5]

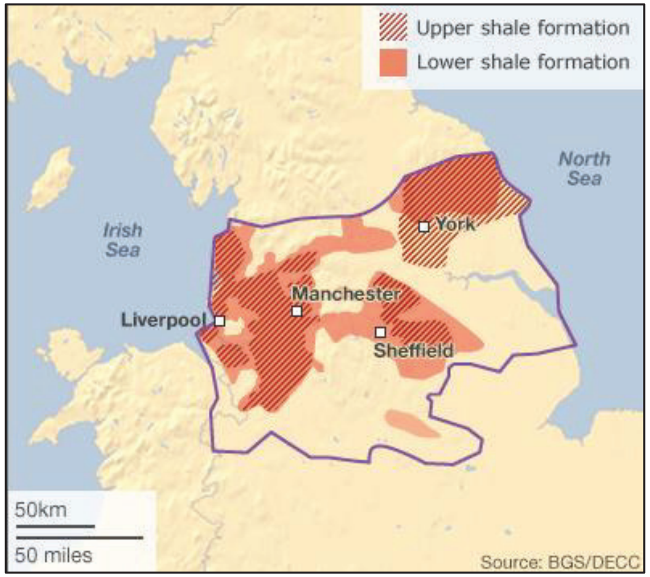
**Community & supply chain benefits**

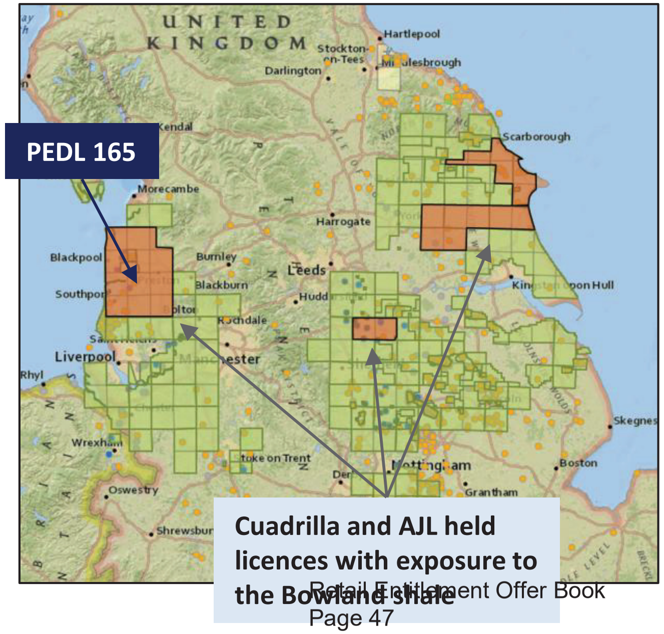
- UKOOG estimates that its central development case of 100 well pads would provide £1.8bn in community & local benefits by 2035[2]
- 2014 EY report forecast that drilling 4,000 lateral wells over 18 years would contribute £33bn towards local supply chains[6]

1. OGA "Projections of UK Oil and Gas Production and Expenditure", Mar 2019
2. UKOOG "Updated shale gas production scenarios" Mar 2019 – Appendix 2 provides UKOOG infographic showing projected economic benefits of 100 well pad case
3. HMRC "Statistics of Government revenues from UK Oil and Gas production", Jul 2019
4. EY "Fuelling the next generation", Dec 2014
5. Institute of Directors "Getting shale gas working", May 2013
6. EY "Getting ready for UK shale gas", Apr 2014

# AJ Lucas has a significant position in UK shale gas

- The British Geological Survey (**BGS**) estimates that the Bowland shale, stretching across the north of England, contains gas-in-place of between 822 Tcf and 2,281 Tcf with a central estimate of 1,329 Tcf[1]
- AJ Lucas has interests in a number of licences with exposure to the Bowland shale, through both its ~48% shareholding in Cuadrilla Resources and direct licence holdings[2]
  - AJ Lucas has direct and indirect interests in licences over the Bowland shale totalling ~1,050 sq. km
- PEDL 165, which contains the PNR site and in which AJ Lucas has a ~48% effective interest, covers >1,000 sq. km and is currently the focus of Cuadrilla's operations
- PNR is located near existing gas pipelines, which would enable cost-effective delivery of gas into the UK's extensive gas distribution network
- In August and December 2015, Cuadrilla was awarded eight additional exploration licences in the Government's 14th Round for onshore oil & gas licences across the Cleveland Basin in East Yorkshire and the Gainsborough Trough in South Yorkshire



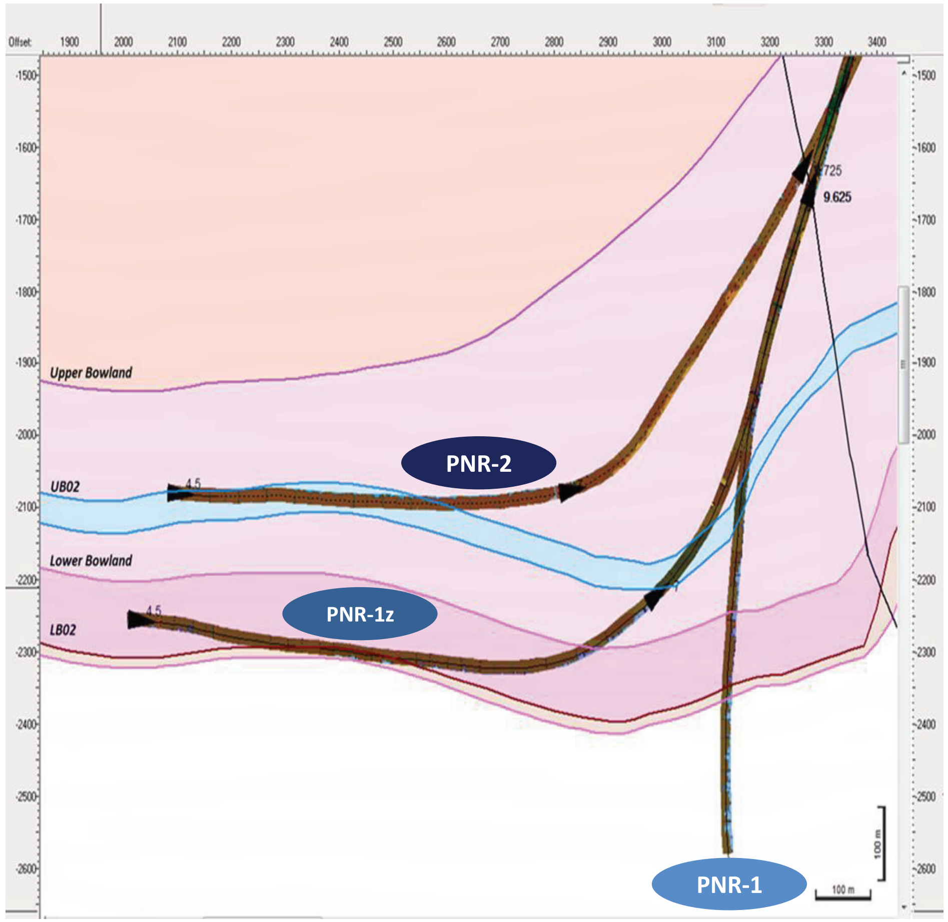

1. BGS/DECC Bowland Shale gas study, 2013
2. Appendix 1 outlines the Company's direct and indirect interests in licence areas across the UK and, where applicable, its partners in these licences

# Preston New Road initial drilling campaign

- Drilling of the first vertical well at Preston New Road completed in January 2018 to a depth of ~2,700m through the Upper and Lower Bowland shales
- Extensive core samples recovered and analysed
- Top six prospective production zones selected, three in the Upper Bowland and there in the Lower Bowland
- First horizontal well (PNR-1z) drilled for ~800m in Lower Bowland at a depth of ~2,300m – completed in April 2018
- Second horizontal well (PNR-2) drilled for ~750m in Upper Bowland at a depth of ~2,100m – completed in July 2018

**Preston New Road site**

**One pilot well and two horizontal wells drilled through the Bowland shale**



# Bowland shale's promising characteristics

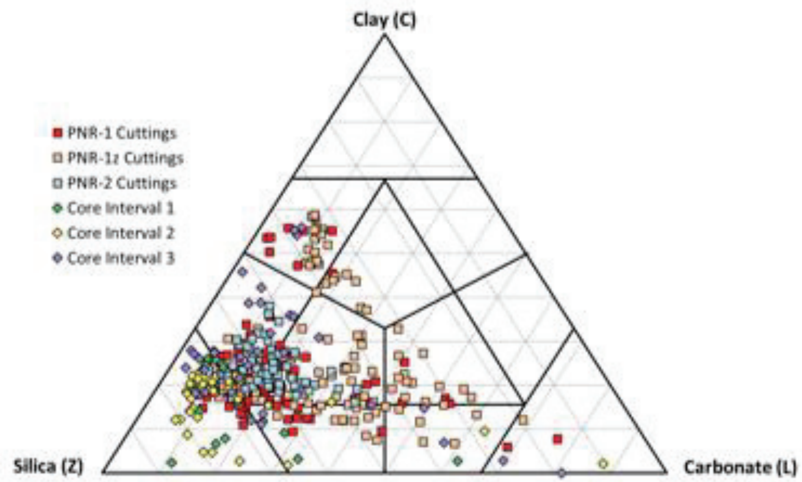
- The Bowland shale at >1,000m thick in places is thicker than comparable US shale formations (see following slide)
- Core samples have been subjected to detailed lab analysis:
  - Total organic content (**TOC**) of 1-7% with an average of 2.65%
  - Organic maturity dry gas in Lower Bowland
  - Quartz-rich, brittle rock – excellent properties for fracturing
  - Consistently low overall clay content and non-reactive clays
  - Highly naturally-fractured shale
  - Gas content and composition of PNR-1z comparable to Preese Hall exploration well (**PH-1**) at 40 scf/tonne and 96% methane
  - Minimal gas processing required – no $H_2S$, low $CO_2$
  - Shale is believed to be significantly over pressured (0.69 psi/ft)

**Preston New Road vs Preese Hall**

- PH-1, located 3.9km north of PNR-1z, was spudded in August 2010 and drilled to a depth of ~2.8km with the top of the Bowland Shale encountered at a depth of ~1.9km
- Cores and wireline image logs taken from the PNR-1 vertical pilot well have been compared and analysed against those taken from PH-1
- Shale properties (bulk density, porosity, water saturation, gas content, clay/quartz/calcite composition) and gas quality (methane content, impurities) found to be highly comparable
- PH-1 was hydraulically fractured in six vertical stages – a flow rate of 300mcf/d achieved primarily from two stages in the Upper Bowland

**Shale core from Preston New Road**


**Ternary Plot - Preston New Road**




Source: Cuadrilla management

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# Comparison of UK and US shale gas metrics

| | UK Bowland Shale | | United States shale gas producing basins[3] | | | | | |
|---|---|---|---|---|---|---|---|---|
| | PNR site[1] | Springs Road site – Lower Bowland[2] | Eagle Ford | Barnett | Fayetteville | Woodford | Haynesville | Marcellus |
| **Depth** *(m)* | **1,300 - 3,300** | **2,300 – 2,600** | 2,100 - 3,700 | 2,000 - 2,600 | 300 - 2,100 | 1,500 - 2,900 | 3,200 - 4,100 | 1,200 - 2,600 |
| **Gross thickness** *(m)* | **>1,000** | **300** | 30 - 145 | 30 - 180 | 5 - 60 | 5 - 80 | 60 - 90 | 15 - 60 |
| **Total organic content** *(%)* | **1 - 7%** | **0 - 6.6%** | 4 - 8% | 4 - 5% | 4 - 9.8% | 4 - 8% | 0.5 - 4% | 2 - 8% |
| **Thermal maturity** *($R_o$ %)* | **1 - 1.8%** | **1.3%** | 0.7 - 1.8% | 1.3 - 2.1% | 1.5 – 4% | 1.2 - 2.8% | 1.7 - 2.8% | 1.3 - 2.4% |
| **Porosity** *(%)* | **2 - 7%** | **1 - 9%** | 4 - 10% | 4 - 8% | 4 - 5% | 5 - 6% | 7 - 10+% | 4 - 8% |
| **Pressure** *(psi / ft.)* | **0.5 - 0.7** | ***Not given*** | 0.5 - 0.75 | 0.43 - 0.45 | 0.38 - 0.45 | 0.5 - 0.55 | 0.7 - 0.9 | 0.6 - 0.7 |

1. Cuadrilla management
2. IGas press release “Unaudited Half-year results for the six months ended 30 June 2019”, Sep 2019 (some figures rounded)
3. Anderson Thompson “Upper Bowland Shale Probabilistic Forecast Study” (NB: feet converted to metres and rounded)

