



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

19 October 2009

Dear Shareholder,

ANNUAL GENERAL MEETING – 27 NOVEMBER 2009 AT 11:00AM

It is my pleasure to invite you to attend the 2009 Annual General Meeting.

Please find enclosed the following:

- Notice of Meeting (including the Explanatory Statement);
- Proxy Form;
- 2009 Annual Review (with the 2009 Financial Report on CD-ROM)
and, for those shareholders who have specifically requested it,
- 2009 Financial Report

A copy of both the 2009 Annual Review and the 2009 Financial Report are also available on the company's website (www.lucas.com.au).

Meeting Details

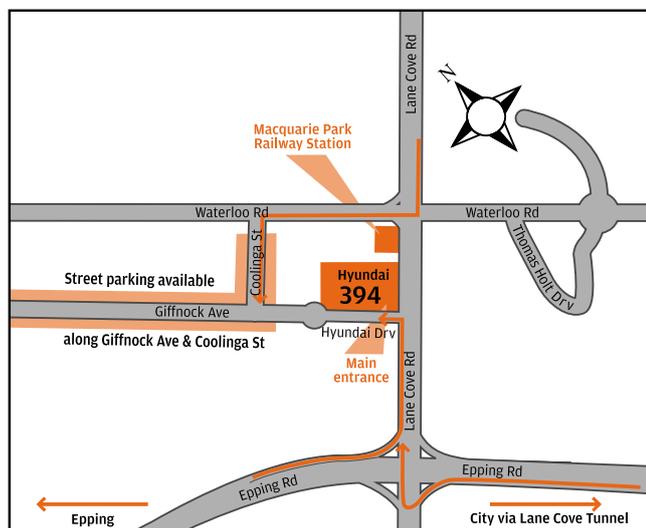
The Annual General meeting is being held at the Company's offices at Hyundai Building, 394 Lane Cove Road, Macquarie Park, New South Wales on Friday 27 November 2009 at 11:00am. Registration will occur from 10:00am in the ground floor lobby. The map below shows the location of the office. Meter parking is available adjacent to the building. There is also a train station (Macquarie Park) located approximately 50 metres from the office.

We look forward to seeing you at the meeting.

Yours sincerely,

NJW Swan

**COMPANY SECRETARY
AJ LUCAS GROUP LIMITED**



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NOTICE OF ANNUAL GENERAL MEETING AJ LUCAS GROUP LIMITED

ABN 12 060 309 104

The Annual General Meeting of the Company will be held at the Company's offices

Date: **Friday 27 November 2009**
Time: **11:00am**
Address: **Hyundai Building
394 Lane Cove Road
Macquarie Park NSW 2113**

to conduct the following business.

GENERAL BUSINESS

Financial statements and reports

To receive and consider the annual financial report of the Company for the year ended 30 June 2009 and the reports of the directors and auditor thereon.

Resolution 1 - Re-election of director

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That Andrew Lukas, having retired by rotation in accordance with clause 10.2 of the Company's constitution and, being eligible, having offered himself for re-election, be re-elected a director of the Company."

Resolution 2 - Adoption of the remuneration report

To adopt the remuneration report for the financial year ended 30 June 2009.

Resolution 3 - Authorisation of a share buy-back program

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That for the purpose of section 257C of the Corporations Act 2001 and all other purposes, the Company be authorised to buy-back up to 20% of the Company's shares during the 12 months from the date of the Annual General Meeting on the terms detailed in the Explanatory Statement which accompanies this notice."

By Order of the Board

Nicholas Swan

Company Secretary
19 October 2009

DETERMINATION OF MEMBERSHIP AND VOTING ENTITLEMENT FOR THE PURPOSE OF THE MEETING

For the purpose of determining entitlement to vote at the meeting, an entity or person will be recognised as a shareholder if that entity or person is registered as a shareholder at close of business on 25th November 2009 ("Entitlement Time").

All registered holders of ordinary shares in the Company as at the Entitlement Time are entitled to attend and vote at the meeting.

The Board determined that all of the shares that are quoted securities at close of business on 25 November 2009 will be taken, for the purposes of the meeting, to be held by the persons who held them at that time.

PROXIES

- 1 A member, entitled to attend and vote at the meeting of members may appoint:
 - a person ("person" can be an individual or a body corporate); or
 - if the member is entitled to cast two or more votes at the meeting, two persons,as the member's proxy or proxies to attend and vote for the member at the meeting. A proxy need not be a member.
- 2 If the member appoints two proxies and the instrument does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.
- 3 The Company must receive at least 48 hours before the meeting:
 - the proxy's appointment; and
 - if signed by the appointor's attorney, the authority under which the appointment was signed or a certified copy of the authority.
- 4 The proxy's appointment and, if applicable, the authority appointing an attorney, must be sent by post or fax to the Company's registered office.

