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19 December 2012

Mr Anthony Ingegneri
Listings Adviser
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Anthony,

**AJ Lucas Group Limited (ASX:AJL)
Response to awareness letter**

AJ Lucas Group Limited (**Company**) refers to the awareness letter issued by ASX Limited to the Company on 14 December 2012.

The Company responds as follows:

1. Whether the Company considers the Decision as referred to in the Announcement to be material to the Company?

The Company considers that the Decision was material.

2. If the answer to question 1 is “no”, please advise the basis on which the Company does not consider the Decision to be material.

Not applicable.

3. If the answer to question 1 is “yes”, when did the Company first become aware of the information in the Announcement concerning the Decision? Please comment on when the Decision was first disclosed to the Company.

The Company first became aware of the impending announcement of the Decision at 7:09:53 PM (London time) on 12 December 2012 when one of its directors, Mr Allan Campbell, who was then in London, received an email from the Managing Director of Cuadrilla Resources Holdings Limited (**Cuadrilla**), Mr Francis Egan, copying an email from the UK Department of Environment and Climate Change to journalists noting that an announcement would take place in London at 8:00 am (London time) on 13 December 2012 and that any publication of the announcement would be embargoed to 9:00 am (London time) on 13 December 2012. Mr Egan also called Mr Campbell to advise him of the impending Decision.

The Company became aware of the actual Decision at or shortly after 8:00 am (London time), which was at or shortly after 7:00 pm Sydney time, on 13 December 2012.

Mr Campbell notified Mr Nicholas Swan, the Company Secretary, that the Decision had been released, and that he would send through the Cuadrilla release that had been made in response to the Decision. This was sent to Mr Swan on the morning of 14 December 2012 for inclusion in the Lucas release that was planned to be made that morning prior to 10am.



4. If this was before the release of the Announcement, please identify any earlier announcement from the Company which disclosed the Decision.

There was no earlier announcement from the Company disclosing the Decision.

However, the Company has on numerous occasions flagged that the Decision was imminent.

The Decision was the British Government announcing on Thursday, 13 December 2012 to in principle allow the resumption of fracking in the UK, subject to certain conditions.

The Decision means that Cuadrilla and the Company (through their interests in the Bowland Shale) are now able to consider the steps necessary to attempt to obtain the regulatory permits and approvals required to enable Cuadrilla to recommence the fracking program on the Bowland Shale.

The Decision is not of itself permission for Cuadrilla to immediately, or even in the medium term, recommence the fracking program at the Bowland Shale. In his statement announcing the Decision, Minister Davey stated that:

“This opens the way to a resumption of work on exploration for shale gas, though I stress the importance of the other regulatory consents, and planning permission, which are also necessary for these activities, and which must be in place before my Department will consider consent to individual operations. In practice, it will be well into next year before any new exploration work has all the necessary consents to proceed. Whether any production operations may be proposed will depend on the success of the exploration work, but, in any event, this is likely to be some years away yet.”

The Company was of the view that there is still considerable risk that Cuadrilla may not be able to obtain the regulatory permits and approvals required to enable Cuadrilla to recommence the fracking program in the near or medium terms. The Decision goes to great lengths to note that this is an in principle decision only and subject to many contingencies.

Prior to the Announcement, there was significant media coverage and speculation in the UK regarding when the UK Government would allow the resumption of fracking and exploration across the UK, not only at the Bowland Shale. Examples of the media reports include:

- (a) the article entitled “Energy Secretary says shale exploration won’t lead to era of cheap gas” reported in the UK Guardian on 28 November 2012. The article stated that it was “*expected that the Chancellor, George Osborne will publish a strategy for gas alongside his autumn statement next week and, at the same time, (Minister) Davey will give permission for the restart of suspended exploration of shale*”. Minister Davey was also reported as saying: “*I will be taking that decision soon about whether Cuadrilla can continue with their drilling. If we allow them to drill, they will need permission before they actually produce shale gas.*”;
- (b) the article entitled “Cuadrilla set to resume fracking as George Osborne backs UK shale gas” reported in the London Daily Telegraph on 1 December 2012; and

- (c) the article entitled "Ministers expected to give cautious go-ahead to shale gas" reported in the London Daily Telegraph on 12 December 2012.