# The Bowland shale – a summary

BGS estimates (P50 case) the Bowland shale holds 1,300Tcf gas in place

Shale located several thousand feet below aquifers

Shale thickness (>1 km) in places enables multiple horizontal wells at different levels

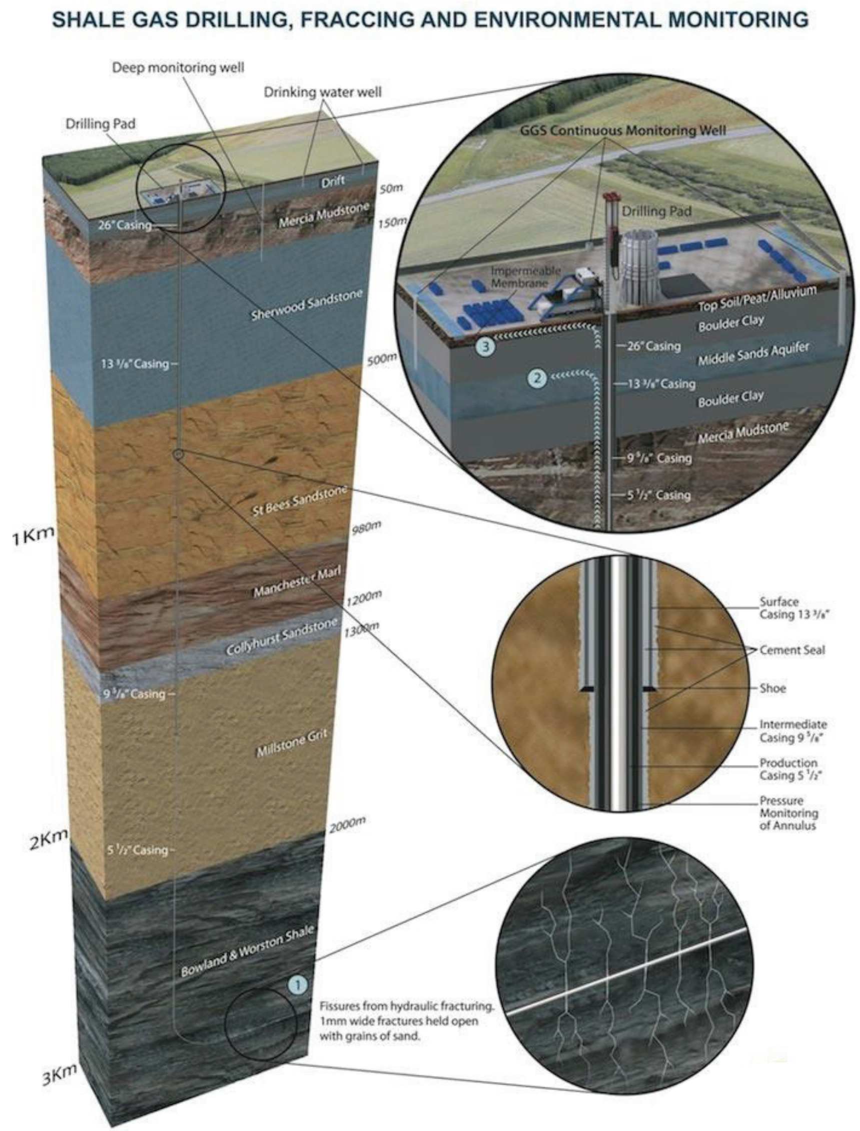
Excellent gas quality with high methane content and few impurities

Bowland shale characteristics suitable to hydraulic fracturing

Complex network of fractures created & excellent sand retention

Geological characteristics comparable to US producing shale gas metrics

Close proximity to local and national gas pipeline infrastructure




Source: Ground Gas Solutions

# Announcement of moratorium

- On 2 November 2019, the UK Government announced a moratorium on hydraulic fracturing on the basis of an interim OGA report on fracturing induced seismicity[1]
- The OGA's report[2] details the findings of four studies commissioned in February 2019 into seismicity during PNR-1z operations, which examine the causes of seismic events, the ability to model and predict them, and their potential impact on well integrity and surface-level infrastructure. OGA:
  - *"The results of these studies could be used to develop or refine the methods already adopted to avoid or reduce the chance of inducing significant seismicity during future operations"*
  - *"PNR2 data should now be used to test and improve all four studies with work on maximum magnitude prediction given high priority"*
  - *"The OGA believes that further detailed geomechanical analysis would be needed before we could evaluate with confidence whether hydraulic fracturing could resume in the Fylde, or elsewhere, consistent with the government's policy aims."*
- In its announcement, the Government stated that consent would be withheld for further hydraulic fracturing operations "until compelling new evidence is provided which addresses the concerns around the prediction and management of induced seismicity"
- In a Written Ministerial Statement released subsequently on 4 November 2019[3], Business Secretary Andrew Leadsom re-affirmed that the Government "continues to recognise the importance of natural gas as a source of secure and affordable energy" in line with reaching net zero emissions by 2050, and stated that the OGA "are unlikely to approve future Hydraulic Fracture Plans unless new evidence is presented" that fracturing "will not cause unacceptable levels of seismicity"
- Cuadrilla will continue to work constructively with the OGA, including supplying data from PNR-2 operations, to address its concerns on seismicity so that the moratorium can be lifted and an operational framework can be established for shale gas extraction that is safe and practical

1. https://www.gov.uk/government/news/government-ends-support-for-fracking
2. OGA "Interim report of the scientific analysis of data gathered from Cuadrilla's operations at Preston New Road, Nov 2019
3. https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2019-11-04/HCWS68/

LUCAS

a. Background

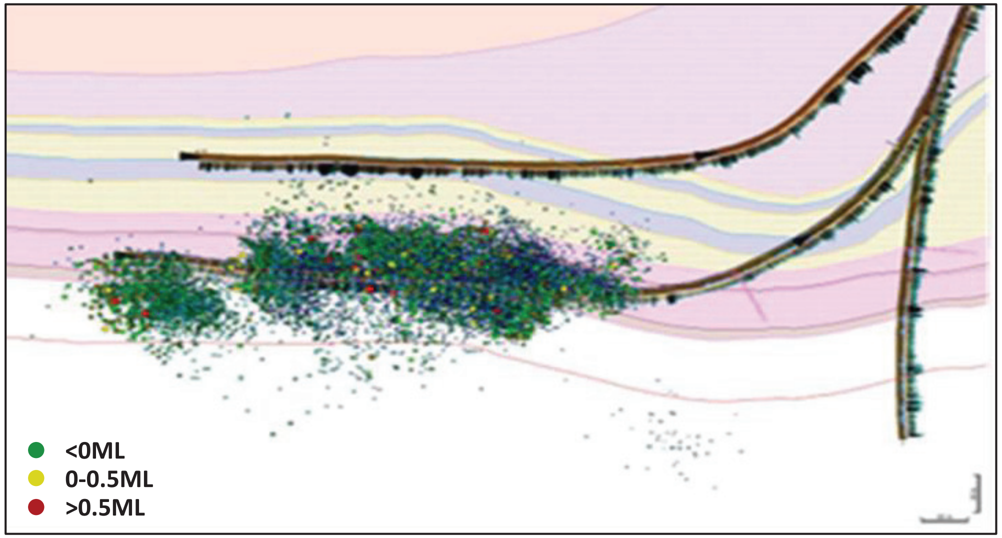
**b. Operations Update**

c. Next Steps

# PNR-1z fracturing confirms recoverable gas – operations limited by the Traffic Light System

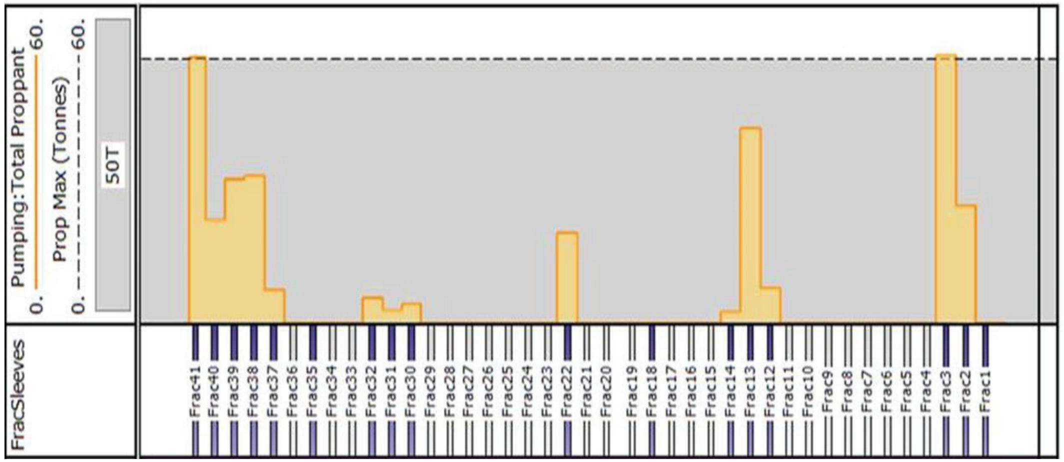
- PNR-1z was completed with 41 separate sliding sleeves
- Cuadrilla had planned to fracture each sleeve with 400m$^3$ of fracturing fluid and 50 tonnes of proppant (sand)
- Operations were limited by the 0.5ML (local magnitude) threshold prescribed under the Traffic Light System (**TLS**), intended to regulate induced seismicity caused by hydraulic fracturing (see Appendix 4)
- During PNR-1z operations Cuadrilla collected over 38,000 micro-seismic data points; a total of six red-light readings (>0.5ML) were reported to regulators the largest of which was 1.5ML
- Three of the six red-light readings occurred during pumping, and four resulted in the premature termination of the associated fracturing operation
- During operations, Cuadrilla also experienced mechanical issues with closing sleeves in two of the fracturing stages
- Hence:
  - Only 17 sleeves were hydraulically fractured
  - Proppant, ranging from 2 to 51 tonnes, was embedded in 15 sleeves
  - Only 2 sleeves were successfully embedded with targeted 50 tonnes of proppant (see diagram on right)
  - As a result only ~14% of the intended proppant was embedded in the formation, a total of 278 tonnes

**~38,000 microseismic readings recorded during PNR-1z frac**




Source: Cuadrilla management

**Only two sleeves embedded with targeted 50 tonnes of proppant**




Source: Cuadrilla management

# PNR-1z fracturing confirms recoverable gas – operations limited by the Traffic Light System (cont.)

- There were several key positive takeaways from PNR-1z fracturing operations
- During fracturing operations complex fracture networks were generated and sand injected in the fractures stayed in place during flowback
- Natural gas flowed to the surface from the limited number of fractured sleeves, reaching a peak production rate of more than 200,000 standard cubic feet per day (**scfd**) and a stable rate of over 100,000 scfd
- Gas produced had a very high methane content and very few impurities
- Pressure characteristics during fracturing were analogous to US shale gas metrics (see Appendix 3 "Depiction of successful fracturing of Sleeve 3")

**Estimated gas flow rate for a 2.5km well**

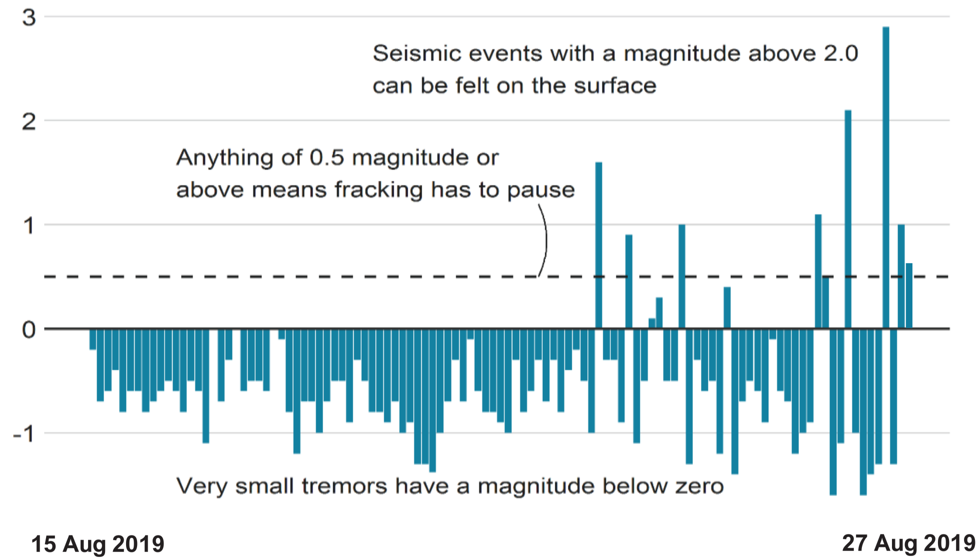
- Anderson Thompson, a North American reservoir engineering firm and part of NCS Multistage, analysed the cores at PNR and assessed likely gas recovery volumes for horizontal wells that could be drilled in the Lancashire Bowland shale
- Anderson Thompson's analysis estimates that, over a 30 year period, a volume of 6.5 billion cubic feet (**Bcf**) of gas could be produced from a 2.5km horizontal well in the Bowland shale[1]
- Subsequent to the flows achieved at PNR-1z, UKOOG updated their estimates of flow for a typical horizontal Bowland shale well – UKOOG estimates an initial flow range of between 3 and 8 million scfd of gas for an equivalent 2.5km lateral section, with a central estimate of 5.5 Bcf[2]