ACCOMPANYING DOCUMENT - IMPORTANT

The attached Explanatory Statement provides further information in relation to the resolutions. Shareholders should read the Explanatory Statement in full and carefully consider its contents.



AJ LUCAS GROUP LIMITED

(ABN 12 060 309 104)

Explanatory Statement

This Explanatory Statement forms part of the Notice convening the Annual General Meeting of shareholders of the Company to be held on 27 November 2009 and is to assist shareholders in understanding the background to the resolutions.

Resolution 1 – Re-election of Mr Andrew Lukas as a director

Mr Lukas has served the Company for nearly 35 years having joined the business, founded by his father, in 1975 as a project manager eventually becoming managing director in 1988.

A civil engineer, he is renowned throughout the pipeline industry for his vision and technical expertise. He pioneered the development of horizontal directional drilling in Australia and has been instrumental in the application of this drilling technique in the commercialisation of the coal seam gas industry.

He is a past president of the Australian Pipeline Industry Association (APIA) and a director and past president of the International Pipeline and Offshore Contractors Association (IPLOCA).

Resolution 3 – Approval of share buy-back

1. OVERVIEW

The AJ Lucas Board seeks approval from shareholders to enable the Company to buy-back up to 20% of its outstanding shares (Buy-Back Resolution) thus providing it with flexibility, under the appropriate circumstances, to undertake capital management in the form of a buy-back.

As at June 2009, AJ Lucas had \$96.3 million of cash on its balance sheet, primarily as a result of the sale in December 2008 of AJ Lucas' interests in PEL 285, the Gloucester Basin gas project for total consideration of \$259 million. At the time of the sale, AJ Lucas indicated its intention to return a portion of the cash proceeds to shareholders. Since January 2009, the Company has bought back 3.06 million shares under its on-market buy-back program for a total consideration of \$8.4 million. The Company decided not to return a larger amount of capital over this period due to uncertainty in global economic conditions and in consideration of investment opportunities.

The Board continues to evaluate investment opportunities, but will only proceed with such opportunities if the investments meet AJ Lucas' investment criteria. In the event that AJ Lucas does not commit funds to new investments, it proposes to increase the size of its capital management program.

Capital management options available to AJ Lucas include, but are not limited to, on-market buy-backs, off-market buybacks, special dividends, or various combinations thereof. No decision has been reached on any such initiative, and any decision will be subject to market conditions and other relevant factors at the time.

Absent shareholder approval, if the Board decided to undertake a buy-back, the size would be constrained by the buy-back limit of 10% of shares within a twelve month period. The 3.06 million shares bought back since January (4.7% of shares currently outstanding) are included in this limit. The Board believes having the capacity to buy-back up to 20% of its outstanding shares over the following twelve months provides it with the appropriate flexibility to undertake meaningful capital management if the opportunity arises. 20% of the Company's outstanding shares as at the date of this Explanatory Statement is 12,989,175 shares.

Approval of the Buy-Back Resolution will constitute an authorisation only and will not oblige AJ Lucas to undertake a buy-back or any other form of capital management.

The Company has set out in this Explanatory Statement all information known to the Company that is material on the decision on how to vote on the Buy-Back Resolution set out in the Notice of Meeting. However, the Company is not required to disclose information where it would be unreasonable to require disclosure because it had previously been disclosed to its shareholders.

In addition to this Explanatory Statement, further information regarding the Company can be obtained from the Company's website at www.lucas.com.au.

2. DETAILS OF BUY-BACK PROGRAM

2.1. Potential buy-back size

As at 16 October 2009 (the last practicable day prior to the publication of this Explanatory Statement), AJ Lucas had 64,945,877 shares on issue.

The Buy-Back Resolution, if passed, authorises the Company to buy-back up to 12,989,175 shares during the 12 month period after the Buy-Back Resolution is passed.

Even if the Buy-Back Resolution is passed, the Company may, in its absolute discretion, determine not to proceed with a buy-back. The Company may also decide to buy back less than 20% of its shares.

