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25 May 2017

Dear Shareholder

AJ LUCAS GROUP LIMITED - PRO RATA ACCELERATED NON-RENOUCEABLE ENTITLEMENTS OFFER

On Thursday, 18 May 2017, AJ Lucas Group Limited (**AJL**) announced the successful completion of a placement of ordinary shares to institutional investors raising \$5.0 million (the **Placement**) and the launch of a 1 for 2 pro rata accelerated non-renounceable entitlements offer (the **Entitlements Offer**, and together with the Placement, the **Capital Raising**) of new AJL shares (**New Shares**) at an offer price of \$0.275 per New Share (**Offer Price**). The Entitlements Offer will raise up to approximately \$53.7 million.

AJL will use the proceeds of the Capital Raising to reduce borrowings, support growth in the Australian operating businesses and fund further development of AJL's shale gas interests in the UK.

Patersons Securities Limited has been appointed by AJL as Lead Manager and Underwriter (the **Underwriter**) and has agreed to partially underwrite the Entitlements Offer Balance¹, and has obtained sub-underwriting support from AJL's largest shareholder, Kerogen Investments No. 1 (HK) Limited (**Kerogen**), and certain other new and existing institutional investors. The combination of shareholder commitments and part underwriting of the Entitlements Offer Balance¹ means that a minimum amount of \$48.2 million will be raised under the Entitlements Offer.

This letter is to inform you about the Entitlements Offer, and to explain why you will not be able to subscribe for New Shares under the Entitlements Offer. This letter is not an offer to issue entitlements or New Shares to you, nor an invitation for you to apply for entitlements or New Shares.

You are not required to do anything in response to this letter.

The Entitlements Offer

The Entitlements Offer comprises an institutional entitlements offer (**Institutional Entitlements Offer**) and an offer to eligible retail shareholders (as described below, **Eligible Retail Shareholders**) to participate at the same Offer Price and offer ratio (**Retail Entitlements Offer**). The Entitlements Offer is being made in accordance with section 708AA of the Corporations Act 2001 (Cth) (as modified by ASIC Corporations (Non-traditional Rights Issues) Instrument 2016/84) (the **Act**), meaning that no prospectus is required to be prepared in relation to the Entitlements Offer.

¹ The Entitlements Offer Balance is the total potential size of the Entitlements Offer (\$53.7 million) less firm commitments received (\$32.2 million), equivalent to \$21.5 million.





Retail Entitlements Offer

The Retail Entitlements Offer is being made to Eligible Retail Shareholders on the basis of an entitlement to subscribe for 1 New Share for every 2 existing AJL shares held on the Record Date of 7.00pm (Sydney time) on Monday, 22 May 2017. Eligible Retail Shareholders can choose to take up all, part, or none of their entitlements. Eligible Retail Shareholders may also apply for additional share allocations above their entitlements, subject to certain constraints, with the final decision on allocation of additional shares at the sole discretion of AJL and the Underwriter.

An offer booklet in relation to the Retail Entitlements Offer (**Retail Offer Booklet**) will be despatched to Eligible Retail Shareholders on or around Thursday, 25 May 2017. Further information in relation to the Entitlements Offer has been disclosed on the Australian Securities Exchange.

Eligibility criteria

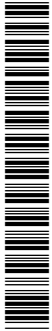
Eligible Retail Shareholders are those persons who:

- are registered as a holder of existing AJL shares as at the Record Date, being 7.00pm (Sydney time) on Monday, 22 May 2017;
- 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 shares for the account or benefit of such persons in the United States;
- were not invited to participate (other than as nominee, in respect of other underlying holdings) in the Institutional Entitlements Offer and were not treated as an ineligible institutional shareholder under the Institutional Entitlements Offer; and
- are eligible under all applicable securities laws to receive an offer under the Retail Entitlements Offer.

Shareholders who are not Eligible Retail Shareholders are **Ineligible Retail Shareholders**.

The restrictions upon eligibility to participate in the Retail Entitlements Offer arise because of the legal and regulatory requirements in countries other than Australia and New Zealand and the potential costs to AJL of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing AJL shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled. AJL has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3) of the Act, that it would be unreasonable to make or extend offers to AJL shareholders in certain countries under the Retail Entitlements Offer.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Retail Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3) of the Act, AJL wishes to advise you that it will not be extending the Retail Entitlements Offer to you and you will not be able to subscribe for New Shares under the Retail Entitlements Offer. You will not be sent the documents relating to the Entitlements Offer.



Appointment of Nominee on behalf of Ineligible Retail Shareholders

AJL has determined that it will undertake the following steps in relation to Ineligible Retail Shareholders:

- AJL has appointed Patersons Securities Limited as nominee in respect of Ineligible Retail Shareholders (**Nominee**), and the appointment has been approved by ASIC under section 615 of the Act.
- AJL will issue to the Nominee those New Shares that Ineligible Retail Shareholders would otherwise have been entitled to apply for had they been entitled to participate in the Entitlements Offer.
- The Nominee will seek applications for the sale of those New Shares.
- AJL will distribute to Ineligible Retail Shareholders their proportion of the net proceeds of the sale (after deducting payment of the issue price to AJL).

Ineligible Retail Shareholders should note that none of AJL and the Nominee is acting as their agent and that there is no guarantee that any net proceeds will be realised from the sale of New Shares under section 615 of the Act.

You are not required to do anything in response to this letter.

For further information on the Offer or if you believe that you are an Eligible Retail Shareholder, you can call the AJL Offer Information Line 1300 556 161 (within Australia) or +61 3 9415 4000 (outside Australia) from 8.30am to 5.00pm (Sydney time) Monday to Friday. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

On behalf of the Board of AJL, I thank you for your continued support.

Yours sincerely

Phil Arnall
Chairman
AJ Lucas Group Limited

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Important Information

This letter is issued by AJ Lucas Group Limited, ABN 12 060 309 104 (**AJL**). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in AJL in any jurisdiction. This letter does not constitute financial product advice and does not and will not form any part of any contract for the acquisition of AJL shares.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been, or will be, taken to register, qualify or otherwise permit a public offering of the entitlements or the New Shares in any jurisdiction outside Australia or New Zealand. In particular, neither the entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933 (the **Securities Act**) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not, directly or indirectly, be taken up by, and the New Shares may not be offered or sold to, persons in the United States except in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws.