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8 December 2008

The Manager
Company Announcements
ASX Limited
20 Bridge Street
Sydney NSW 2000

Dear Sir,

RE: AJ Lucas Group Limited - issue of RCPS

AJ Lucas Group Limited (AJL) announces that:

1. It has lodged a short form prospectus with ASIC (attached) regarding the proposed issue of Redeemable Convertible Preference Shares ("RCPS"), approved by shareholders on 26 November 2008.
2. AJL proposes to issue the RCPS, as contemplated by the prospectus, on or about 8 December 2008.

If there are any questions relating to the above, please contact me on (02) 9809 6866.

Yours sincerely,

David Barnett
General Counsel
A J LUCAS GROUP LIMITED

Redeemable Convertible Preference Shares

Prospectus

AJ Lucas Group Limited ABN 12 060 309 104



**For an offer of 450,000 Redeemable Convertible
Preference Shares**

A J Lucas Group Limited

Important Notice and Disclaimer

This Prospectus is issued by AJ Lucas Group Limited (**Lucas** or the **Company**) in relation to the issue of 450,000 redeemable convertible preference shares (**RCPS**) at \$100 per RCPS, to the Subscribers, to raise \$45 million (**Issue**).

This Prospectus is dated 8 December 2008 and was lodged with ASIC on 8 December 2008. The expiry date of this Prospectus is the date which is 13 months after the date of this Prospectus. No RCPS will be issued on the basis of this Prospectus later than the expiry date. ASIC and ASX take no responsibility for the contents of this Prospectus.

This Prospectus has been issued solely for the purpose of ensuring that any ordinary shares in the Company which are issued on conversion of the RCPS are not subject to section 707(3) of the Corporations Act 2001 (Cth) (the **Act**). No general or public offer will be made under this Prospectus.

Defined Terms and Abbreviations

Unless otherwise stated, defined terms and abbreviations used in this document are outlined in the Glossary.

Shareholder approval

The issue of RCPS was approved and authorised by a special resolution of ordinary shareholders of the Company at the Annual General Meeting held on 26 November 2008 (**AGM**). Details of the Issue and its effect on the Company were disclosed in the Explanatory Statement to the Notice of AGM, and parts of that Explanatory Statement are incorporated by reference in this Prospectus.

Important Document

There are risks associated with an investment in RCPS and in the Company. Certain key risk factors are set out in Section 3. It is important that you carefully read this Prospectus in its entirety, particularly the risk factors that could affect the financial performance of Lucas. You should carefully consider these risks in light of your personal circumstances (including financial and taxation issues).

In preparing this Prospectus no account has been taken of the investment objectives, financial situation and particular needs of any particular party and nothing in this Prospectus should be interpreted or construed as tax or legal advice or a recommendation to any investor to purchase any RCPS.

In considering an investment in the RCPS, the Company understands that the Investor has engaged its own professional advisors to provide independent legal, tax and accounting advice on the merits and risks of making such an investment. The terms of the Subscription Agreement and the RCPS were negotiated between the Investor and the Company at arm's length. The Investor and the Subscribers are strongly encouraged to read the contents of this Prospectus in its entirety and to make their own assessment of all risks associated with an investment in the Company.

This Prospectus is a short form prospectus under section 713 of the Act, and incorporates certain information by reference under section 712 of the Act. Accordingly, it does not contain all of the information that a full prospectus under section 710 of the Act would be required to contain. It must be read in the context of, and having regard to, the Company's continuous disclosure and publicly available information regarding the Company and its business.

Restrictions on the Distribution of this Prospectus

This Prospectus does not constitute an offer of RCPS in any place outside Australia, nor to

anyone other than the Investor and the Subscribers. No general or public offer of RCPS is made under this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and any person into whose possession this Prospectus comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions. No representation is made by any party that this document may lawfully be distributed, nor that any RCPS may be lawfully offered, purchased or subscribed for, in compliance with any applicable registration or other requirements in any such jurisdiction outside Australia, or under an exemption available in that jurisdiction nor to any person other than the Investor and the Subscribers. No action has been taken to register or qualify the RCPS or the Issue, or otherwise permit a public offering of the RCPS in any jurisdiction outside Australia where action for that purpose is required.