2.2. Potential advantages of a buy-back

Reasons that AJ Lucas may undertake a buy-back over other forms of capital management include:

- voluntary participation - eligible shareholders would have the choice of participating or retaining their investment in AJ Lucas;
- improved earnings per share and return on equity for investors who continue to hold shares in AJ Lucas;
- potentially reduces the number of shareholders, thus providing AJ Lucas with a more efficient share register;
- if on-market - provides market liquidity enabling shareholders to reduce their shareholding;
- if off-market - provides a sale mechanism for shareholders, which, depending on their tax status, may deliver a better after-tax return than selling shares on ASX.

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2.3. Potential disadvantages of a buy-back

The directors do not believe that a buy-back would pose any significant disadvantages to the Company. However in making their decision whether to approve the Buy-Back Resolution, shareholders should consider the following factors:

- a buy-back would result in a reduction in AJ Lucas' cash reserves. However, as noted above, AJ Lucas only intends to increase the size of its capital management program in the event that it decides not to commit funds to new investments;
- if the buy-back is an off market buy-back program, AJ Lucas will incur some expenses relating to printing, mailing and registry costs.

2.4. Reasons for the Buy-Back Resolution

Under the Corporations Act 2001, AJ Lucas may, without shareholder approval, buy back any number of shares under an equal access scheme, provided that the number of voting shares bought back in the buy-back and in any other buy-back conducted in the last 12 months, does not exceed 10% of the smallest number of votes attaching to AJ Lucas' voting shares, at any time during the 12 months preceding the buy-back activity.

To the extent that AJ Lucas commits to capital management, it is possible that the amount of any capital returned or distributed to shareholders could exceed the value of 10% of outstanding shares. The Board therefore wishes to have the flexibility to buy-back up to 20% of its shares, which requires shareholder approval by way of an ordinary resolution.

It is possible that AJ Lucas will undertake capital management initiatives on a smaller scale, including undertaking no capital management at all, or that AJ Lucas would use special dividends or other forms of capital management if they were considered to be more effective at the time.

2.5. Timing

If the Buy-Back Resolution is successfully passed, AJ Lucas has a 12 month period in which to undertake the buy-back.

2.6. Price range

To the extent shares are bought back on market, the price at which shares are bought back will be the ASX traded price, and would not exceed a level 5% above the average closing price over the prior 5 days trading in accordance with ASX Listing Rule 7.33. To the extent shares are bought off-market, pricing would not exceed the 5 day VWAP prior to the tender closing date. The buy-back price could potentially be at a discount to this level, depending upon participation levels.

2.7. Recent share price performance

AJ Lucas' highest and lowest market sale prices and Volume Weighted Average Price (VWAP) in the months preceding the date of this Explanatory Statement were as follows:

Period	Low	High	VWAP
April 2009	\$2.54	\$3.05	\$2.81
May 2009	\$2.03	\$2.88	\$2.44
June 2009	\$2.31	\$3.40	\$2.78
July 2009	\$2.95	\$3.83	\$3.42
August 2009	\$3.20	\$4.45	\$3.63
September 2009	\$3.89	\$5.60	\$4.74
October 2009 ¹	\$4.54	\$5.08	\$4.81

(1) October 2009 figures represent month to date figures as at 15 October 2009.

3. IMPACT OF A BUY-BACK

3.1. The effect of a buyback on AJ Lucas' balance sheet

Any form of capital management would be funded from AJ Lucas' cash balances, which totalled \$96.3m at 30 June 2009. The effect of a buy-back, or other form of capital management, will be to reduce the total equity on AJ Lucas' balance sheet by the value of the capital management program.

Indicatively, if the full 20% of shares are bought back at an illustrative price of \$4.50, the impact will be as indicated in the below table.

Excerpts from AJ Lucas' consolidated balance sheet as at 30 June 2009

\$ million	Reported as at 30 June 2009	Pro-forma adjustment for buy-back	Pro-forma balance as at 30 June 2009
Net debt			
Interest-bearing loans and liabilities	168.6		168.6
Less cash and cash equivalents	(96.3)	58.5	(37.8)
Net debt	72.3	58.5	130.8
Total equity	199.8	(58.5)	141.3
Net debt / (net debt + equity)	26.6%	N/A	48.1%

3.2. The effect of a buy-back on AJ Lucas' share capital and control of AJ Lucas

Any shares bought back will be cancelled in accordance with the requirements of the Corporations Act 2001. This would have the effect of reducing the total number of issued ordinary shares of AJ Lucas.

The opportunity to participate in any buy-back would be voluntary. Some shareholders may choose not to participate or not to participate in respect of 100% of their shares. In such case, the percentage of each shareholder's interest which may be bought back will differ. At this stage it is therefore not possible to ascertain what change in the voting power in the Company is likely to occur as this will be dependent on the size of the buy-back and the extent of each shareholder's participation in the buy-back.