1. Anderson Thompson "Upper Bowland Shale Probabilistic Forecast Study"
2. UKOOG "Updated shale gas production scenarios" Mar 2019

# PNR-2 operations – 6 stages hydraulically fractured each with >30 tonnes of proppant

- Hydraulic fracturing at PNR-2 commenced on 15 August 2019
- Encouraging results from the initial five (of 45 total) sleeves:
  - Textbook fractures with targeted proppant volumes of 30 tonnes for Sleeve 1 and 50 tonnes for Sleeves 2-5 achieved
  - Extremely minimal seismic activity – no readings >0.1ML by BGS
- However, following the fracturing of Sleeves 6 and 7 several trailing events >0.5ML were recorded, the largest of which was 2.9ML
  - Cuadrilla's Hydraulic Fracture Plan approved by the OGA noted an upper bound estimate for induced seismicity of 3.1ML
  - Ground vibrations from seismic tremors induced by Cuadrilla's fracturing operations have typically lasted for less than a few seconds at a time; and vibration levels have occurred at levels that according to British Standards are unlikely to cause more than cosmetic damage to buildings
  - UK micro-seismicity limit of 0.5ML is orders of magnitude lower than comparable Traffic Light System thresholds in the US (Ohio: 1.0; California: 2.7; Illinois: 4.0; Colorado: 4.5) and Canada (British Columbia: 4.0; Alberta: 4.0)[3]
- Following the 2.9ML event a number of claims for damage to property were made by local residents:
  - A number of these were withdrawn; others were found to be spurious
  - However, as a goodwill gesture, Cuadrilla has made a number of small payments to residents primarily in respect of purported minor cracks in plasterwork

**102 micro-seismic readings to date – 9 red-light readings[1]**




**9 red-light readings in context[2]**

| Date | Magnitude (ML) | Ground movement (mm/s) | Date | Magnitude (ML) | Ground movement (mm/s) |
|---|---|---|---|---|---|
| 21 Aug | 1.55 | 0.489 | 24 Aug | 2.1 | 1.460 |
| 21 Aug | 0.87 | 0.119 | 26 Aug | 2.9 | 5.40 |
| 22 Aug | 1.03 | 0.164 | 26 Aug | 1.0 | 0.123 |
| 23 Aug | 1.05 | 0.176 | 27 Aug | 0.6 | 0.055 |
| 24 Aug | 0.53 | 0.055 | | | |

(1) Graph from BBC article dated 1 Sep 2019 based on data from the BGS; (2) Data taken from BGS website; (3) UK National Audit Office analysis

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a. Background

b. Operations Update

**c. Next Steps**

LUCAS

# PNR-2 flow test & next steps

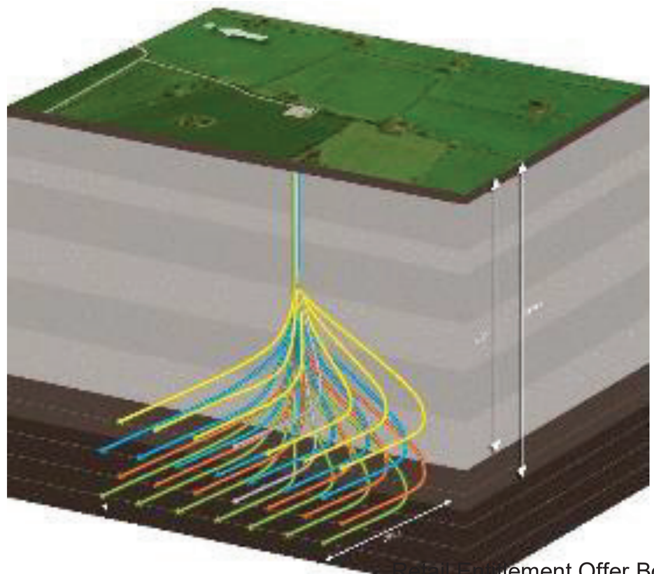
- Cuadrilla is currently conducting a flow test of the six fractured sleeves of PNR-2, five of which were embedded with the targeted volume of proppant during fracturing operations
- Early data from the PNR-2 flow test has been very encouraging
    - The gas at PNR-2 is high quality containing approximately 89% methane, 6% ethane and 2% propane and is virtually free from impurities
    - Once separated at surface from accompanying water the gas could with limited treatment flow directly into the local gas network
    - Further time will be required to complete the ongoing flow test, including analysing the results over a sustained period of gas flow
- In conjunction with its ongoing engagement with the OGA, Cuadrilla will draw on its extensive dataset compiled from its recent operations to assess how it can best mitigate and manage seismicity in any potential future operations
- Although its FY2020 work program will be significantly reduced, Cuadrilla will continue to review and assess the prospectivity of other sites on its extensive acreage

# Bowland licence development concept

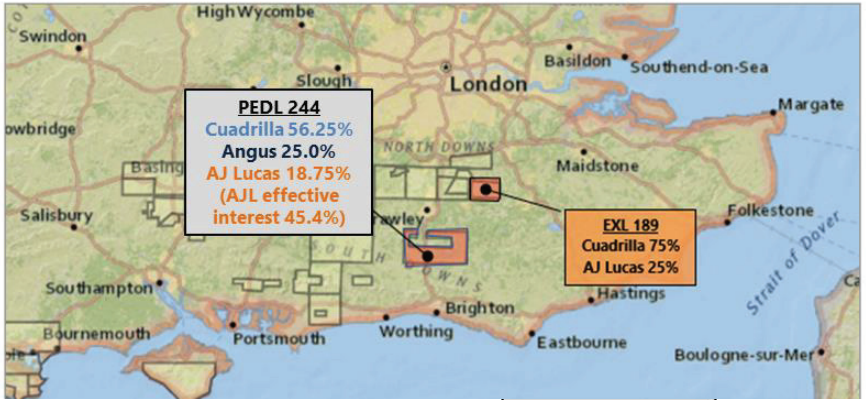
- The thickness of the Bowland shale in PEDL 165 which measures over 1km in places with multiple production zones lends itself to a stacked lateral well configuration; potentially:
  - 6 zones could be intersected by wells drilled at vertical intervals of 200m;
  - In each horizontal zone, up to 12 lateral wells could be drilled, each up to 2.5km in length;
  - Under this scenario, up to 72 lateral wells could be drilled over time from a single well pad, i.e. 12 lateral wells in each of 6 production zones.
- J-shaped well design allows wells to be drilled and completed in close proximity on a single ~2 hectare well pad
- The use of multi-well production pads would significantly reduce surface infrastructure requirements and make production management more efficient – this is attractive both economically and environmentally

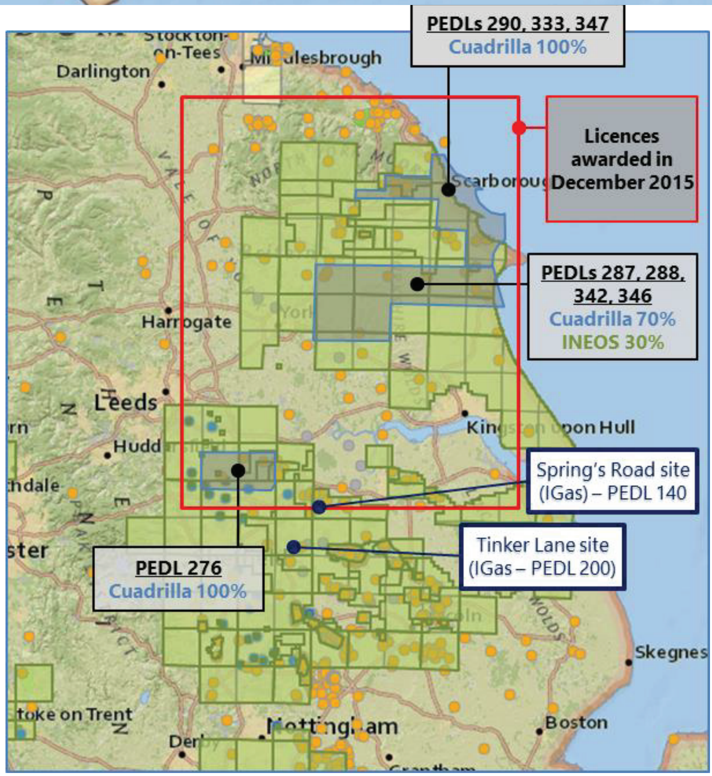
**Minimal surface footprint**

**Vertically stacked and horizontally spread wells**



# Other licence activity



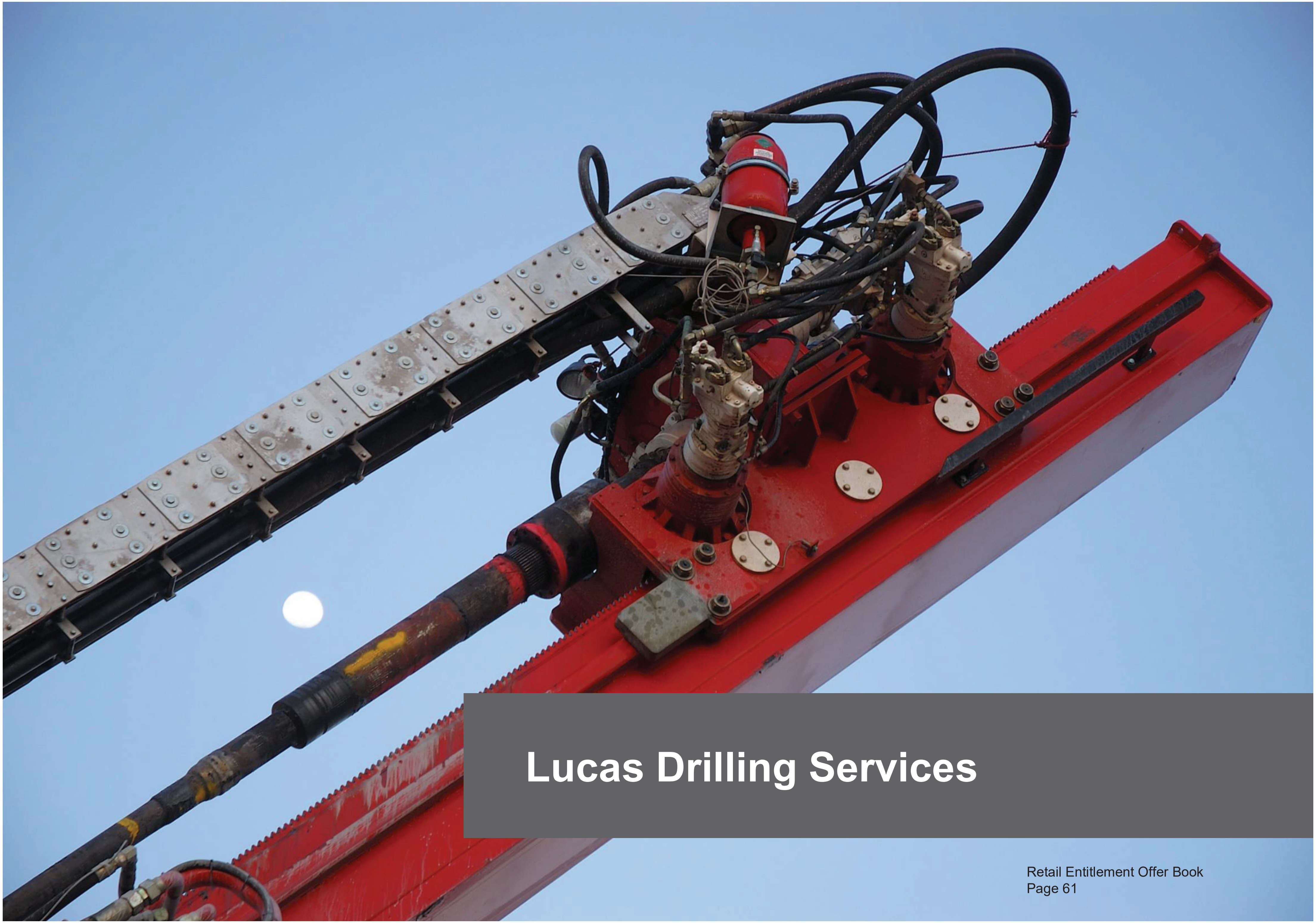

Source: UK Oil and Gas Authority, Cuadrilla management

**Balcombe licence (PEDL 244) farm-out**

- Angus Energy plc (Angus) assumed operatorship of PEDL 244 under a farm-out arrangement agreed in January 2018
- Under the terms of the farm-out, Angus funded and completed a 7-day well test of an existing horizontal well (Balcombe-2z) which flowed at 853 barrels of oil per day (**bopd**) and 1,587 bopd over a short time interval
- Angus believes that continuous oil with a low water ratio can be produced from Balcombe-2Z under normal pumped production conditions
- On 2 October 2019, Angus announced that it had submitted a planning application to West Sussex County Council for an extended well test at the Balcombe site

