CAPITAL RAISING AND CORPORATE UPDATE

18 May 2017

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CAPITAL RAISING

Entitlements offer and placement to new institutional investors

Offer summary

- Pro-rata accelerated non-renounceable entitlements offer (**Offer**) to raise up to $53.7 million.
- Offer to existing shareholders at $0.275 per New Share; 1 New Share for every 2 existing shares held.
- The Underwriter has received firm commitments to participate in the Offer from existing AJL shareholders totalling $32.2 million. The Underwriter has agreed to partially underwrite the balance of the Offer (**Offer Balance**[1]), such that the minimum amount that will be raised under the Offer is $48.2 million.

Placement to new institutional investors

- Immediately prior to the Offer, a non-underwritten placement to new institutional investors (**Placement**) has been successfully completed, raising $5.0 million, also at $0.275 per Placement share.
  - Investors receiving Placement shares will not be entitled to participate in the Offer in respect of those shares.

Strong support from existing investors representing 60% of the share register (prior to Placement)

- Kerogen Investments No.1 (UK) Limited (**Kerogen**) (53.1% stake prior to Placement) has agreed to take up its pro rata entitlement of $28.5 million and to sub-underwrite up to 50% of the Offer Balance, equivalent to $10.7 million.
- OCP Asia (Singapore) Pte. Limited (and associated entities) (**OCP**) (5.9% stake prior to Placement) has agreed to take up its pro rata entitlement of $3.1 million.
- Other minority investors have agreed to take up their pro rata entitlements representing approximately 1% of the Offer.

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

Capital raising to complete announced refinancing and fund operational growth

- Net proceeds from the Offer and Placement are expected to be between approximately $52 million and $57 million.

- Proceeds from Kerogen's participation in the Offer (inclusive of any sub-underwriting) will be used to reduce the existing Kerogen subordinated debt facility.
  - Depending on the amount of sub-underwriting allocated to Kerogen, the reduction in the Kerogen facility will be between A$33.7 million and $39.2 million.
  - This debt reduction meets a requirement under the balance sheet restructuring announced in June 2016 to reduce the Kerogen facility by a minimum of US$25 million (c.A$33.7 million) from the proceeds of the Offer.
  - The debt reduction will reduce interest expense by more than A$550,000 per month.

- Remaining net cash proceeds of up to approximately $24 million will be used to support growth in the Australian operating businesses and fund further development of AJL's shale gas interests in the UK, as follows:
  - Capex investment will bring existing drill rigs online in response to increased demand from existing customers;
  - Investment in working capital for new LEC pipeline construction projects and to expand LDS opportunities in the coal seam gas and water segments;
  - To fund potential bolt-on acquisitions; and
  - In the UK, funding will be applied to further develop opportunities beyond the current two well program at Preston New Road, and to AJL's share of Cuadrilla's general and administrative expenses.

Background to the Offer

June 2016

Balance sheet refinancing

- AJL closes three-year, US$45 million (c.A$60 million) loan note facility.
  - Tranche 1 (US$25 million) drawn upon close.
  - Tranche 2 (US$20 million) conditional on UK planning permission to drill, frack and test the flow of gas at Preston New Road (**PNR**) or Roseacre Wood (**RW**).
  - Maturity June 2019.
- Existing Kerogen senior debt facility is subordinated and maturity extended to December 2019.

October 2016 – April 2017

UK planning permission

- Planning permission received from UK Secretary of State on 6 October 2016 for up to four wells at the PNR exploration site.
- Planning permission triggered the drawdown of Tranche 2 of the senior loan facility (US$20 million).
  - Tranche 2 drawdown triggered a requirement for AJL to undertake an entitlements offer of at least US$30 million (c.A$40 million).
- Appeals against UK Secretary of State's planning permission dismissed by UK High Court on 12 April 2017.

May 2017

Placement and Entitlements Offer

- AJL launches Placement and Offer.
  - Meets debt reduction requirements under both the senior note facility and the subordinated debt facility.
  - Represents the final stage of the debt restructuring announced in June 2016.

Details of the Offer

Offer description	▪ 1 for 2 pro-rata accelerated non-renounceable entitlements offer (**Offer**) to raise up to \$53.7 million. ▪ Up to 195.3 million new AJL shares to be issued under the Offer. ▪ Offer Shares will rank equally in all respects with existing shares from the date of issue.
Offer price	▪ \$0.275 per Share: 12.7% discount to AJL's closing price of \$0.315 on 17 May 2017. • 8.0% discount to the theoretical ex-rights price[1] of \$0.299.
Institutional Entitlements Offer	▪ Institutional Entitlements Offer open from 18 May 2017 to 19 May 2017. ▪ Any shares not taken up under the Institutional Entitlements Offer would be allocated to the Underwriter in accordance with the terms of the Underwriting Agreement.
Retail Entitlements Offer	▪ Retail shareholders have the opportunity to subscribe for additional shares up to the number of their entitlement, subject to the aggregate of all such oversubscriptions not exceeding 5 million shares. • As an example, If a retail shareholder's original entitlement is 2,000 shares they may apply for up to a further 2,000 shares, being up to 4,000 shares in total for which they can subscribe. ▪ Allocations under this retail overallocation facility will be determined by AJL jointly with the Underwriter in their absolute discretion, and any additional allotment of overallocation shares is not guaranteed. ▪ Any retail overallocation shares will be limited to the extent that there are sufficient New Shares from eligible retail shareholders who do not take up their full entitlement. ▪ In accordance with the terms of the Underwriting Agreement, some or all shares not taken up under the Retail Entitlements Offer or under the retail overallocation facility may be allocated to the Underwriter. ▪ In the event of a shortfall following the allocation of shares in accordance with the Underwriting Agreement, the directors of AJL reserve the right to issue these shares following the close of the Retail Entitlements Offer, at an issue price of not less than the Offer price.

1 The theoretical ex-rights price or TERP is the theoretical price at which AJL shares should trade immediately after the ex-date for the Offer. TERP is a theoretical calculation only and the actual price at which AJL shares trade immediately after the ex-date for the Offer will depend on many factors and may not be equal to TERP. TERP is calculated by reference to AJL's closing price on the last day on which AJL shares traded before launch of the Offer (being 17 May 2017).

Shareholder, Director and Underwriter support

- The Underwriter has received firm commitments from existing AJL shareholders representing 60% of the share register (prior to Placement).
  - Kerogen (53.1% stake prior to Placement) has agreed to take up its pro rata entitlement of $28.5 million and to sub-underwrite up to 50% of the Offer Balance, equivalent to $10.7 million.
  - OCP (5.9% stake prior to Placement) has agreed to take up its pro rata entitlement of $3.1 million.
  - Other minority investors have agreed to take up their pro rata entitlements representing approximately 1% of the Offer.
- The Underwriter has agreed to partially underwrite the Offer Balance, such that the minimum amount that will be raised under the Offer is $48.2 million.
- Chairman Phil Arnall and Director Andrew Purcell have committed to take up their pro rata entitlements in the Offer.
- The issue of New Shares under the Entitlements Offer would potentially have the following effect on major shareholders who have committed to the Offer:

Substantial shareholder	Holding prior to Placement		Maximum pro-forma shareholding[1]		
Kerogen	207.4 million	53.1%	At close of Institutional Offer[2]	316.1 million	59.3%
			At close of Retail Offer[2]	350.2 million	60.0%
OCP	22.9 million	5.9%	At close of Institutional Offer	34.3 million	6.4%
			At close of Retail Offer	34.3 million	5.9%

1 Based on (i) completion of the Placement, (ii) participation in the Offer only by shareholders from whom firm commitments have been received upon launch of the Offer, and (iii) underwriting arrangements in place for the Offer.

2 Maximum shareholding and % includes allocations to Kerogen as sub-underwriter, and will be lower where shareholders (other than those from whom firm commitments have been received) participate in the Offer.