Andial Holdings currently has a relevant interest in 26.9% of AJ Lucas' total issued shares. For illustrative purposes, if Andial Holdings does not buy or sell any other shares, and AJ Lucas were to buy-back 20% of its shares, Andial Holdings' relevant interest would increase to 33.7%.

3.3. Will AJ Lucas' dividend policy be changed as a result of a buy-back

A buy-back will not impact AJ Lucas' ongoing dividend policy, which is determined based upon profits in the applicable period.

3.4. The effect of a buy-back or other form of capital management on AJ Lucas' ability to pay its creditors

The Board believes that AJ Lucas' ability to pay its creditors will not be materially prejudiced by the Company undertaking a buy-back or other form of capital management.

4. OTHER TERMS

No decision has been made by the Board as to whether to proceed with a buy-back or the nature of such a buy-back and any such decision will be subject to market conditions and other relevant factors at the time.

If a decision is made to undertake a buy-back the terms of that buy-back would be announced at that time.

If the AJ Lucas Board determines that an off-market buyback is appropriate, the buy-back would likely be conducted under a typical tender buy-back process. A buy-back booklet would be provided to all shareholders at the time of the buy-back to inform shareholders fully of the relevant factors which could influence the buy-back decision. Participation by shareholders would be voluntary and the ability of shareholders to participate may also depend on the laws of their country of residence and the application of anti-terrorism or anti-money laundering laws which prohibit the payment of money to certain persons.

5. BOARD RECOMMENDATION

The directors of AJ Lucas unanimously recommend that AJ Lucas shareholders vote in favour of the Buy-Back Resolution.

As the directors are not aware of the individual financial circumstances of individual shareholders, the directors make no recommendation as to whether individual shareholders should participate in any buy-back program initiated by AJ Lucas in the future.

AJ Lucas directors are entitled to participate in the buy-back program to the extent that their shares are not subject to restrictions.

A letter from the independent directors of AJ Lucas explaining why the independent directors recommend that you should vote in favour of the resolution is attached to this Explanatory Statement.

6. WHAT HAPPENS IF THE RESOLUTION IS NOT PASSED

Shareholder approval is not required if AJ Lucas does not buy-back the number of shares over a 12 month period which exceeds 10% of the smallest number of shares on issue during that 12 month period.

In the event that the Buy-Back Resolution is not approved at the Annual General Meeting, the Board may still decide to undertake a share buy back, however the size of the buy-back would be limited to ensure that AJ Lucas did not buy-back a number of shares over a 12 month period which would exceed 10% of the lowest number of shares on issue within those 12 months (after taking into account shares bought back under AJ Lucas' recent on-market buy-back, which currently equates to 3.06 million shares).

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19 October 2009

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REPORT OF THE INDEPENDENT DIRECTORS

Dear Shareholder

AJ Lucas seeks approval from shareholders to enable the Company to buy-back up to 20% of its outstanding shares thus providing it with flexibility, under the appropriate circumstances, to undertake capital management in the form of a buy-back (Buy-Back Resolution).

The purpose of this letter is to explain why the independent directors of AJ Lucas recommend that you should vote in favour of the Buy-Back Resolution.

You will have received in relation to the resolution a notice of meeting, Explanatory Statement and proxy form for the 2009 annual general meeting of the Company at which the Buy-Back Resolution will be proposed.

Please read all of these documents carefully as they contain important information about the resolution.

Your directors, including the independent directors, unanimously recommend that shareholders vote in favour of the resolution.

The resolution is being proposed to provide AJ Lucas with the flexibility, if it decides to undertake capital management, to achieve an efficient capital structure using the most appropriate capital management mechanism, which could include a share buy-back of up to 20% of the Company's outstanding shares (being a total of 12,989,175 shares).

The Board has not as yet committed to any capital management initiative, but recognises that if its cash balances are not required for investment purposes, it is inefficient to maintain large levels of cash on its balance sheet.

Capital management options available to AJ Lucas include, but are not limited to, on-market buy-backs, off-market buybacks, special dividends, or various combinations thereof. No decision has been reached on any such initiative, and any decision will be subject to market conditions and other relevant factors at the time.

We refer you to section 3 of the accompanying Explanatory Statement which includes information regarding the impact of a buy-back on the Company if the Company was to buy-back 20% of its outstanding shares.

Details regarding AJ Lucas' recent share price performance is set out in section 2.7 of the accompanying Explanatory Statement.