**East coast Bowland Basin licences**

- Cuadrilla and other operators awarded east coast licences in 2015, which target the same Bowland shale formation as PEDL 165
- Earlier this year IGas completed the first of a two well drilling program at Springs Road in PEDL 140, near Cuadrilla's PEDL 276, using a Cuadrilla-owned rig
- In September 2019, IGas released results of its analysis of 147m of Bowland shale core
    - *"The key characteristics of the Bowland Shale … compare favourably to commercial shale operations observed in North America such as the Permian and Marcellus … The core results indicate a mature, organic rich source rock with good porosity confirming favourable gas resource density."*



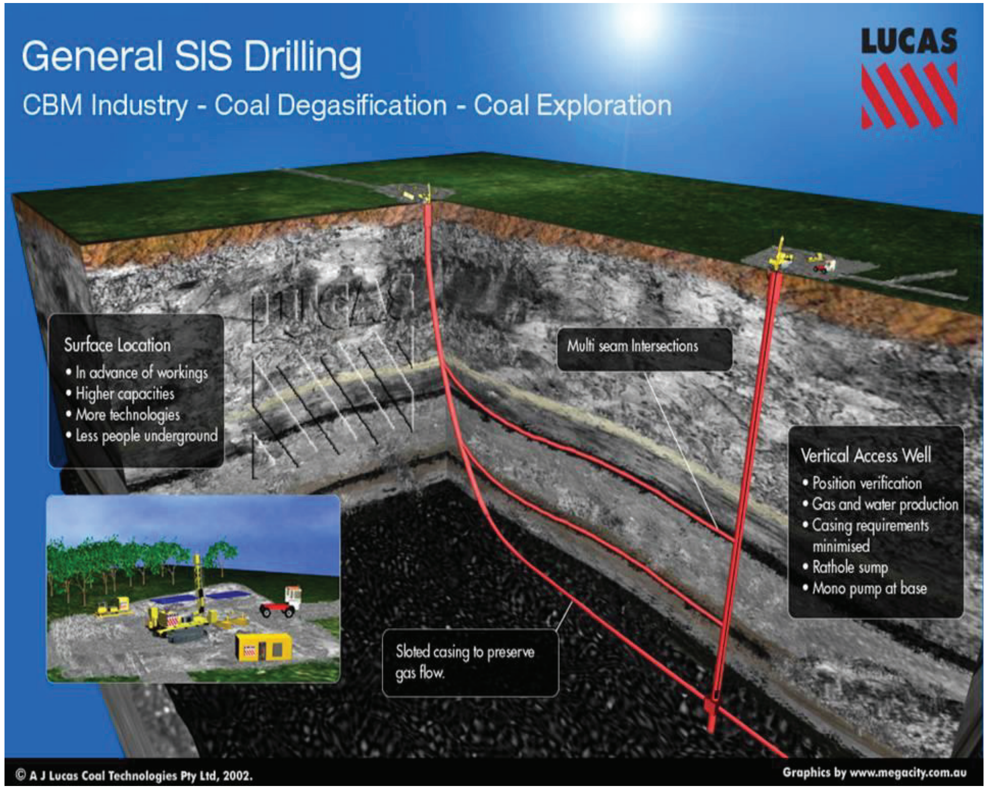
# Lucas Drilling Services

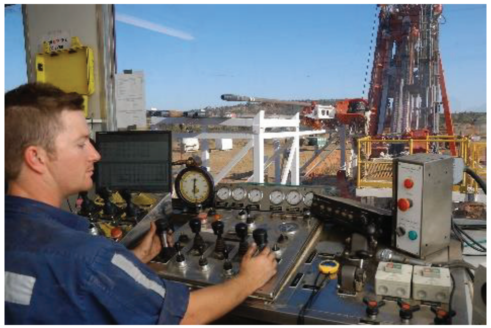
**a. Overview & Performance**

b. Macro Coal Environment

# Lucas Drilling overview

- LDS is a leading integrated provider of drilling services to Australia's coal mining sector, offering a suite of specialised services:
  - **Exploration drilling:** resource delineation through chipping and coring services at brownfield and greenfield sites
  - **Directional drilling:** technical/innovative services providing efficient and flexible lateral (SIS) gas drainage solutions
  - **Large diameter drilling:** drainage of coal mine gas to support long-life underground metallurgical coal mining operations
  - **Other services:** provision of engineering services (well planning, steering, feasibility studies) and well services (installation of well infrastructure and well workovers)
- Primary commodity exposure is metallurgical coal which has strong near and long term fundamentals driven by growing infrastructure spending globally (met. coal is required for steel production), especially in India
- Headquartered in Brisbane, the business has operations in the major coal producing basins of Australia's east coast, including the Bowen basin in Queensland, and the Gunnedah basin and southern coalfields in New South Wales
- Fully integrated operating platform that is difficult to replicate and sets the business apart from competitors
- 39 active drill rigs designed specifically for the coal market, supported by over 350 employees

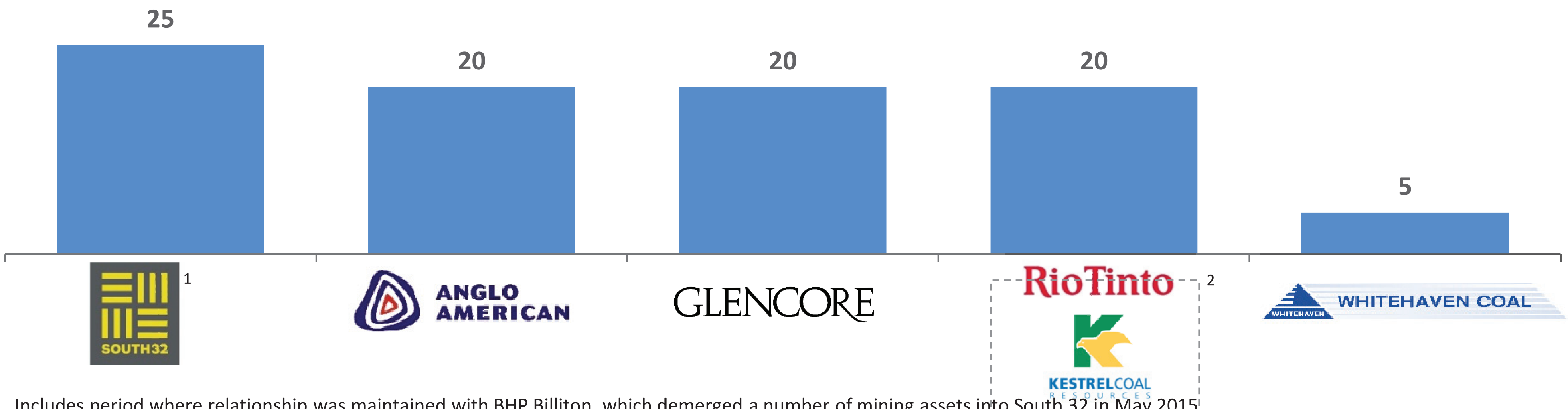


# Long-term blue chip customers

- LDS provides drilling services to some of the world's largest miners and energy companies
- Relationships with certain customers have lasted for 20+ years
- LDS possesses a strong incumbency advantage as its processes, managers and rig operators are well integrated into each mine site, with significant financial and time costs for the customer when changing drilling provider
- As such, LDS is often able to renegotiate existing contracts and avoid formal re-tendering processes
- LDS customers are in low and defensive positions on the cost curve making demand for product from these mines more stable

**Length of relationship (years)**

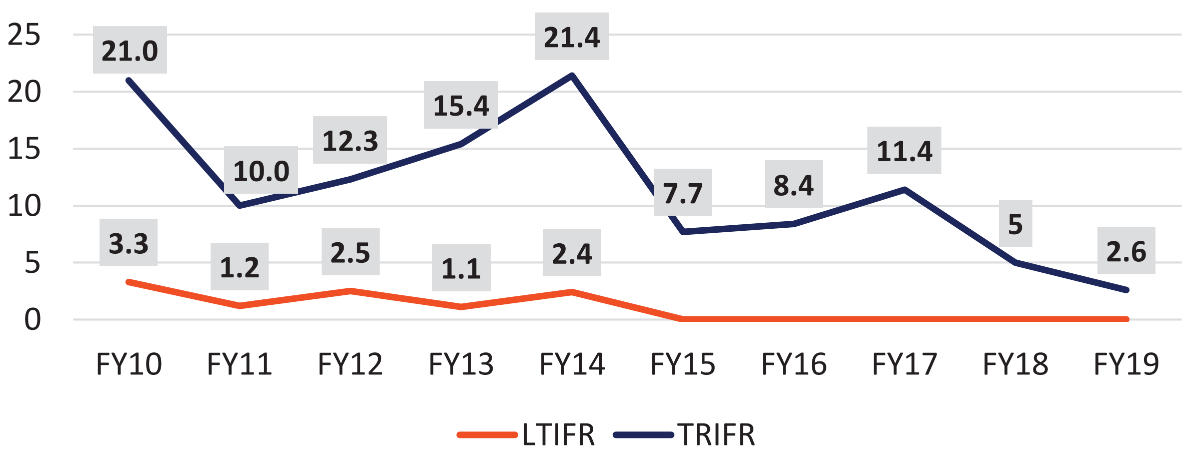



1. Includes period where relationship was maintained with BHP Billiton, which demerged a number of mining assets into South 32 in May 2015
2. AJ Lucas has a 20+ relationship with Rio Tinto, which sold the Kestrel mine to an investing consortium in 2018 – the majority of mine personnel on the mine site have not changed

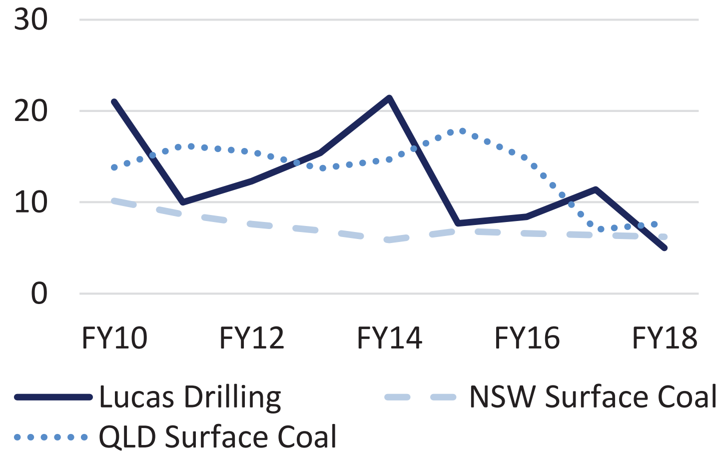
# Exemplary safety record

- Given its prominence in the Australian economy, the coal industry is highly regulated with stringent environmental and safety rules to protect mine workers from accidents, especially those caused by gas combustion
- Mine owners are highly focused on safety, and companies that provide mine degasification services like AJ Lucas are therefore integral to the industry
- LDS has established a strong safety record, supported by comprehensive management systems delivering the highest standards in safety & environmental performance
- LDS ensures operational quality and safety through regularly audited systems certified by professional standards bodies
- Exemplary safety record places LDS in a strong position when tendering with increasingly HSEQ (Health, Safety, Environment & Quality) focused customers