Historical balance sheet and impact of refinancing

A$m	Financial position at 31-Dec-15	Financial position at 31-Dec-16		Notes to Pro Forma adjustments
		Actual	Pro forma for Offer and Placement[1]	
Current Assets	57.5	77.9	98.7	Assumes net cash proceeds of $20.8m[2]
Non-Current Assets	173.7	163.2	163.2	
Total Assets	**231.3**	**241.1**	**261.9**	
Current Liabilities	53.8	66.0	29.5	Assumes reduction in Kerogen facility of $36.5m[2]
Non-Current Liabilities	98.0	108.6	108.6	
Total Liabilities	**151.8**	**174.7**	**138.2**	
Net Assets	**79.5**	**66.4**	**123.7**	
Total Equity	**79.5**	**66.4**	**123.7**	Assumes net proceeds from Placement and Offer of c.$57.2m[2]

1 Based on balance sheet reported at 31 December 2016 and intended for illustrative purposes only, to demonstrate the impact of the Offer and partial repayment of the Kerogen facility. Does not take into account movements since 31 December 2016. A AUD:USD exchange rate of 0.7410 has been assumed.

2 The pro forma numbers are based on the mid-point of potential participation rates in the Offer, and assume that any unallocated shares following the Retail Entitlements Offer are placed at $0.275.

Description of outstanding facilities following Offer and Placement

Facility	Balance following Offer and Placement[1]		Maturity	Interest
	US$m	A$m		
Senior Secured (USD)	45.0	60.7	June 2019	12% cash interest per annum (paid quarterly), with a further 6% accrued interest per annum (payable on maturity).
Subordinated (USD)	38.7	52.2	December 2019[2]	16% per annum (compounding and payable on maturity) until June 2018, and 18% per annum thereafter[3].

1 Based on AUD:USD of 0.7410; and on a $36.5m reduction in Kerogen facility from Offer proceeds, as described in Footnote 2 in the Pro Forma table above (potential range $33.7 – 39.2 million).

2 If the senior secured facility is prepaid before June 2019, the subordinated facility will mature six months following the maturity of the senior secured facility.

3 Based on the assumptions adopted, at the completion of the Offer a tranche of approximately US$4.3 million (A$5.8 million) of the subordinated facility will attract an interest rate of 20% per annum until June 2018, and 21% thereafter.

AJL progress since March 2016 equity raising

1

Balance sheet restructure:

- US$45 million, three-year senior facility.
- Kerogen facility extended to December 2019.

2

Funding in place for Phase I Bowland exploration at the PNR site to drill, complete and test gas flows from two horizontal wells.

3

Settlement of outstanding ATO and legal liabilities.

4

UK Government planning permission for exploration at PNR:

- Centrica farm-in recommenced.
- Site preparations well progressed.

5

UK Shale gas sector momentum:

- Cuadrilla, iGas and Third Energy exploration approvals.
- INEOS acquisition of Engie stakes.

6

Improved order books for Australian operating businesses, LDS and LEC.

Indicative Offer timetable[1]

Event	Date
Announcement of Offer, Placement, and Trading Halt	Thursday, 18 May 2017
Institutional Entitlements Offer opens	Thursday, 18 May 2017
Institutional Entitlements Offer closes	Friday, 19 May 2017
AJL shares recommence trading on ASX	Monday, 22 May 2017
Record Date for Entitlements Offer (7:00pm, Sydney time)	Monday, 22 May 2017
Retail Entitlements Offer opens	Thursday, 25 May 2017
Retail Entitlements Offer booklet despatched	Thursday, 25 May 2017
Settlement of Institutional Entitlements Offer	Friday, 26 May 2017
Institutional Entitlements Offer shares allotted and issued and commence normal settlement trading	Monday, 29 May 2017
Retail Entitlements Offer closes	Monday, 5 June 2017
Announce results of Retail Entitlements Offer	Thursday, 8 June 2017
Settlement of Retail Entitlements Offer shares	Friday, 9 June 2017
Retail Entitlements Offer shares allotted and issued[2]	Tuesday, 13 June 2017
Normal trading of Retail Entitlements Offer shares[2]	Wednesday, 14 June 2017
Despatch of holding statements for Retail Entitlements Offer shares[2]	Thursday, 15 June 2017

1 Timetable is indicative and subject to change at discretion of AJL
2 Including New Shares under retail overallocation facility

AJ LUCAS CORPORATE OVERVIEW

Corporate summary

Corporate Overview

INVESTMENT	OPERATING BUSINESS UNITS	
UK Gas	**Drilling Services (LDS)**	**Engineering & Construction (LEC)**
Exploration for and commercialisation of unconventional UK hydrocarbons, based on our historical exploration and drilling experience	The major drilling provider to the coal sector in Australia for mine degassing, exploration and CSG extraction	Pipeline contractor to leading infrastructure customers in the gas, water, wastewater and coal sectors
One of the largest shale gas acreage positions in the UK	***Delivering intelligent and practical solutions to support Australian miners and infrastructure providers***	
Focused on unlocking value in the untapped unconventional gas resources of the UK	Focused provider of surface-to-inseam (SIS) coal mine gas extraction and well field services	Provides complementary construction services for the public utilities customers



Ownership and governance

AJL Board	
Chairman	Phil Arnall
Director	Julian Ball
Director	Ian Meares
Director	John O'Neill
Director	Andrew Purcell

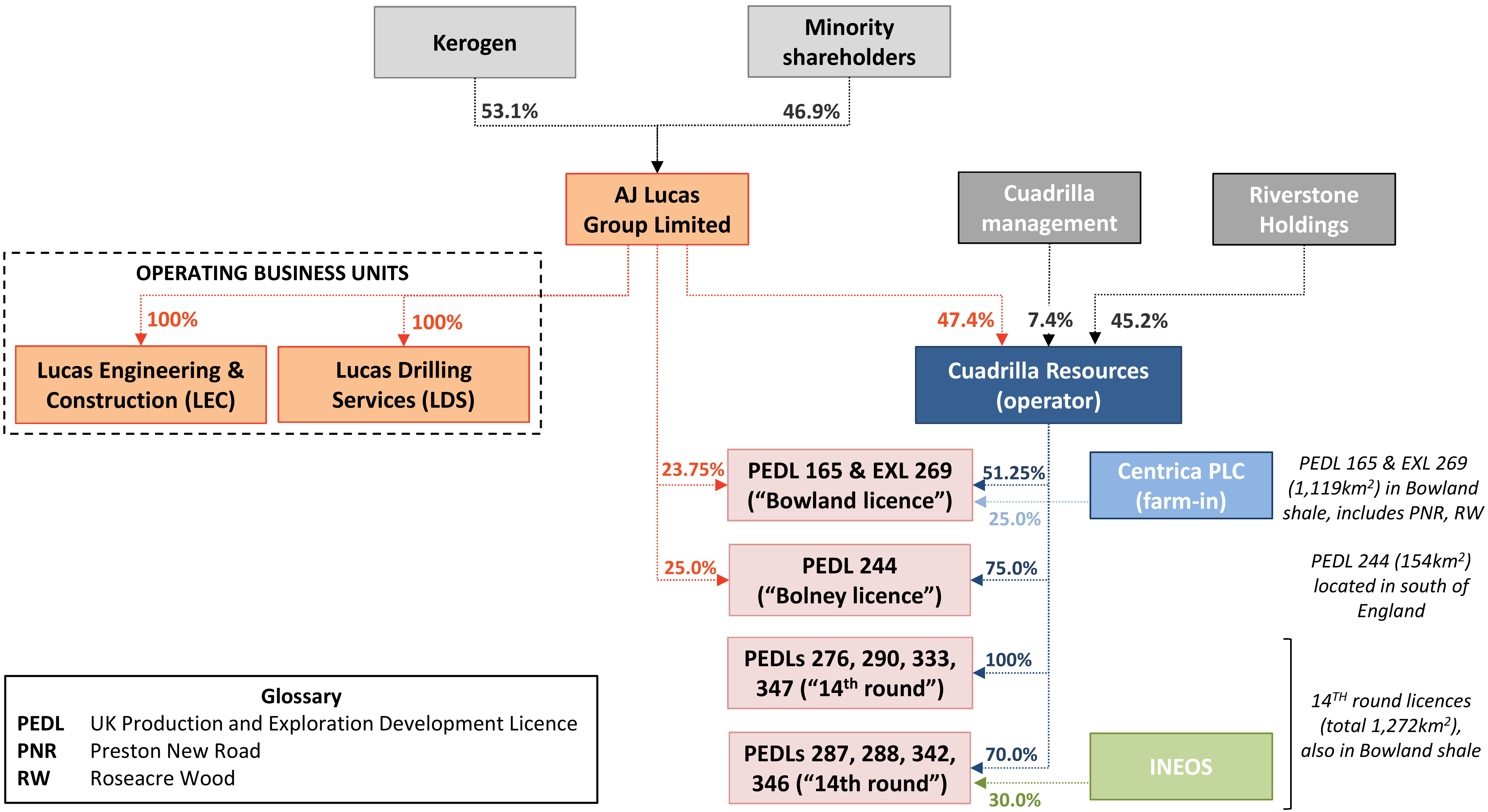
AJL Nominees on Cuadrilla Board	
Chairman	Roy Franklin
Director	Ivor Orchard
Director	Phil Arnall