Since the making of the Decision, the media has confirmed that the announcement of the Decision was simply a formality of what had been widely anticipated and expected by the market. For instance, the article entitled "Fracking gets go-ahead, but how much shale do we actually have?" reported in the London Daily Telegraph on 16 December 2012 states "*In what was possibly the least surprising decision ever, the Government last week formally gave the green light for fracking in the UK...*".

The Company itself had flagged to the market on various occasions during the period from 15 October 2012 to 30 November 2012 that a decision to allow the resumption of fracking in the UK in some form may be forthcoming, but did not have any information as to the actual timing of an announcement of a decision. For instance:

- (a) in the market announcement dated 15 October 2012 entitled "Cuadrilla Resources spuds Anna's Road Well", the Company noted that "*the British Government (is giving) consideration ... to various studies being undertaken to establish an appropriate regulatory regime in relation to hydraulic fracturing*";
- (b) in the 2012 Annual Report released on 26 October 2012, the Company noted that "*Cuadrilla is hopeful that approval to recommence fracking is received from DECC in the not too distant future...*";
- (c) in the market announcement dated 19 November 2012 entitled "Cuadrilla Resources to re-spud Anna's Road well", the Company stated that "*Cuadrilla remains hopeful that the British Government will allow fracking to resume in due course*"; and
- (d) in his Chairman's speech at the AGM on 30 November 2012, Mr Campbell noted the lack of decision making by the UK Government regarding whether or not to allow fracking to resume, though the Company remained hopeful of receiving consent in the near future and noted that there was speculation that an announcement regarding tax incentives for shale gas exploration in the UK would be included in the UK Chancellor of the Exchequer's autumn economic statement.

As a result, the market was aware, in particular since 28 November 2012 when the UK Energy Bill was published, of the potential for the UK Government to make the Decision and had an opportunity to price this into the Company's share price.

In the period from 19 September 2012 to 13 December 2012, the share price ranged from a low of \$0.75 to a high of \$0.90 (with a daily average of \$0.76) and daily trading volumes ranged from a low of Nil to a high of 166,288 shares (with a daily average of 42,734 shares). On 14 December 2012 itself, the volume was 537,832 shares at a VWAP of \$0.92, which represented just 0.405% of the total issued capital of the Company.

5. **If there was no earlier announcement, and the Company became aware of the Decision prior to the release of the Announcement, why was the information not released to the market at an earlier time? Please comment specifically on the application of listing rule 3.1 and the exceptions to the rule in listing rule 3.1A and whether consideration was given to the request for a trading halt prior to the commencement of trading today.**

The Announcement was not made before the opening of the market on 14 December 2012 because Mr Swan, the Company Secretary and nominated executive between ASX and Lucas, failed to get the draft completed in time.

This occurred because Mr Swan had a medical appointment he had to attend at 7.30am which he expected to be over by 8.30 am at the latest. Unfortunately, Mr Swan had an adverse reaction at the appointment which delayed his return to the office until 9.35am at which time he commenced preparation of the Announcement.

Mr Swan still hoped to settle the Announcement before opening, but it took him a longer period of time to settle it than he had hoped because of the length of the statement released by Minister Davey.

Mr Swan did not seek a trading halt as he believed he would be able to finalise the Announcement in a timely manner. When he spoke to ASX at 10.10 am, he remained of that view.

The Announcement was lodged with ASX at 10.24 am.

6. **Please confirm that the Company is in compliance with listing rule 3.1.**

The Company is fully in compliance with listing rule 3.1.

Yours sincerely,

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

Nicholas JW Swan
COMPANY SECRETARY
AJ LUCAS GROUP LIMITED