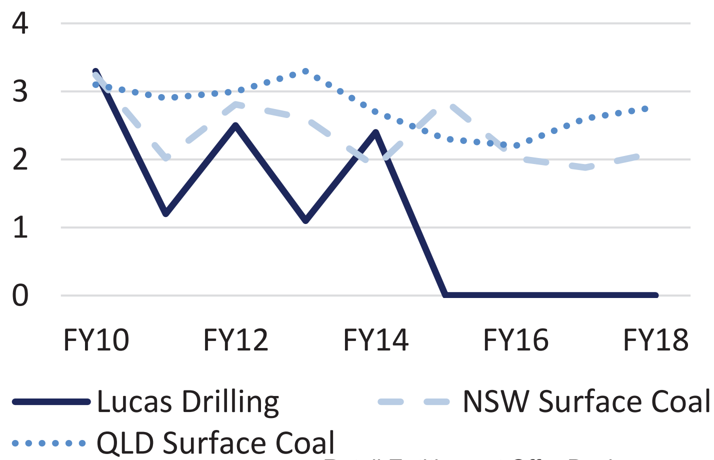
**LDS - Total Recordable Injury Frequency Rate and Lost Time Injury Frequency Rate[1]**




**Total Recordable Injury Frequency Rate Lucas Drilling vs industry peers[2]**




**Lost Time Injury Frequency Rate Lucas Drilling vs industry peers[2]**




1. TRIFR are LTIFR calculated per million hours worked
2. Industry peer data obtained from New South Wales and Queensland regulatory agencies

# Lucas Drilling evolution

| Financials metrics (financial year ended 30 June - $m) | 2014A | 2015A | 2016A | 2017A | 2018A | **2019A** |
|---|---|---|---|---|---|---|
| **Revenue** | 94.2 | 83.5 | 79.6 | 73.4 | 124.7 | **143.4** |
| **Underlying EBITDA** | 10.8 | 6.2 | 11.4 | 2.7 | 19.7 | **24.4** |

**Business evolution**

- LDS emerged from the coal market downturn (2013-2017) as a leaner and more focused organisation with a renewed focus on its three core drilling competencies: exploration, directional & large diameter drilling
- At the same time, the downturn led many of its competitors to cease operations; a significant share of drilling services businesses tendering for work in 2015 were not operating in 2019; many of those remaining have a limited coal footprint and/or only provide exploration drilling services
- LDS is currently the leading drilling services provider performing SIS operations
- LDS is embedded in many of its companies' operations, having been involved in customers' mine planning processes (SIS drilling takes place prior to underground production and thus influences customers' mine plans)

**Financial performance and recent contractual activity**

- FY20 revenue and Underlying EBITDA expected to build on positive FY18 and FY19 results – positive first quarter results
- LDS financials are supported by recent strong contractual activity
- In August 2018, LDS extended its relationship with Anglo American, its largest customer, signing a a 3-year contract (with a 2-year extension option) for SIS and large diameter drilling services
- In August 2019, LDS renewed its multi-services contract with Kestrel Coal Resources, its second largest customer, for 3 years (with a 2-year extension option)
- 5-year exploration contract (with 2-year extension option) signed with an existing customer in December 2018
- Contracts signed with two major mining operators in last six months for lateral gas drainage solutions

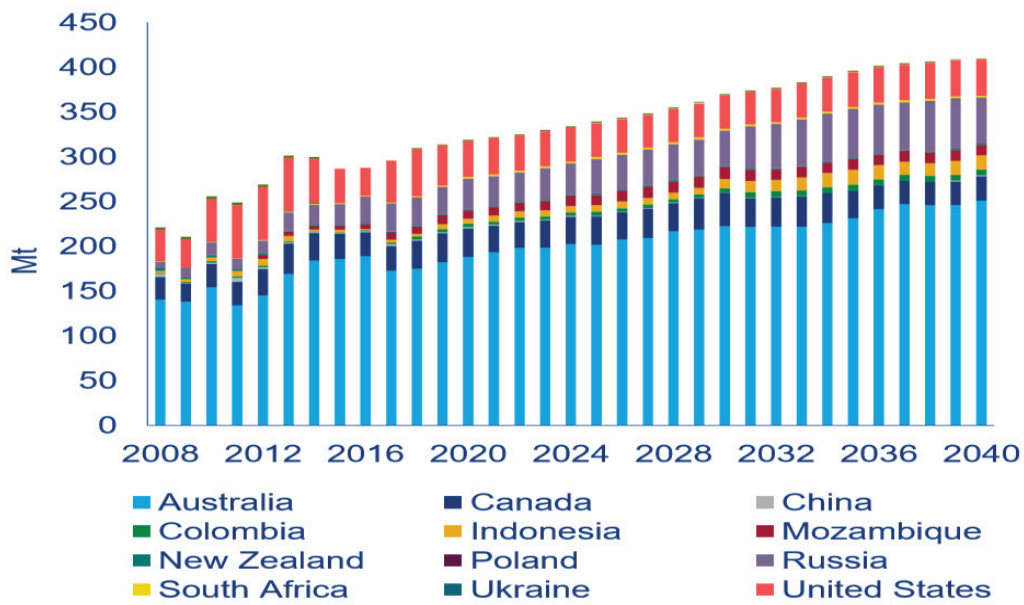
a. Overview & Performance

**b. Macro Coal Environment**

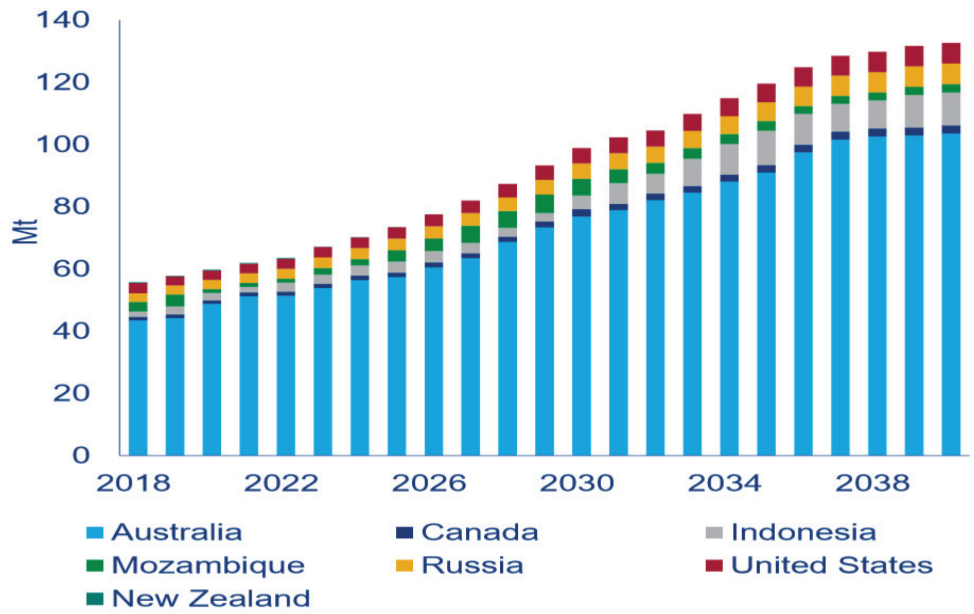
# Strong outlook for Australian met. coal exports

- Australia is the world's largest exporter of metallurgical (met.) coal (~58% market share in 2017) and investment continues to be made in the industry; this underpins growth in demand for the various drilling services that LDS provides
- Australia produces approximately 110Mt of hard coking coal annually, 58% of which was in the lower half of the cost curve in 2018, and is strongly positioned to capture the majority of the 100Mtpa growth in global met. coal demand from 2018 to 2040, largely driven by demand growth from India which requires met. coal for steel and infrastructure needs
- Australian exports are expected to reach 287Mtpa by 2040
- Australia is also expected to meet most of the near term growth in global met. coal demand of 15Mtpa by 2021

**Global met. coal seaborne exports (Mt)**




**Indian met. coal imports (Mt)**

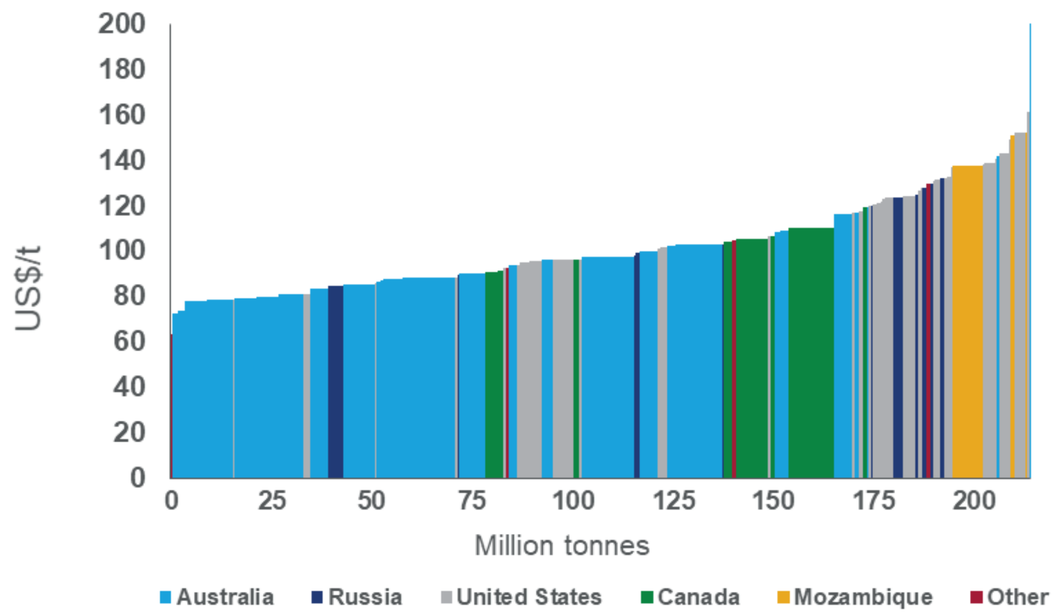



Source: Wood Mackenzie Coal Market Service

# Australian met. coal producers low on cost curve

- LDS provides degasification and exploration services to blue-chip metallurgical (coking) coal operators; these customers are currently incentivised to maintain and expand coal production due to their low cash costs per tonne and robust operating cash margins
- Mine operators are incentivised to produce as long as the price of coal per tonne exceeds variable cost per tonne, i.e. cash cost < price
- Wood Mackenzie near-term forecast of the price of Queensland Hard Coking Coal in US$/tonne (FOB):
  - 2020: $176
  - 2021 $167
  - 2022: $158
- LDS's customers are low on the cash cost curve – all are expected to produce coal at <US$100/tonne for the next several years – making demand for product from these mines more stable

**Global 2019 Hard Coking Coal cash cost curve (US$/t)**




Source: Wood Mackenzie, Dataset May 2019

Source: Wood Mackenzie Coal Market Service

# Key Risks

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# Key risks

**Introduction**

- As with all businesses, there are a number of risk factors, both 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 that may impact an investment in the New Shares.
- Each of the risks described in this section could, if they were to eventuate, have a material impact on AJL's operating and financial performance and on the market price of AJL 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, its Directors and its senior executives.
- Risks have been outlined in four categories:
  - A. UK investments of AJL including Cuadrilla;
  - B. Lucas Drilling Services and the markets in which it operates;
  - C. Other operational, financial and business risks; and
  - D. Risks relating to investing in the New Shares.

# Key risks (continued)

## A. UK investments of AJL including Cuadrilla

| | |
|---|---|
| UK political & regulatory risk | a) AJL has an interest in a number of assets that are located in the United Kingdom. Such assets are subject to changes in UK laws, regulations, practices and policies including those concerning overseas investments.<br>b) In particular, there may be considerable resistance from the public or legislators or both in the UK or in parts of the UK to certain exploration and development activities, particularly drilling and hydraulic fracturing, arising in connection with, for example, environmental sensitivities and concerns about pollution, concerns about the potential effects of fracturing on aquifers and seismic activity, and concerns about the impact of large scale drilling operations on landscapes, which may result in the suspension of activities, increased regulations imposed on the activities and/or a complete ban on certain operations including hydraulic fracturing.<br>c) On 2 November 2019, the UK Government announced a moratorium on hydraulic fracturing and indicated that it would remain in place until new evidence was provided that addressed concerns around the prediction and management of induced seismicity. Cuadrilla will continue to undertake studies, and support the OGA in related parallel studies, to assess the ability of operators to reduce and manage seismicity risk. However, regardless of the outcome of those studies, or any other technological developments, it should not be assumed that the Government will lift the moratorium, in the near term or at any time, and allow hydraulic fracturing operations to re-commence.<br>d) Several of the major political parties in the UK, including the Labour Party and the Liberal Democrats, have expressed their opposition to hydraulic fracturing in principle, and may implement policies to that effect should they be elected to power following the next general election, called for 12 December 2019.<br>e) Exploration for onshore shale gas in the UK is highly regulated and a number of regulatory approvals are required before exploration activities can take place. These include Environment Agency approval regarding groundwater, surface water, air quality and safe storage of waste; planning permission from local authorities who seek views of the local community; Oil and Gas Authority (OGA) approval regarding management of induced seismic activity; and Hydraulic Fracturing Consent from the UK Department of Business, Energy & Industry Strategy (BEIS). While there have been a number of statements made by the current UK Government in support of shale gas exploration, there is no guarantee that the approvals required to undertake future shale gas exploration programs in the UK will be able to be obtained.<br>f) Assuming the exploration and appraisal programmes at the PNR site or elsewhere prove commerciality, additional regulatory approvals will be required to further develop AJL's licences in the Bowland shale on a commercial scale. As there are no existing shale gas development projects in the UK, there is uncertainty as to the processes, timeframe and costs involved in obtaining such regulatory approvals, as well as the form such approvals could take.<br>g) Oil and gas tenements are issued by the UK government for a certain period of time on terms and conditions set out in a licensing agreement. If the tenement holder fails to meet or fulfil the terms and/or conditions under its licence it risks forfeiting the tenement. |

# Key risks (continued)

## A. UK investments of AJL including Cuadrilla (continued)

| | |
|---|---|
| Extent of, and ability to recover unconventional hydrocarbons | a) Cuadrilla's ability to develop its concessions for unconventional hydrocarbons depends upon the presence of significant in-place resources and the ability of Cuadrilla to recover those resources in a commercially viable manner. It is not certain that Cuadrilla will be able to recover hydrocarbons in its concession areas in the quantities or at a cost that makes production commercially feasible.<br>b) There has been, as yet, no commercial production of unconventional hydrocarbons in the UK, whether by Cuadrilla or any other party. The data provided by the initial seismic appraisals, drilling and testing of vertical and horizontal wells (which has not been carried out so as to generate a continuous flow of gas over an extended period of time) including drilling and partial fracturing of the two horizontal wells at PNR, and other exploration activities undertaken to date, are insufficient at this stage to conclusively evaluate the likelihood of commercial recovery of unconventional hydrocarbons.<br>c) There is a risk that unconventional hydrocarbon 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 including existing known and unknown fault structures which may be prone to seismic activity as a result of hydraulic fracturing, reservoir pressure, fracture complexity and conductivity, and other factors specific to the shale formations within Cuadrilla's concession areas.<br>d) 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 are dependent to a significant extent on the specific conditions of each particular reservoir.<br>e) Commercial extraction of hydrocarbons will also depend on installation of infrastructure which will require Cuadrilla to obtain additional regulatory approvals.<br>f) The commercial viability of any particular unconventional reservoir will be largely a function of the prevailing prices for oil and natural gas compared to the costs of extracting hydrocarbons from that reservoir. A higher cost base for a particular reservoir, whether due to its particular geophysical qualities or otherwise (including installation of gathering pipelines and related investments necessary to install any required supply infrastructure) could make profitable extraction from such reservoir impossible.<br>g) 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. |

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# Key risks (continued)

**A. UK investments of AJL including Cuadrilla (continued)**

| | |
|---|---|
| Impact of induced seismicity | Where seismic events induced by hydraulic fracturing operations exceed the 0.5ML threshold prescribed under the current Traffic Light System, Cuadrilla must suspend its operations for 18 hours while it carries out certain activities, such as well flushing and integrity checks. Such activities create time and financial costs, which are contingent in nature and cannot therefore be reliably estimated or predicted. Furthermore, seismic events of a certain strength can produce ground-level vibration and cause damage to buildings and other structures located in the vicinity of the fracturing operations. Following the 2.9ML event on 26 August 2019, Cuadrilla received approximately 100 claims relating to property damage, a number of which may have been spurious and a number of which were dropped on investigation. Residual claims were for superficial damage only, and while it was unclear that the damage was not pre-existing, Cuadrilla took the decision to make nominal ex gratia payments to these claimants. Some local residents have rejected Cuadrilla's offer of payment and have indicated their intention to seek legal recourse for recompense. If, following future hydraulic fracturing, further seismic events were to be felt at ground level, it is possible that Cuadrilla may see further claims sought for damages (whether real or spurious). This may result in additional resources taken to clear such claims, and if any real damages were validated, compensation may be made. While Cuadrilla has third party insurance in place under which it can seek relief to valid claims, it is possible that a claim or claims could exceed limits under these policies. |
| Projections of macroeconomic benefits from shale gas operations | Forecasts and projections of potential economic benefits deriving from a domestic shale gas industry, including those relating to balance of payments, tax revenues, job creation and local & community benefits, are, by their nature, subject to significant uncertainties, risks and assumptions and there is no guarantee that any of these benefits, or any other economic benefits, will eventuate regardless of the scale of shale gas operations. Furthermore, no assumption should be made that the UK Government will review, consider or rely upon any of these forecasts or projections in developing and implementing policies relating to shale gas exploration and development in the UK. |
| Industry sources | Certain reports containing forecasts and projections of potential economic and environmental benefits deriving from shale gas projects in the UK have been produced or commissioned by organisations or entities that have an interest in the development of a UK shale gas industry. Reports produced by UKOOG, in particular, including any figures, estimates, projections and statements contained therein, are intended to promote the UK oil & gas industry. |

# Key risks (continued)

## A. UK investments of AJL including Cuadrilla (continued)

| | |
|---|---|
| Inability to meet exploration licence funding obligations - AJL direct interests | Cuadrilla is the operator of the PEDL 165, and under the joint operating agreements between the owners of the licences Cuadrilla prepares the budget for exploration of these areas which is then approved by the joint operating committee. If AJL fails to make its required contributions to project expenditures in a timely manner, it is exposed to the risk that it may lose its direct interests in these licences by way of the forfeiture provisions under the joint operating agreements that govern the joint ventures. |
| AJL's inability to meet funding obligations - AJL *indirect* interests | Under the Cuadrilla Shareholders Agreement, AJL may be called upon to make further capital contributions to Cuadrilla. If AJL is not able to meet its equity funding obligations in Cuadrilla, it is likely that its ownership in Cuadrilla would be diluted, affecting the value of its shareholding in Cuadrilla. |
| Funding risk – Cuadrilla and Cuadrilla operated licences | In the event that Cuadrilla is unable to raise funding, as required, from its shareholders (AJL, Riverstone and Cuadrilla management) or from the partners in licences that it operates, Cuadrilla may not be able to execute its development plans for its assets (notably, the Bowland licence), either in part or at all, unless funding is obtained through other sources. |
| Centrica farm-out agreement | Under the terms of the June 2013 farm-in agreement with Centrica plc (Centrica) and subsequent amendments to it, Centrica agreed to fund a contingent carry amount of £46.7 million (in addition to an initial carry amount of £60 million which has been fully utilised) to be applied against various appraisal and development activities on the Bowland licence, subject to certain operational milestones being met by Cuadrilla. Under the agreement, Centrica also holds a put option to sell back its equity interest in the Bowland licence to Cuadrilla and AJL for a nominal consideration. In the event that Centrica exercises the put option, the contingent carry amount would be forfeited. |

# Key risks (continued)

## B. Lucas Drilling Services and the markets in which it operates

| | |
|---|---|
| Commercial, financial and operational risks | a) As a business operating in the drilling industry, 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's operations may also have a material adverse effect on AJL.<br>b) AJL is subject to, and seeks to manage, a number of contractual risks which include the following:<br>• AJL enjoys a number of contracts with long-term customers. In FY2019 two major customers accounted for approximately 75% of AJL's gross consolidated revenue. A number of AJL's drilling contracts contain a right for customers to terminate the contract at their convenience by providing notice to AJL. Under such arrangement customers are not required to state a reason for such termination nor are they required to attribute termination to any breach on the part of AJL. If any key customers reduce exploration or production or terminate the relationship, or if potential contracts are not awarded, this may have an adverse effect on the financial performance and/or financial position of AJL;<br>• contracts in the sectors in which AJL operates often contain penalty clauses and contractual disputes can potentially have a material adverse effect on AJL; and<br>• some projects depend on contractual rights to access sites owned or controlled by others and contractual disputes and other incidents affecting such access can cause disruption to AJL's operations. |
| Resources sector risks | AJL's Australian drilling division provides services to customers who extract and transport natural resources for sale, principally coking and thermal coal. 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, changes to competition policy and a large number of other factors outside the control of AJL. A fall in demand for the products of AJL's customers may reduce or delay levels of production, exploration and construction activity which may potentially have a material adverse effect on the levels of work that contractors such as AJL are able to win and may lead to existing contracts being reduced in scope. This may adversely affect the profitability, financial performance and prospects of AJL. |
| Counterparty (client) payment risk | 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. |

# Key risks (continued)

## B. Lucas Drilling Services and the markets in which it operates (continued)

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

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# Key risks (continued)

## B. Lucas Drilling Services and the markets in which it operates (continued)

| | |
|---|---|
| Natural disasters and seasonal weather conditions | Some of the areas in which AJL has operations, particularly its drilling operations in Queensland, may be adversely affected by seasonal weather conditions. AJL is seeking to incorporate, and in some cases has incorporated wet weather standby payments to mitigate risks associated with wet weather events, thereby underpinning the revenue stream. The impact (directly or indirectly) of events beyond AJL's control may adversely impact AJL's operational and financial performance. |
| Availability of skilled employees, equipment and resources | AJL operates in sectors which are technically demanding and utilises a range of specialised equipment. To operate effectively, the business needs to continue to source and commission new equipment as well as recruit, train and retain skilled employees to operate the specialised equipment. The availability or supply of skilled personnel and the necessary equipment can be relevant to AJL's future financial performance and growth. The drilling industry in which AJL operates is capital intensive. The operating and financial performance of that division is partly reliant on adequate capital investment. AJL's capital expenditure requirements may impact the cash flow available to service financing obligations and pay dividends. Incurred capital expenditure may or may not deliver the expected operational benefits and may have a material adverse effect on AJL. |
| Reputation and goodwill | There is significant goodwill vested in the company which may be adversely affected in a number of circumstances, including major breaches of workplace safety, litigation or accidents. Where such circumstances become known in its markets, there is a risk that AJL's goodwill may be damaged, including goodwill arising from AJL's reputation as a reliable and safe service provider. In addition, as with any listed company, AJL's share price may be affected by market sentiment. |
| Labour disputes | If any material disputes were to arise between AJL and its employees or sub-contractors, there would be potential for disruption to the operations of AJL. Any disruption may increase labour costs and availability and adversely impact revenue and profitability. |
| Occupational health and safety | AJL's operations are subject to a wide variety of stringent and complex laws, regulations and permit requirements, many of which relate to the protection of human health, safety and the environment. The laws and regulations exist at the local, state, national and supranational levels. AJL manages risks associated with the occupational health and safety of its employees, sub-contractors and others. It is possible for incidents resulting in injuries to occur which may result in expenses which are not covered by insurance or which are in excess of the amount insured or provided for, with a resultant impact on AJL's earnings. |

# Key risks (continued)

## C. Other operational, financial and business risks

| | |
|---|---|
| Debt facilities | a) The terms of the AJL's borrowing facilities include a number of events of default, including non-payment of any amount due under the facility and breach of financial covenants, which, if triggered, could require AJL to cure the event of default. If no cure is undertaken by AJL, AJL could be required to repay the outstanding commitments under the facility on demand from the lenders.<br>b) If AJL is unable to repay or refinance its debt facilities upon maturity or in the event of a breach of covenant, AJL may have to seek further equity, dispose of assets or enter into new debt facilities on less favourable terms. These factors could materially adversely affect AJL's ability to operate its business and to fund capital expenditure and could materially adversely affect the financial performance of AJL. In such circumstances there is no guarantee that AJL will be able to refinance AJL's debt or obtain terms consistent with its current debt facilities. |
| Additional funding requirements and financing risk | a) The Company's ability to service its debt will continue to depend on its future performance, which may be affected by many factors, some of which may be beyond AJL's control and that of the Directors. Any inability of AJL to service its debt may have a material adverse effect on AJL.<br>b) The inability to obtain additional finance from capital markets, if required, could have a material adverse effect on AJL's operations and its financial condition and performance. |
| Environmental | a) Environmental laws and regulations in Australia and abroad can affect the operations of businesses, including AJL and entities in which it has an interest. These regulations provide penalties and 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 and resources 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 and customers or as clean up costs.<br>b) Private entities, including the owners of properties upon which AJL's wells (or the operations of an entity in which AJL has an interest) are drilled and facilities where AJL's waste materials are taken for reclamation or disposal, may 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, and financial condition. |
| 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 and the Bowland licence joint venture which are expressed in both USD and GBP. In addition, its subordinated debt facility is denominated in USD. Any adverse exchange rate fluctuations or volatility in such foreign currencies could have an adverse effect on AJL's commitment to fund its financial obligations to Cuadrilla and the Bowland joint venture and/or repay its debt which could adversely impact its future financial performance and position. |

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# Key risks (continued)