Substantial Shareholders (% holdings prior to Placement)	
Kerogen (Specialist O&G private equity fund)	53.1%
Paul Fudge (Unconventional energy investor)	11.8%
OCP (Asia-based investment manager)	5.9%

AJL Key Financials	
Market Cap prior to Placement (as at 17 May 2017)	A$123 million
Net debt (as at 31 December 2016)	A$105 million
Enterprise Value	A$228 million
Underlying Group EBITDA 30 June 2016A (full year)	A$14.6 million

AJ Lucas & Cuadrilla corporate structure

AJ Lucas effective interest in Bowland licence = 48.0%



Glossary

PEDL	UK Production and Exploration Development Licence
PNR	Preston New Road
RW	Roseacre Wood

BOWLAND SHALE GAS OPPORTUNITY AND PROGRESS

Potential for gas extraction from the Bowland shale

Significant Bowland shale gas extraction potential based on independent research

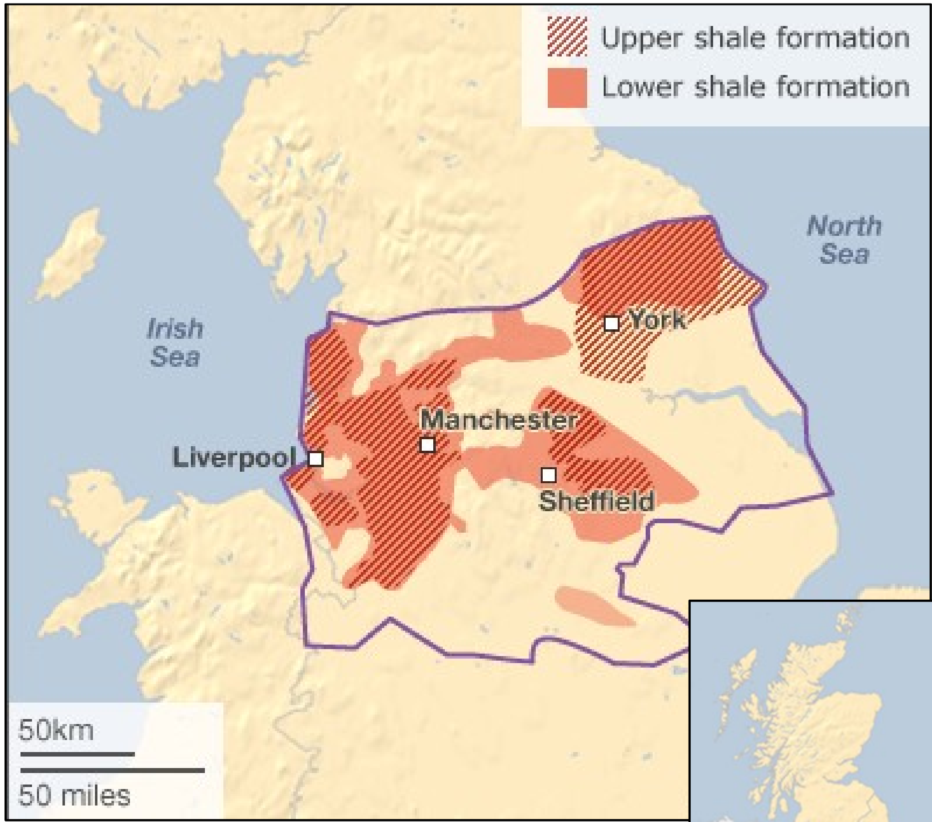
- British Geological Survey (BGS) scientists have estimated total gas in place within northern England's Bowland shale is 1,329 trillion cubic feet (**tcf**) (central estimate; lower and upper range 822 tcf and 2,281 tcf[1]).
- If 10% of the central estimate is recoverable, the Bowland shale could meet the UK's current natural gas consumption for more than 50 years.

Bowland shale profile attractive for commercialisation

- Over 1,000m thickness of shales and associated lithologies identified within the region.
- Bowland shale can and has been fractured.
- The shale strata are located several thousand feet below the level of aquifers.
- Close to pipeline infrastructure: UK's extensive pipeline network has potential to facilitate cost efficient distribution of gas produced from the Bowland shale.
- Potential for exportation of excess gas.

1 BGS/DECC Bowland Shale gas study, 2013 (note this comment refers to the entire Bowland shale and not only the licences in which AJL holds a stake)

Map of the Bowland shale



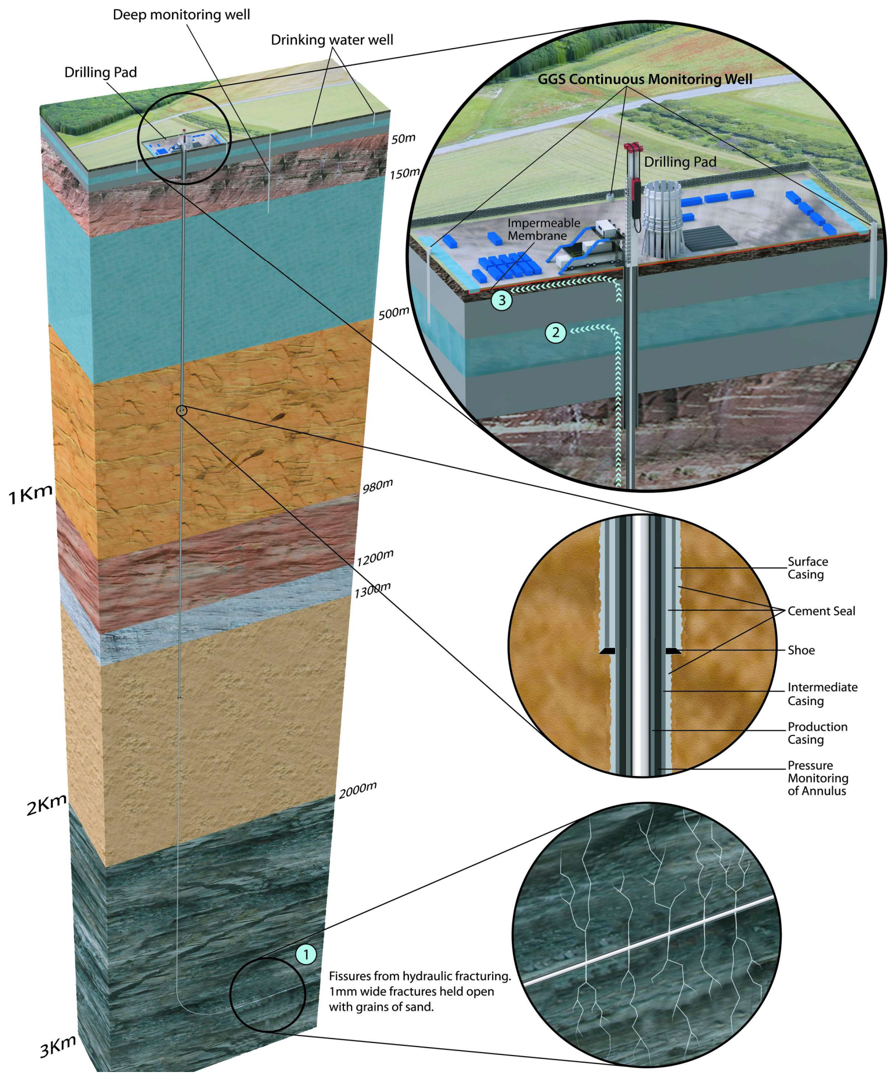
Source: BGS/DECC Bowland Shale gas study, 2013