The price(s) paid under a buy-back would be:

- the ASX traded price if the buy-back is an on-market buy-back; and/or
- less than or equal to the 5 day VWAP prior to the tender closing date if the buy-back is an off-market buy-back.

The independent directors refer you to the potential advantages of a buy-back set out in section 2.2 of the accompanying Explanatory Statement. All directors (including the independent directors) consider the advantages of a buy-back to be those set out in that section and consider that a buy-back could represent the most effective capital management mechanism for the Company. The decision to proceed with a buy-back, or any other form of capital management will take into account all relevant circumstances at the relevant point in time. In making their decision whether to approve the Buy-Back Resolution, shareholders should consider the factors set out in section 2.3 of the Explanatory Statement.

We recommend that you vote in favour of the Buy-Back Resolution for the reasons above, including the price range within which any buy-back would take place. It cannot proceed unless more than 50% of votes cast at the annual general meeting are in favour of the resolution.

If you vote in favour of the Buy-Back Resolution, you will not be required to sell your shares into a buy-back if a buy-back is subsequently announced.

Yours sincerely

Garry O'Meally
Independent Non-Executive Director

Martin Green
Independent Non-Executive Director

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Note:

An independent director is a director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company (for this purpose a “substantial shareholder” is a person with a substantial holding as defined in section 9 of the Corporations Act);
- is not employed, or has not previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has not, within the last three years, been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; and
- has no material contractual relationship with the Company or other group member other than as a director of the Company.



Proxy Form

All correspondence to:
AJ Lucas Group Limited
Locked Bag 2113 North Ryde BC
New South Wales 1670 Australia
Telephone 61 2 9490 4000
Facsimile 61 2 9490 4200
www.lucas.com.au
ABN 12 060 309 104

Mark this box with an 'X' if you have made any changes to your address details (see reverse)

Appointment of Proxy

I/We

(NAME OF SHAREHOLDER)

of

(ADDRESS IN FULL)

being a member/s of AJ Lucas Group Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X')

OR

If you are not appointing the chairman of the meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of AJ Lucas Group Limited to be held at the Company's offices located at 394 Lane Cove Road, Macquarie Park, NSW on 27 November 2009 at 11:00 and at any adjournment of that meeting.

If you do **not** wish to direct your proxy how to vote, please place a mark in the box. By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxyholder will be disregarded because of that interest. The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. If you direct your proxy how to vote, it is not necessary to mark this box.

Voting directions to your proxy - please mark to indicate your directions

Resolution

1. Re-election of Andrew Lukas as a director
2. Adoption of remuneration report
3. Authorisation of a share buy-back program

	For	Against	Abstain
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Appointing a second Proxy

I/We wish to appoint a second proxy

Mark with an 'X' if you wish to appoint a second proxy.

AND

 %

OR

State the percentage of your voting rights or the number of securities for this proxy form.

PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Individual/sole director and sole company secretary

Securityholder 2

Director

Securityholder 3

Director/company secretary

Contact Name

Contact Daytime Telephone

Date

/ /

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How to complete the proxy form

1 Your address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

2 Appointment of a proxy

If you wish to appoint the chairman of the meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the chairman of the meeting, please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the chairman of the meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

3 Votes on items of business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite the resolution. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted by inserting the percentage or number of securities you wish to vote in the appropriate box. If you do not mark any of the boxes, your proxy may vote as he or she chooses. If you mark more than one box, your vote will be invalid.

4 Appointment of a second proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional proxy form may be obtained by telephoning the company or you may copy this form.

To appoint a second proxy you must:

- (a) indicate that you wish to appoint a second proxy by marking the box.
- (b) on each of the first proxy form and the second proxy form, state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (c) return both forms together in the same envelope.

5 Signing instructions

You may sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the securityholders should sign.
Power of Attorney:	to sign under power of attorney, you must have already lodged this document with the company. If you have not previously lodged this document for notation, please attach a certified photocopy of the power of attorney to this form when you return it.
Companies:	where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate securityholder or proxy is to attend the meeting the appropriate "certificate of appointment of corporate representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodging your proxy

This proxy form (and any power of attorney under which it is signed) must be received at the address below before 11:00am on 25 November 2009, 48 hours before the commencement of the meeting. Any proxy form received after that time will not be valid for the scheduled meeting.

Documents may be lodged:

BY MAIL AJ Lucas Group Limited, Locked Bag 2113, North Ryde BC NSW 1670
BY FAX +61 2 9490 4200