## C. Other operational, financial and business risks (continued)

| | |
|---|---|
| Reliance on Key Personnel | Like other companies, AJL's performance is dependent on the ability of its senior executives and key personnel to manage and grow its business and respond to customers' needs. The loss of the services of its senior executives or key personnel, or a loss of the ability to continue to attract and retain qualified and competent employees, could have a material adverse effect on AJL's operations and financial results. Continuity and retention of staff is important for customer retention and ongoing customer negotiations. A change of staff or resourcing issues could affect ongoing relationships with various parties connected to AJL. |
| 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. |
| Carrying value of investments in Cuadrilla and UK licences | AJ Lucas's indirect investments are held through the Group's interest in its equity accounted investee, Cuadrilla, and its direct investments in UK licences are held through the Group's explorations assets. AJ Lucas has an accounting and impairment policy of reviewing non-financial assets at a minimum at each balance date (half year and full year) to determine whether there is any indication of impairment and if any such indication exists, the estimate of the asset's recoverable amount. These reviews are undertaken using the relevant accounting standards, applying AASB 128 Investments in Associates and Joint Ventures, AASB6 Exploration for and Evaluation of Mineral Resources and AASB 136 Impairment of Assets for the respective assets. The next review will be finalised as part of the 31 December 2019 half year financial close. |

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# Key risks (continued)

## D. Risks relating to investing in the New 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 either the New Shares, AJL or any return on an investment in AJL. |
| Liquidity | a) There can be no guarantee that an active market in AJL's shares on ASX will exist at all times. There may be relatively few or many potential buyers or sellers of AJL's 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 New Shares.<br>b) Liquidity in AJL shares has typically been low and there can be no assurance that liquidity will improve. |
| Future issue of securities of AJL | It is possible that AJL may require further financing in addition to the amounts raised under the Offer. Any additional equity financing may dilute shareholdings, and any debt financing, if available, may involve restrictions on financing and operating activities. Any inability to obtain additional finance, if required, could have a material adverse effect on AJL's operations and its financial condition and performance. |
| Dilution risk | Investors who do not participate in the Offer, or who 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

# Selling restrictions

**International Offer Restrictions**

This document does not constitute an offer of New Shares 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.

**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.

# Selling restrictions (cont.)

**New Zealand**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

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

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

**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) an "accredited investor" (as defined in 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.

# Selling restrictions (cont.)

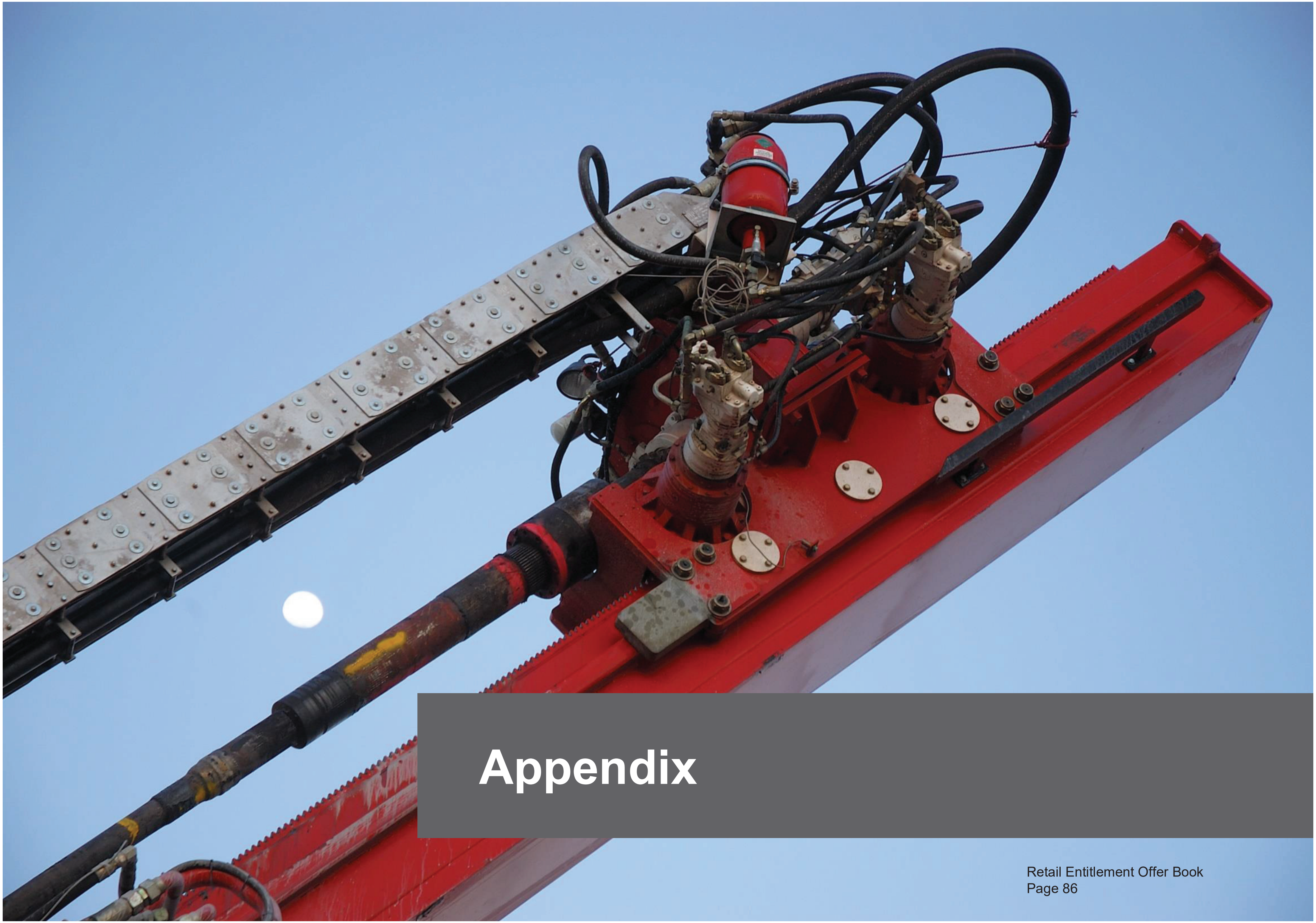
**United Kingdom**

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.



# Appendix

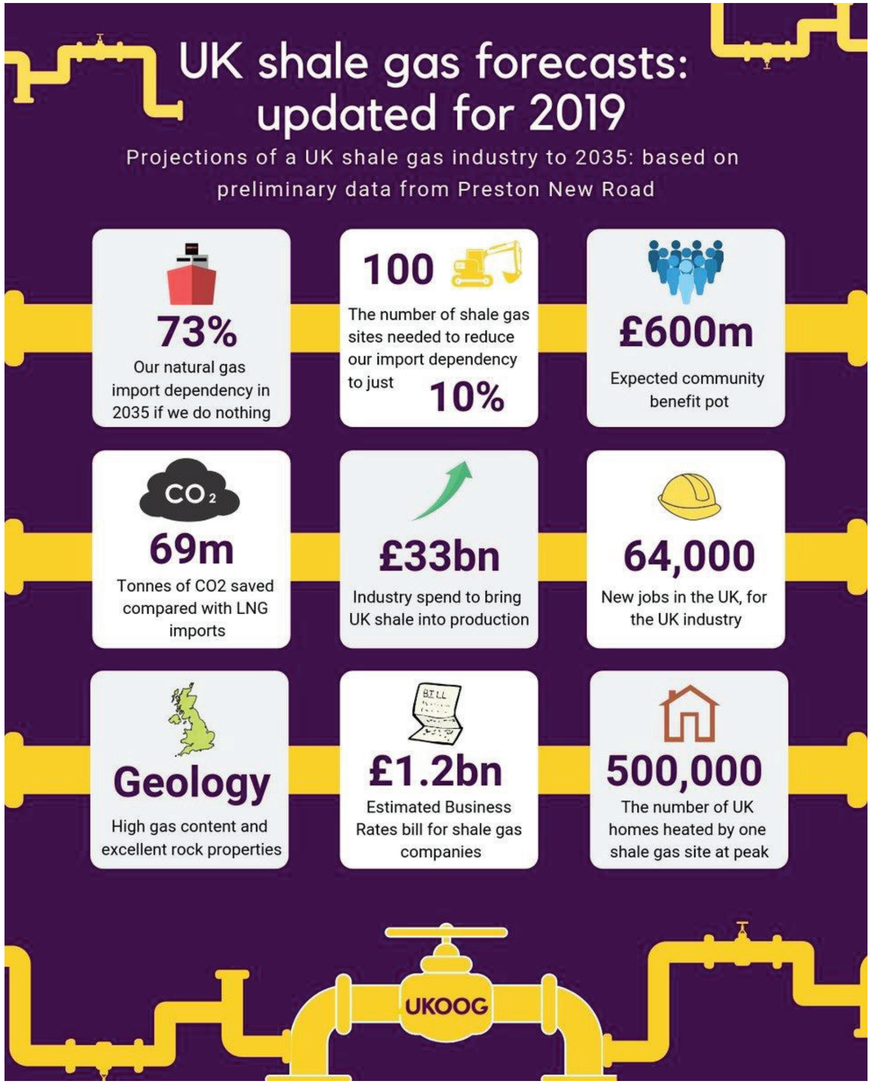
# 1. AJ Lucas direct and indirect licence interests

| Licence | Sq. km | Cuadrilla interest | AJL interest | Other licence holder interests | | Cuadrilla net licence area (sq. km) | AJL effective licence area (sq. km) |
|---|---|---|---|---|---|---|---|
| **Bowland - Lancashire region** | | | | | | | |
| PEDL 165 | 1,065 | 51.25% | 23.75% | Spirit Energy | 25% | 546 | 513 |
| EXL 269 | 55 | 53.5% | 23.75% | Spirit Energy | 22.75% | 29 | 27 |
| **Bowland - Yorkshire region** | | | | | | | |
| PEDL 276 | 192 | 100% | - | | | 192 | 92 |
| PEDL 287 | 200 | 70% | - | INEOS | 30% | 140 | 67 |
| PEDL 288 | 200 | 70% | - | INEOS | 30% | 140 | 67 |
| PEDL 290 | 88 | 100% | - | | | 88 | 42 |
| PEDL 333 | 152 | 100% | - | | | 152 | 73 |
| PEDL 342 | 100 | 70% | - | INEOS | 30% | 70 | 33 |
| PEDL 346 | 185 | 70% | - | INEOS | 30% | 130 | 62 |
| PEDL 347 | 156 | 100% | - | | | 156 | 74 |
| **Total Bowland** | **2,391** | | | | | **1643** | **1050** |
| **South of England** | | | | | | | |
| PEDL 244 | 154 | 56.25% | 18.75% | Angus Energy | 25% | 87 | 70 |
| EXL 189 | 45 | 96% | - | Altwood Petroleum | 4% | 43 | 21 |
| **Total non-Bowland** | **199** | | | | | **130** | **91** |
| **Total licences** | **2,590** | | | | | **1,773** | **1,140** |

Note: Total AJL effective licence area of 1,140 sq. km includes 295 sq. km attributable to AJL direct stakes in PEDL 165, EXL 269 and PEDL 244; remaining 846 sq. km attributable to AJL's 47.7% holding in Cuadrilla