Potential for gas extraction from the Bowland shale (cont'd)

Shale cores taken by Cuadrilla from Becconsall and Grange Hill, near the PNR site, demonstrate promising lithology

Preese Hall, less than 10 kms from the PNR site, flowed gas after drilling and fracking by Cuadrilla in 2011

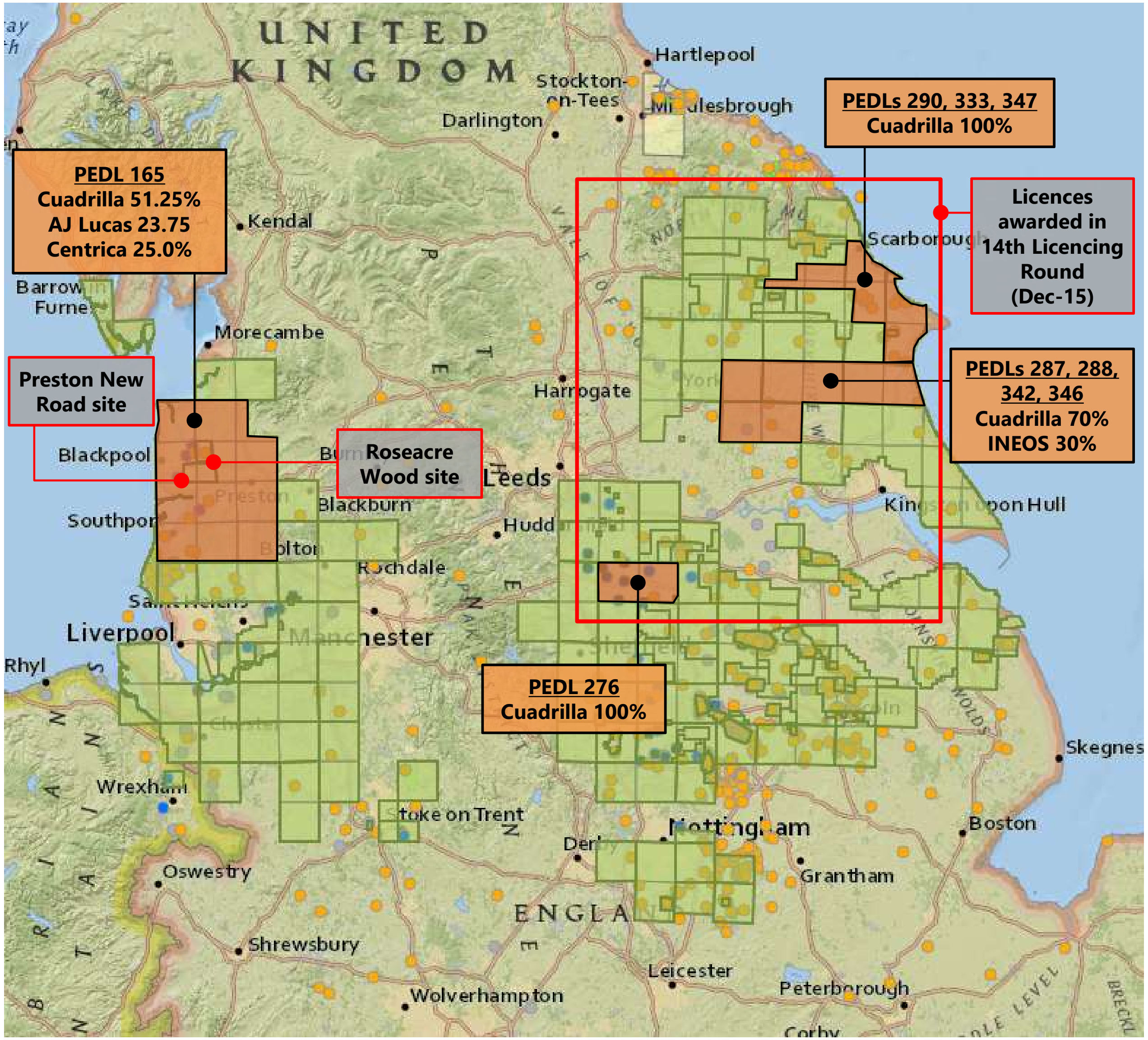
Representative Bowland shale geology



Source: Ground Gas Solutions Limited

Bowland licence details

- Cuadrilla is the operator of licences in the Bowland shale totalling 2,391 km^2, making it one of three significant operators by licence area along with INEOS and iGas (each with gross licence area >2,000 km^2).
  - Of these, only Cuadrilla has received approval to frack.
- The PNR and RW exploration sites are within the PEDL 165 licence, part of the Bowland shale in the North West of England.
- Most recent well drilled and fracked in the Bowland shale flowed gas (by Cuadrilla, approx. 10kms from PNR, 2011).
- PNR and RW are located near existing gas pipelines, which would enable cost effective transport of gas into the UK's extensive gas distribution network.



Source: UK Oil and Gas Authority, Cuadrilla management

UK planning approval represents a defining step towards commercialisation of UK acreage

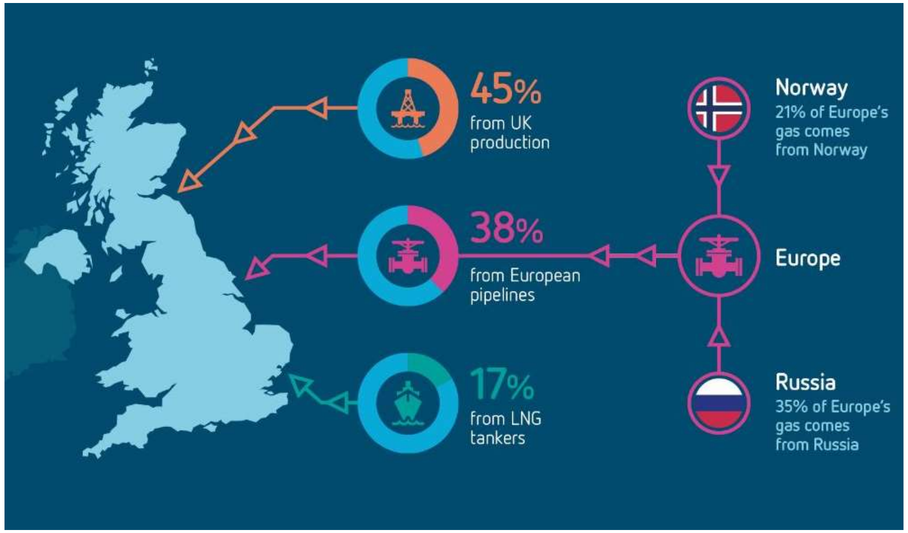
- Cuadrilla Resources Holdings (**Cuadrilla**), as operator of PEDL 165, received planning permission from the UK Government in October 2016 to drill, frack and test gas flow of up to four wells at the PNR site in Lancashire.
  - In January 2017, Cuadrilla commenced site preparations at PNR for an initial two horizontal well exploration program. Initial flow testing is expected to be completed in the first half of calendar year 2018.
  - On 12 April 2017, a number of applications challenging the UK Government's planning permission were dismissed by the UK High Court.
  - Two applicants whose applications were denied by the High Court have indicated an intention to appeal to the Court of Appeal.
- The UK Secretary of State for Communities and Local Government (**SOS**) advised he was also minded to grant planning consent at Cuadrilla's RW site, pending a further inquiry into highway safety conditions.
  - Cuadrilla intends to submit updated traffic proposals to an inquiry likely to be held in Q2 calendar year 2018, after which the SOS will make his final decision in respect of RW.