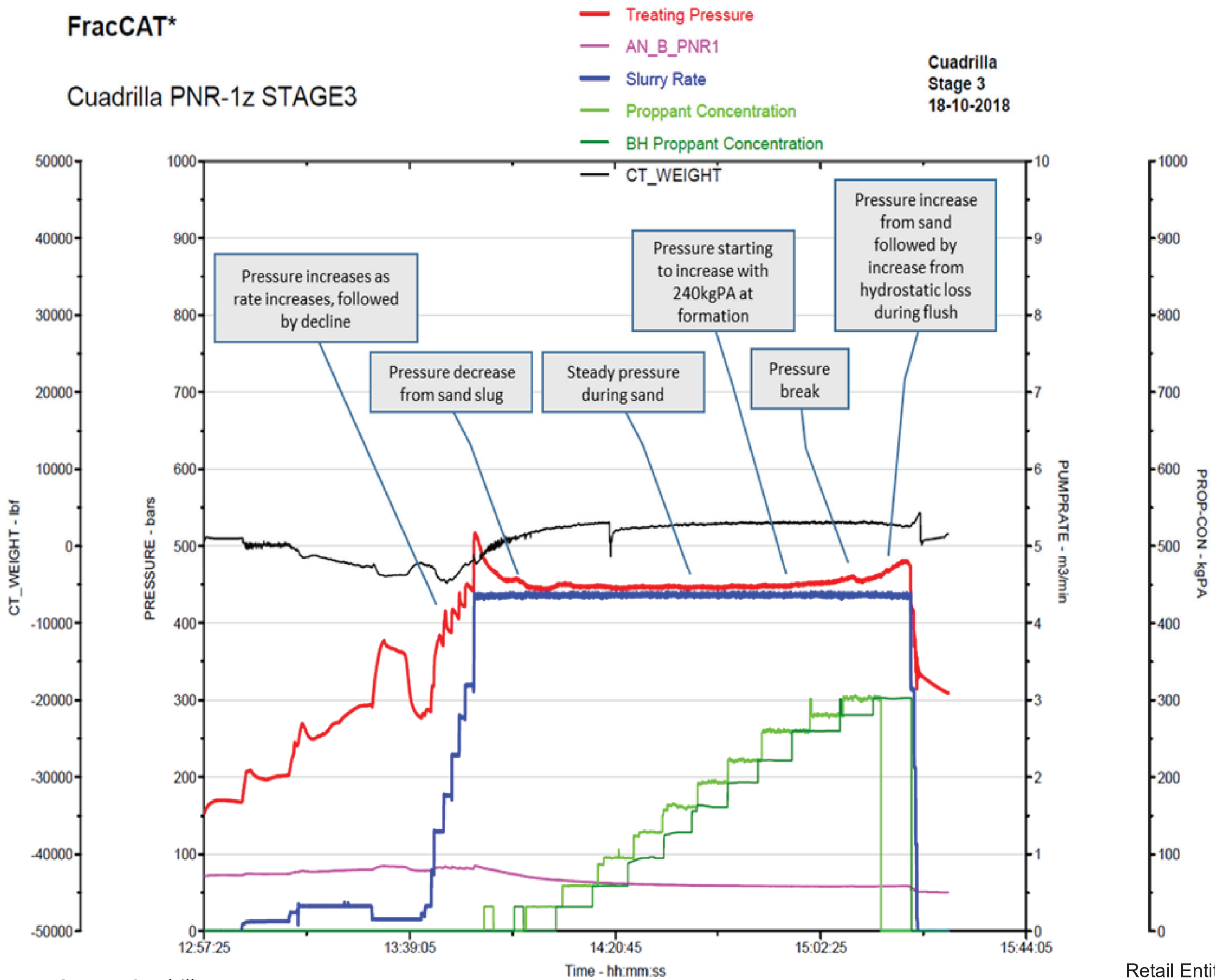
Source: OGA

# 2. Benefits of UK shale gas - economic



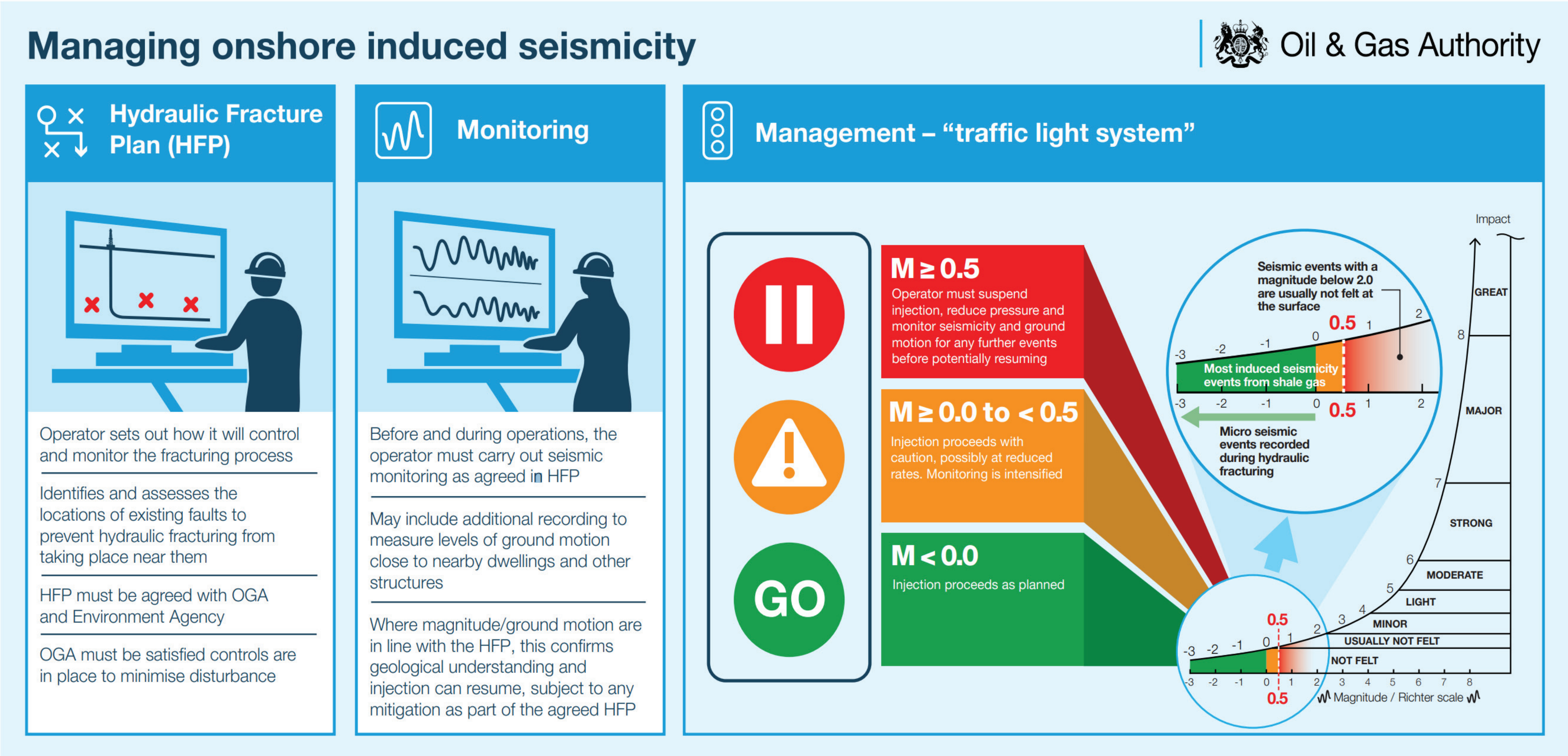

Source: UKOOG

# 3. Depiction of successful fracturing of Sleeve 3




Source: Cuadrilla management

# 4. Traffic Light System




Source: OGA

## 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 Thursday, 14 November 2019 (other than the ASX Announcements dated Thursday, 7 November 2019 and Monday, 11 November and the AJL Investor Presentation published on the ASX website on Thursday, 7 November). 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 date of this Retail Offer Booklet 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 Monday, 11 November 2019;
- 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 Thursday, 7 November 2019 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.

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 up of Entitlements

Where fractions arise in the calculation of Entitlements, they have been rounded up 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 Friday, 13 December 2019.

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 Thursday, 5 December 2019.

### 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 Friday, 13 December 2019.

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 Offer Management Agreement

AJL has entered into an agreement (**Offer Management Agreement**) under which the Lead Manager has agreed to act as manager of the Entitlement Offer.

As is customary with these types of arrangements:

- AJL has agreed, subject to certain exclusions relating to, among other things, wilful default, misconduct, fraud, negligence or breach of contract of an indemnified party, to indemnify the Lead Manager and each of its officers, employees, agents and advisers against any losses they may suffer or incur in connection with the Entitlement Offer;
- AJL and the Lead Manager have given certain representations, warranties and undertakings in connection with (among other things) the Entitlement Offer; and

- The Lead Manager may, in certain circumstances, terminate the Offer Management Agreement and be released from its obligations under it on the happening of certain events including (but not limited to) if:
  - any offer document (including this Offer Booklet and all ASX announcements made in connection with the Entitlement Offer) omit certain material required by the Corporations Act, contain a statement which is misleading or deceptive, or the cleansing notice lodged by AJ Lucas in respect of the Entitlement Offer is “defective” within the meaning of the Corporations Act;
  - a condition precedent is not satisfied or waived by the Lead Manager by its applicable deadline;
  - the Company ceases to be admitted to the official list of ASX or its Shares will be suspended from trading on, or cease to be quoted on ASX;
  - the Company withdraws the Entitlement Offer;
  - a regulatory body takes certain regulatory action in respect of AJ Lucas or the Entitlement Offer;
  - there is a change (or a change is announced) in the chief financial officer or chairman of AJ Lucas, other than one which has already been disclosed to ASX or in any Public Information or disclosed to the Lead Manager before the date of the Offer Management Agreement;
  - a director or the chief financial officer is charged with an indictable offence or fraudulent conduct or any director of AJ Lucas is disqualified under the Corporations Act from managing a corporation;
  - there are certain delays in the timetable for the Entitlement Offer without the Lead Manager’s consent;
  - the Takeovers Panel makes a declaration that circumstances in relation to the affairs of AJ Lucas are unacceptable circumstances under Pt 6.10 of the Corporations Act;
  - there is a material disruption in political or financial or economic conditions in certain key markets, or hostilities not presently existing commence or a major terrorist act is perpetrated on certain key countries;
  - any legal, arbitration, administrative or industrial proceedings are commenced against any AJ Lucas group member (or their directors in that capacity), or any regulatory body commences any enquiry or public action against an AJ Lucas group member;
  - a certificate which is required to be furnished by the Company under the Offer Management Agreement is not furnished when required or a statement in that certificate is untrue, incorrect or misleading or deceptive in any material respect (including by omission);
  - the Company is in breach of any term, condition, undertaking, representation, warranty or agreement of the Offer Management Agreement the effect of which is material in the context of the AJ Lucas group and the business operated by the AJ Lucas group (taken as a whole); or
  - any information supplied at any time by the Company or any person on its behalf to the Lead Manager in respect of any aspect of the Entitlement Offer, the issue of the New Shares or the affairs of any AJ Lucas group member is or becomes misleading or deceptive or likely to mislead or deceive.

- The ability for the Lead Manager to terminate the Offer Management Agreement in respect of some events above will depend on whether the event has or is likely to have a materially adverse effect on the success of the Entitlement Offer, settlement of the Entitlement Offer, or the value of New Shares.

The Lead Manager will receive a fee for its services in managing the Offer and will be reimbursed for certain expenses.

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 Shortfall

The Board of AJL reserves the right, subject to the requirements of the Corporations Act and ASX Listing Rules, to place any unsubscribed New Shares (after Additional New Shares are taken up) within 3 months of the conclusion of the Offer at no less than the Offer Price.

The allocation policy relating to the placement of, and identity of the allottees of, any unsubscribed New Shares will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

(a) the methods of raising funds that are available to AJL

(b) the effect of the issue on the control of AJL;

(c) the financial situation and solvency of AJL; and

(d) advice from corporate, financial and broking advisers (if applicable).

The allottees of any unsubscribed New Shares have not been determined as at the date of this Retail Offer Booklet but may include existing Shareholders and/or new investors, and who are not related parties or associates of a related party of AJL.

### 5.17 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.

### 5.18 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.

### 5.19 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.

### 5.20 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:

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 Friday, 13 December 2019

**AJL Share Registry**

Computershare Investor Services Pty Limited
GPO Box 1903
Adelaide
SA 5001 Australia

www-au.computershare.com

**LUCAS**

## 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 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) Wednesday 27 November 2019

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 19 New Share for every 20 Existing Shares you hold on the Record Date, at an Offer Price of A$0.065 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 14 November 2019 (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 300% 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 Thursday, 14 November 2019 and closes at 5pm (Sydney time) on Wednesday 27 November 2019. Retail shareholders who take up their entitlements have the opportunity, under an over-allocation facility, to apply for Additional New Shares up to 300% of their Entitlement under the Entitlement Offer, 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 6,000 shares, being up to 8,000 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 Shareholders who do not take up their full Entitlement and as set out in the Retail Offer Booket.

***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) Wednesday 27 November 2019

# Entitlement and Acceptance Form

## 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 Monday, 11 November 2019:

Entitlement to New Shares on a 19 for 20 basis:

Amount payable on full acceptance at $0.065 per New Share:

## STEP 2 Make Your Payment

B PAY

Biller Code: 305904
Ref No:

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

### 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 505 Melbourne Victoria 3001 Australia**

**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) Wednesday 27 November 2019. 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) Wednesday 27 November 2019. 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.



Detach here

## AJ Lucas Group Limited Acceptance Payment Details

Entitlement taken up:

Number of Additional New Shares applied for (up to 300% of your Entitlement):

Amount enclosed at $0.065 per New Share / Additional New Share: A$ .

Entitlement No:

**Payment must be received by 5:00pm (Sydney time) Wednesday 27 November 2019**

## Contact Details

**Contact Name** ____________________ **Daytime Telephone** ____________________

## Cheque Details

| Drawer | Cheque Number | BSB Number | Account Number | Amount of Cheque |
|---|---|---|---|---|
| | | | | A$ |