AJL's UK shale gas objectives

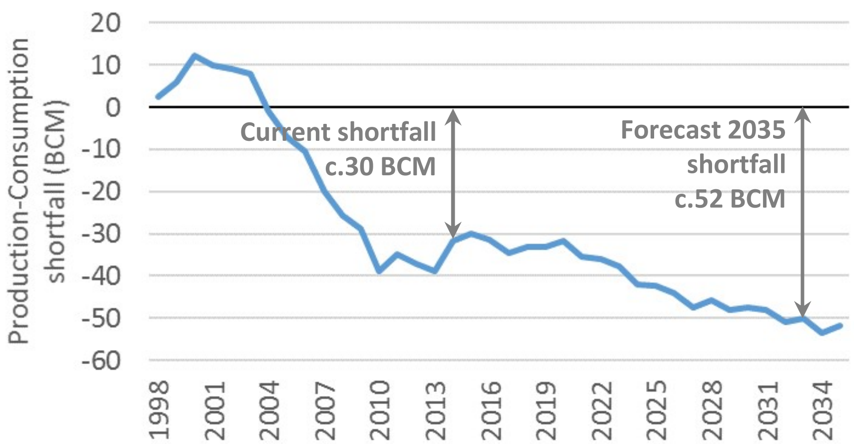
"To participate in the exploration for and commercial recovery of hydrocarbons in the Bowland Basin and other prospective acreage, with a focus on delivering attractive returns to AJL shareholders."

Macro support for UK shale gas extraction

UK gas sources, 2015[1]



Widening UK Production-Consumption shortfall[2]



Strong UK Government support for shale gas extraction

- The UK Government strongly supports the development of a commercial shale gas industry in the UK.
- The Government's stated rationale is that "shale gas has the potential to provide the UK with greater energy security, growth and jobs".

Importance of natural gas to the UK economy

- In 2015, just over a third of the UK's energy came from natural gas (of which 45% was from UK production).

Increasing reliance on natural gas imports

- Since 2004, consumption of natural gas in the UK has exceeded UK production[1].
- In 2015, the gap between natural gas produced and consumed in the UK had widened to 30 billion cubic metres per annum[2].
- The UK Government predicts that by 2030 nearly three quarters of UK gas will be imported, in the absence of an increase in domestic production[2].
- Production-Consumption shortfall estimated to widen to 52 billion cubic metres by 2035[2].

1 Source: UK Department of Energy and Climate Change, 2015 (infographic source: British Gas)
2 UK O&GA and DECC projections, March 2017

Other UK shale gas industry activity

INEOS

- Multinational chemicals company, and Britain's largest privately owned firm.
- Has steadily built its shale portfolio to become the UK's largest shale gas licence holder
- Acquired the interests of French energy company Engie (minority interests in 15 licences) in March 2017 (price undisclosed).
  - Three of the licences are operated by INEOS, eight by IGas Energy and four by Cuadrilla.
- In 2014, INEOS announced it was planning to invest US$1 billion in UK shale gas exploration and appraisal.

iGas Energy

- UK publicly listed company.
- April 2017: announced completion of significant equity raising and reduction and restructuring of outstanding debt.
- March 2017: approval from Nottinghamshire County Council (**NCC**) for an exploration well at Tinker Lane.
- November 2016: approval from NCC for two exploration wells at Misson.
- July 2016: independently estimated 102 tcf of shale gas initially in place (**GIIP**), of which 11 tcf unrisked prospective resource[1].
- March 2015: secured a farm-out agreement with INEOS.
- Acquired Dart Energy in May 2014; at the time Dart Energy had disclosed potential GIP in UK shale of 76-110 tcf.

1 Source: DeGolyer & MacNaughton

Third Energy

- Majority owned by Barclays plc.
- In December 2016 a High Court judge dismissed a judicial review brought against North Yorkshire County Council's (**NYCC's**) decision to grant planning permission for Third Energy to frack its existing KM8 well at Kirby Misperton.
- KM8 well drilled by Third Energy in 2013.
- Third Energy has stated that it is focused on meeting NYCC planning permissions and UK Environmental Agency requirements before proceeding to frack the KM8 well.

Centrica farm-in transaction

Background to Centrica farm-in

- In June 2013, AJL and Cuadrilla announced the sale of a combined 25% interest in Bowland to Centrica plc in return for staged payments and carry totalling up to GBP160 million.
  - Centrica is a leading UK listed, FTSE100 British energy company and one of the largest energy suppliers in the UK.
- In consideration for the 25% stake, Centrica agreed to:
  - Make an upfront payment to Cuadrilla /AJL of GBP40 million.
  - Fully carry the next GBP60 million of expenditure at Bowland.
  - Make a further cash payment of GBP60 million, contingent on achieving certain operational milestones.

Revised Centrica farm-in (August 2015)

- In August 2015, Centrica, AJL and Cuadrilla announced the following revised amendments to the farm-in:
  - Remainder of the GBP60 million carry was to be deferred until planning approval for PNR or RW was obtained.
  - The contingent cash payment of GBP60 million was converted to a GBP46.7 million contingent carry (to be applied against various appraisal and development activities).

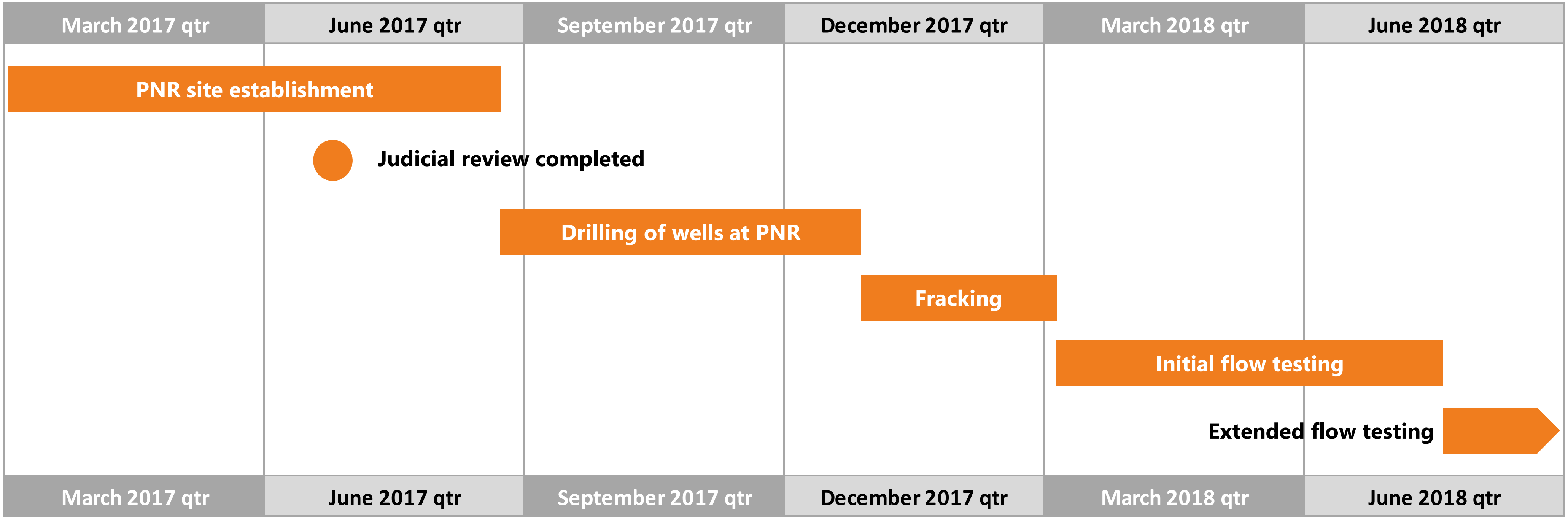
Current farm-in status

- The October 2016 UK planning permission triggered the recommencement of the remaining GBP60 million initial carry, substantially reducing AJL's financial commitments during exploration.
  - As at 31 December 2016 Centrica's remaining initial carry obligation was approx. GBP30 million (US$35.9 million).
- Farm-in funding from Centrica is presently being utilised to complete PNR site establishment, and will be utilised in future to fund drilling and fracking at PNR.

Indicative timeline for PNR appraisal programme[1]

Indicative timeline for appraisal programme

- PNR site preparations are expected to be completed by June 2017.
- Drilling is then expected to commence in late June or July 2017 with an initial two wells drilled, hydraulically fractured and ready to flow test by Q1 of calendar year 2018.



1 Timeline for PNR appraisal programme is indicative only and subject to change.

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AUSTRALIAN OPERATING BUSINESS UPDATE

AJL financial overview

Ongoing improvement in underlying Australian operations, balance sheet support to fund growth and UK investment commitments

Financial year ended 30 June - A$m	FY11A	FY12A	FY13A	FY14A	FY15A	FY16A		1H17A
Performance of Australian businesses								
Group revenues	433.4	504.3	294.8	227.9	145.0	125.5		51.4
Group reported EBITDA	29.4	(21.5)	(19.3)	(5.5)	5.3	(2.4)		(5.7)
Loss / (gain) on UK assets	1.5	3.7	5.3	(4.2)	(4.1)	9.6		5.0
Australia EBITDA	**30.9**	**(17.9)**	**(14.0)**	**(9.7)**	**1.2**	**7.1**		**(0.8)**
Balance sheet metrics								
Interest bearing and historical tax liabilities	160.4	165.7	128.5	96.1	109.3	105.7		143.4[1]
Net receivables	(27.2)	(63.3)	(22.3)	(26.4)	(10.5)	(5.2)		(2.5)
Net debt / (Net debt + book equity)	**63%**	**54%**	**30%**	**16%**	**22%**	**19%**		**22%**
Equity raised (A$m)		49.2	138.3	67.0	0.0	23.5		1.9
Shares issued (m)		36.5	108.5	55.9	0.0	13.7		9.0
Average issue price (A$)		**$1.35**	**$1.27**	**$1.20**	**n/a**	**$0.21**		**$0.21**
Average issue price: FY11 – current (A$)								**$0.87**

1 Prior to $33.7 - 39.2 million reduction of the Kerogen facility from the proceeds of the Offer.

Lucas Drilling Services (LDS) overview

Business Highlights

- LDS is a market leader in coal seam development and exploration drilling in Australia and the leading surface-to-inseam (SIS) directional driller to Australia's coal sector.
- Comprehensive offering to coal market including technical consultancy, exploration, production, directional, well design, steering services, completion, surface infrastructure, civil and construction.
- Outstanding safety record: no lost time injuries since FY15.

Customers base dominated by low cost coking coal and CSG producers:

- Anglo
- Arrow
- BHP-Mitsubishi
- Rio Tinto
- South32
- Whitehaven

Recent financial performance and outlook

- LDS revenues in 1H17 were affected by challenging conditions in the coal mining industry and the conclusion of a key long-term contract in the June 2016 quarter.
- Considerable progress in new markets in 1H17, with CSG and Water segments delivering $10.8 million in revenue and further growth opportunities identified. Lower margins in these sectors are expected to improve as service delivery becomes more efficient.

Financials metrics (year ended 30 June - A$m)	*2011A*	*2012A*	*2013A*	*2014A*	*2015A*	*2016A*	*1H17A*
Revenue	185.9	189.6	163.4	94.2	83.5	79.6	34.6
Underlying EBITDA	19.1	14.9	23.5	10.8	6.2	11.4	1.6

Recent financial performance and outlook (continued)

- Adverse weather affecting Queensland's Bowen Basin during 2H2017 has impacted customers' operations. As a result the business unit expects to generate a modest positive underlying EBITDA in 2H2017.
- Drilling activity in the coal market, particularly in Queensland, is increasing and the division has an improved order book driven by demand from established customers.

Lucas Engineering & Construction (LEC) overview

Business Highlights

- Specialist civil engineering contractor focused on long distance, high pressure pipeline construction for clients in the Australian resources, energy and water sectors.
- Work tendered on a standalone basis and in formal joint ventures (**JVs**). JV partners include Spiecapag (international pipeline and facilities specialist), Downer and Zinfra.
- Strong safety record with zero LTI incidents in the past 40 months; recognised by International Pipeline and Offshore Contractors Association (IPLOCA) health and safety award in 2016.

Current and future pipeline projects

- Currently completing the 165km Victorian Northern Interconnect Expansion (**VNIE**) project for APA Group in JV with Spiecapag (LEC revenue share c.$35 million).
- Currently completing 4km 1 metre dia. Gas Suction Pipeline for South32 in Appin NSW (revenue c.$7 million).
- Recently awarded harbour crossing of the Southern Pipeline in Tauranga New Zealand (revenue c.$8 million).

Financials metrics (year ended 30 June - A$m)							
	2011A	*2012A*	*2013A*	*2014A*	*2015A*	*2016A*	*1H17A*
Revenue	247.4	314.6	131.4	133.7	61.5	45.8	16.8
Underlying EBITDA	6.3	(6.0)	(14.6)	1.7	8.0	6.9	(0.2)

Recent financial performance and outlook

- Unseasonal wet weather caused extended site closure at VNIE project in 1H17, contributing to weaker revenue and EBITDA recognition in the period.
- Further adverse weather in 2H2017 impacted the VNIE project, offsetting recent contract wins. As a result it is expected that 2H2017 underlying EBITDA for LEC will be flat.
- A stronger order book in recent months has bolstered the outlook for LEC for the remainder of CY2017.

AJ Lucas investment highlights

Leverage to UK shale gas development

- AJL's interests in the Bowland shale represent some of the most advanced shale gas developments in the UK.
- Strong UK Government support, based on energy security and economic benefits.
- Significant momentum in the industry.

Funding in place

- AJ Lucas balance sheet restructured in 2016.
- US$45 million, three-year senior facility in place to fund PNR exploration.
- Existing Kerogen facility extended to December 2019.

Planning permissions in place

- UK Government planning permission received for exploration at PNR.
- Site preparations well underway and drilling expected to start in the current quarter.
- Completion of Phase I exploration at PNR expected late H1 calendar 2018.

Improved order book

- Improved order books for Australian-based drilling and contracting businesses.
- LDS has increased drilling work with existing customers, renewed contracts and expanded into new market segments.
- Recent pipeline work awarded to LEC, with a number of attractive tender opportunities.

KEY RISKS

Key risks

Introduction

- As with all businesses, there are a number of factors that are specific to AJL and of a general nature that may have a material impact on AJL's future operating and financial performance. This section describes certain specific areas that are believed to be risks associated with AJL and with an investment in the New Shares.

- Each of the risks described below could, if they eventuate, have a material impact on AJL's operating and financial performance and on the market price of AJL's shares. These risk factors are not exhaustive. Whilst some of the risks identified can be mitigated by the use of safeguards and appropriate systems and actions, many of these risks are outside the control of AJL, the Directors and the senior executives of AJL.

- Risks have been outlined in three categories:
    A. General risks relating to overseas investments of AJL including Cuadrilla;
    B. General risks relating to the operating businesses of AJL and the markets in which they operate; and
    C. Specific risks relating to investing in the New Shares.

Key risks

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

Regulatory risk	a) AJL has an interest in a number of assets that are located in different jurisdictions. Accordingly, such assets are subject to risks particular to its location, such as changes in laws, practices and policies in the relevant jurisdiction, including laws that deal with overseas investments. b) In particular, there may be considerable resistance from the public or legislators or both in a region to certain exploration and development activities, particularly drilling and fracking, arising in connection with, for example, environmental sensitivities and concerns about pollution, concerns about the potential effects of fracking on aquifers or earth tremors and concerns about the impact of large scale drilling operations on landscapes, which may result in the suspension of activities, increasing regulations imposed on the activities, delays or cost increases.
UK regulatory risk	a) Following the dismissal by the UK High Court on 12 April 2017 of a number of applications challenging the UK Government's planning permission, two applicants have indicated an intention to appeal to the Court of Appeal. In the event of a successful appeal, the relevant court may choose to set aside some or all of the UK Government's planning permission, which may result in additional costs and extend the timeline for the proposed exploration program at PNR, or preclude the proposed exploration program at PNR. b) Assuming the appraisal programme proves commerciality, additional regulatory approvals will be required to further develop AJL's licences in the Bowland shale on a commercial scale. There may be considerable resistance from significant sections of the public to Cuadrilla's exploration and development activities, particularly drilling and fracking. c) Oil and gas tenements are issued by the UK government on terms and conditions set out in each license. Such terms typically require a tenement holder to relinquish a certain percentage of the license area at set times.
Currency risk	A substantial proportion of AJL's sales revenue, expenditures and cash flows are generated in Australian dollars. However, AJL is exposed to foreign currencies through its funding obligations to Cuadrilla which are expressed in United States dollars, and through its debt facilities, which are denominated in United States dollars. As a UK-domiciled company, a significant proportion of Cuadrilla's expenses are also denominated in GBP. Any adverse exchange rate fluctuations or volatility in such foreign currencies could have an adverse effect on AJL's ability to fund its financial obligations to Cuadrilla or repay its debt and on its future financial performance and position.
Inability to meet exploration licence funding obligations - AJL *Direct* Interests	Cuadrilla is the operator of the PEDL 165 and PEDL 244 licences, and under the joint operating agreements between the owners of the licences, Cuadrilla prepares the budget for exploration of these areas which is then approved by the joint operating committee. If AJL fails to make its required contributions to project expenditures in a timely manner, it is exposed to the risk that it may lose its Direct Interests in these licences by way of the forfeiture provisions under the joint operating agreements that govern the joint ventures.
AJL's inability to meet funding obligations - AJL *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.

Key risks

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

Cuadrilla funding	In the event that Cuadrilla is unable to raise funding, as required, from its shareholders (AJL, Riverstone and Cuadrilla management) or other sources, it may not be able to take the required actions to execute its development plans for its key assets (notably, Bowland) and exit strategy, either in part or at all. This may affect the value of AJL's shareholding in Cuadrilla and possibly the value of AJL's Direct Interests.
Extent of, and ability to recover unconventional hydrocarbons	a) Cuadrilla's ability to develop its concessions for unconventional hydrocarbons depends upon the presence of significant in-place hydrocarbon resources in Cuadrilla's concession areas and the ability of Cuadrilla to recover those resources in a commercially viable manner. There can be no guarantee that Cuadrilla will be able to recover any hydrocarbons in its concession areas or that it will be able to do so at a cost that makes production commercially feasible, in which eventuality may lead to the loss of the Contingent Carry from Centrica. b) There has been, as yet, no commercial production of unconventional hydrocarbons in any of the countries in which Cuadrilla operates, whether by Cuadrilla or by any other party. The data provided by the initial seismic appraisals, drilling and testing of vertical wells (which has not been carried out so as to generate a continuous flow of gas over an extended period of time) and other exploration activities undertaken to date are insufficient at this stage to evaluate the likelihood of commercial recovery of unconventional hydrocarbons. c) Further drilling and production testing of horizontal wells will be necessary before Cuadrilla is able to make an estimate of recoverable volumes in any of its concessions and it is possible that such further drilling and production testing may not yield positive results. d) There is a risk that unconventional hydrocarbons extraction and recovery may not be feasible at all in Cuadrilla's concessions with existing technology due to technical complications arising from factors such as rock properties, reservoir pressure, fracture complexity and conductivity and other factors specific to the shale plays within Cuadrilla's concession areas. e) If recovery of hydrocarbons is technically feasible in Cuadrilla's concessions, there is a risk that it may not be commercially viable due to the costs of the technology, drilling, equipment and other resources needed to extract the hydrocarbons from the reservoirs, all of which will depend to a significant extent on the specific conditions of each particular reservoir. f) Commercial extraction of hydrocarbons will also depend on installation of infrastructure which will require Cuadrilla to obtain additional regulatory approvals. g) The commercial viability of any particular unconventional reservoir will be largely a function of the prevailing prices for oil and natural gas compared to the costs of extracting hydrocarbons from that reservoir. A higher cost base for a particular reservoir, whether due to its particular geophysical qualities or otherwise (including installation of gathering pipelines and related investments necessary to install any required supply infrastructure) could make profitable extraction from such reservoir impossible. h) If Cuadrilla is unable to recover hydrocarbons from its concessions at all, due to geological factors or technical infeasibility, or if it is able to recover hydrocarbons only at a cost which makes production commercially unviable, this may have a material adverse effect on the value of AJL's investment in Cuadrilla and the value of AJL's direct interests in the Bowland basin and the Weald basin.

Key risks

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

Risks relating to the unconventional hydrocarbon sector	AJL has international operations in the unconventional hydrocarbon sector. Any variance in the level of activity in these sectors may have an adverse effect on results and the factors influencing that variance may be beyond the control of AJL. These factors vary, but can include: • the legal and regulatory regimes governing the production of energy are subject to change; • energy exploration, especially in relation to unconventional resources such as shale gas, is speculative, capital intensive and can result in complete loss of capital; • a substantial or extended decline in gas prices may adversely affect AJL's business prospects, financial condition and results of operations; and • technical and other risks.

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

Commercial, financial and operational risks	a) As a business operating in the engineering, energy, mining and infrastructure sectors, AJL faces general commercial risks, including the loss of major customers, competition and other causes of business interruption, each of which may have a material adverse effect on AJL. The development of new technologies which compete with AJL may also have a material adverse effect on AJL. b) AJL is subject to, and seeks to manage, a number of contractual risks which include the following: • AJL's businesses enjoy a number of contracts with long-term customers and business relationships. If any of these key customers reduce exploration or production or terminate the relationship, or if potential contracts are not awarded, this may have an adverse effect on the financial performance and/or financial position of AJL; • for certain major projects, AJL may need to participate in joint ventures which can bring counterparty risks or may limit AJL's access to opportunities if suitable joint venture partners are not available; • contracts in the sectors in which AJL operates often contain penalty clauses and contractual disputes can potentially have a material adverse effect on AJL; and • some projects depend on contractual rights to access sites owned or controlled by others and contractual disputes and other incidents affecting such access can cause disruption to AJL's operations.

Key risks

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

Technical and other operating risks	a) A range of factors may affect the investments of AJL, including, but not limited to, exploration, appraisal and production: • geological conditions; • unanticipated operating and technical difficulties encountered in seismic survey, drilling and production activities; • mechanical failure of operating plant and equipment; and • prevention of access by reason of community unrest, outbreak of hostilities, inability to obtain consents and approvals.
Resources sector risks	The resources sector as a whole in Australia is facing difficult times for a number of reasons, including a softening of commodity and LNG prices on the back of lower demand from key markets such as China for iron ore and coal (in particular), general market sentiment for precious commodities such as gold because of concern about the strength of economies such as the United States and in the European Union, Paris COP21 Agreement, political uncertainty at the Federal level, business uncertainty and political and legislative uncertainty at State levels because of responses of government to environmental and other concerns around drilling and fracking. Industry participants such as producers, explorers and governments are responding to the difficulties by reducing or delaying levels of construction, exploration and production activity which potentially has a material adverse effect on the levels of work that contractors such as AJL are able to win and has and may again lead to existing contracts being reduced in scope or cancelled. In turn, if this significantly impacts cash produced by the business, this may increase AJL's need to source external funding to meet Cuadrilla's requirements.
Counterparty (client) payment risk	a) In the ordinary course of business, AJL extends credit terms and relies on its clients for payments. Should a client enter financial distress or become insolvent, AJL may not be paid for work completed. Should a project cease mid-construction, AJL may find itself with an unexpected under-employed workforce to manage. Preliminary works on some projects are commenced prior to formal contracts being signed. b) AJL maintains provisions for bad and doubtful debts which are regularly reviewed. If these provisions are inadequate, or a bad debt arises during a period for which no provision has yet been made, there may be an adverse impact on AJL's financial performance and position.
Project based sales revenue	A significant proportion of AJL's revenue and earnings is sourced from specific projects. These may not be repeated or offer recurring revenue following the end of the project's finite life. The number of projects awarded to AJL may also vary in number and value from year to year. AJL's operating and financial performance is partly dependent on its ability to win work and secure sufficient projects within contemplated timeframes. Failure to do so may have a significant impact on financial performance and any forecast earnings.

Key risks

B. General risks relating to the operating businesses of AJL and the markets in which they operate (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, 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. 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 contracts entered into by AJL may be contracted on a fixed price basis with limited entitlements to price adjustments. Failure by AJL to properly assess and manage project risks may result in cost overruns which could cause the project to be less profitable than expected or loss making. If any of the above were to occur, there may be an adverse impact on AJL's future financial performance and financial position. 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 submits variation claims in relation to ongoing or completed projects in support of work that is out of scope from the original contract. These variation claims involve negotiation with contractual counterparties. The forecast assumes certain portions of variation claims submitted will be received. b) To the extent that AJL recovers less than expected on the variations, its financial performance may be materially adversely impacted.

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

Debt facilities	a) The terms of the Senior and Kerogen subordinated facilities include a number of events of default, including non-payment of any amount due under the facility and breach of financial covenants which, if triggered, could require AJL to cure the event of default. If no cure is undertaken by AJL, AJL could be required to repay the outstanding commitments under the facility on demand from the lenders. 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) Following the Offer the Company's ability to service its debt will continue to depend on its future performance, which may be affected by many factors, some of which may be beyond AJL's control and that of the Directors. Any inability of AJL to service its debt may have a material adverse effect on AJL. b) The inability to obtain additional finance from capital markets, if required, could have a material adverse effect on AJL's operations and its financial condition or performance.
Material contracts	a) A number of AJL's drilling contracts contain a right for the customer to terminate the contract at their convenience by providing notice to AJL. Under such arrangements, the customers are not required to state a reason for such termination nor are they required to attribute termination to any breach by AJL. b) The termination of any drilling contracts could have a material adverse effect on AJL's revenue. c) AJL regularly tenders for various new contracts and extensions to existing contracts. If AJL is unsuccessful in its tender activity or is unable to extend the terms of its existing contracts, this may have a material adverse effect on AJL's revenue.
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.

Key risks

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

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 or other remedies for any violation of laws and regulations and, in certain circumstances, impose obligations to undertake remedial action. In common with other businesses in the energy, resources and infrastructure sectors, there is a risk that significant damages or penalties might be imposed on AJL or an entity in which it has an interest, including for certain discharges into the environment, effects on employees, sub-contractors or customers or as clean up costs. b) Private entities, including the owners of properties upon which AJL's wells (or the operations of an entity in which AJL has an interest) are drilled and facilities where AJL's waste materials are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with environmental laws and regulations or for personal injury or property damage. In addition, the risk of accidental spills or releases of gas or hazardous materials could expose AJL to significant liabilities. Any significant increase in the costs of compliance with, or the liabilities and costs associated with any failure to comply with, environmental and operational safety laws and regulations could have a material adverse effect on AJL's business, prospects, financial condition or results of operations.
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.
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.

Key risks

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

Reputation and goodwill	There is significant goodwill vested in the "Lucas" trademark which may be adversely affected in a number of circumstances, including major breaches of workplace safety, litigation or accidents. Where such circumstances become known in its markets, there is a risk that AJL's goodwill may be damaged, including goodwill arising from AJL's reputation as a reliable and safe service provider. In addition, as with any listed company, AJL's share price may be affected by market sentiment.
Labour disputes	If any material disputes were to arise between AJL and its employees or sub-contractors, there would be potential for disruption to the operations of AJL. Any disruption may increase labour costs and availability and adversely impact revenue and profitability.
Litigation and legal risks	Litigation risks to AJL include, but are not limited to, claims from various parties, including employees, suppliers, customers and other contractual counterparties, government and special interest groups, as well as claims in relation to environmental matters, accidents and other commercial matters. To the extent that such risks are not covered by insurance, then any of an adverse outcome in litigation, the cost of responding to potential, threatened or actual litigation or the disruptive effect of disputes may have a material adverse impact on the financial performance of AJL.
Occupational Health and Safety	AJL's operations are subject to a wide variety of stringent and complex law, 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

C. Specific risks relating to investing in the Offer Shares

Market conditions	The market price of shares can fall, as well as rise, and may be subject to varied and unpredictable influences. Neither AJL nor the Directors warrant the future performance of the Offer Shares, AJL or any return on an investment in AJL.
Liquidity	a) There can be no guarantee that an active market in the Shares on ASX will exist at all times. There may be relatively few or many potential buyers or sellers of the Shares on the ASX at any given time. This may increase the volatility of the market price. It may also affect the market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for Shares that is less or more than the Offer Price for Offer Shares. 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.
Underwriting risk	AJ Lucas has entered into an underwriting agreement with the Underwriter to partly underwrite the Offer. If certain conditions are not satisfied or certain events occur under the underwriting agreement, the underwriter may terminate this agreement. If the underwriting is terminated for any reason, AJ Lucas' financial position may change, and it may need to take other steps to raise capital.

SELLING RESTRICTIONS

Selling restrictions

Singapore

This document has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this document and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the entitlements or any New Shares may not be circulated or distributed, nor may any entitlements or 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 other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where New Shares are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the New Shares pursuant to an offer made under Section 275 of the SFA except:

a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
b) where no consideration is or will be given for the transfer;
c) where the transfer is by operation of law;
d) as specified in Section 276(7) of the SFA; or
e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Selling restrictions (continued)

Hong Kong

WARNING: This document has not been, and will not be, authorized by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorize this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the entitlements and the New Shares have not been and will not be offered or sold in Hong Kong, by means of any document, other than (a) to “professional investors" (as defined in the SFO and any rules made under that Ordinance); or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the entitlements and the New Shares has been or will be issued, or has been or will be in the possession of any person for the purposes 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 the entitlements or the New Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

United States

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Selling restrictions (continued)

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received in connection with the issue or sale of the entitlements or 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 FSMA does not apply to AJL. All applicable provisions of FSMA with respect to anything done in relation to the entitlements or the New Shares in, from or otherwise involving the United Kingdom have been complied and will be complied with.

European Economic Area (EEA)

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") an offer to the public of any entitlements or the New Shares may not be made in that Relevant Member State, except that the entitlements or the New Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

b) by the Underwriter to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Underwriter for any such offer; or

c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the entitlements or the New Shares shall result in a requirement for the publication by AJL or the Underwriter of a Prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires the entitlements or the New Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Underwriter and AJL that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression "**an offer of entitlements and New Shares to the public**" in relation to any entitlements and New Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and the entitlements and New Shares to be offered so as to enable an investor to decide to purchase or subscribe for the entitlements and New Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression "Prospectus Directive" means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

AJL, the Underwriter and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement, and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriter of such fact in writing may, with the consent of the Underwriter, be permitted to subscribe for or purchase the entitlements or the New Shares.