The RCPS have not been, and will not be, registered under the US Securities Act 1993 (as amended) and may not be offered or sold in the United States or to, or for the account of or benefit of, US persons (as defined in Regulation S under the US Securities Act). Accordingly, this Prospectus may not be sent to investors in the United States or otherwise distributed in the United States, nor to US persons in any other jurisdiction.

Disclaimer

No person is authorised to give any information or make any representation in connection with the RCPS which is not contained in this Prospectus.

Governing Law

This Prospectus is governed by the laws of New South Wales, Australia.

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Summary of key dates

Date of the AGM to approve the Issue	26 November 2008
Lodgment of this Prospectus, and information incorporated by reference in this Prospectus	8 December 2008
Expected date of completion of the Subscription Agreement and issue of the RCPS	On or about 8 December 2008

*These dates are indicative only and are subject to change.

1 Issue Summary

1.1 Details of the Issue

Lucas proposes to issue 450,000 Redeemable Convertible Preference Shares (**RCPS**) at a price of \$100 per RCPS (**Issue**) to the Investor, to raise \$45 million (before costs of the Issue).

Pursuant to the terms of the Subscription Agreement entered into by Lucas and the Investor, the RCPS will be issued to the Investor or certain private funds or related body corporates of the Investor. The Investor has recently advised the Company that the Subscribers are to be issued the RCPS under the terms of the Subscription Agreement. To give effect to this arrangement, the Company, the Investor and the Subscribers have entered into an Amending Deed. Under the deed, the Subscribers have agreed to replace the Investor under the Subscription Agreement as if they were a party to the Subscription Agreement from the date of execution of the Amending Deed.

1.2 Purpose of the Issue

In August 2008, Lucas completed the acquisition of a leading drilling and specialty services provider to the coal seam gas industry, Mitchell Drilling Corporation (**Mitchell Drilling**) for \$150 million. The acquisition was funded by \$102 million senior debt, a \$29.2 million equity placement to institutional investors, a \$45 million bridge facility (**Bridge Facility**) and a \$15 million equity placement to the vendor.

As part of the financing package for this acquisition, the Company had entered into a Subscription Agreement with the Investor. The Subscription Agreement required, among other things, that the Company must issue the RCPS, and the Investor must subscribe for the RCPS. The terms of the Subscription Agreement and the RCPS were negotiated between Lucas and the Investor at arm's length.

The Subscription Agreement was entered into immediately prior to the entry into the Business Sale Agreement for the Mitchell Drilling business, and (subject to shareholder approval) was contemplated as being the primary means for repaying the Bridge Facility. The obligation to issue RCPS was conditional on shareholder approval, which was obtained at the AGM on 26 November 2008.

The proceeds of the Issue will be used to repay the principal amount under the Bridge Facility.

1.3 Effects of the Issue

The principal effects on the Company of the Issue are set out in Section 8.4 of the Explanatory Statement to the Notice of AGM, which is incorporated by reference in this Prospectus.

Section 8.4 of the Explanatory Statement addresses, in particular:

- the impact on the Company's placement capacity;
- the anticipated impact on the Company's financial statements and performance, including the expected classification of the RCPS in the Company's balance sheet, impact of the Issue on the Company's earnings and tax treatment of the RCPS for the Company;
- the potential impact on dilution of holdings in the event of conversion of the RCPS into ordinary shares of the Company (**Ordinary Shares**) (hypothetical examples, based on certain assumptions);
- the impact on dilution in the event of an issue of equity capital to fund redemption of

the RCPS (hypothetical examples, based on certain assumptions);

- the relativity of the conversion price of the RCPS to the share price of the Ordinary Shares over time. An updated share price chart is included in Section 2.3 of this Prospectus;
- a description of the possible conversion price adjustment events with hypothetical examples of the potential impact of certain of those adjustment events on the conversion price;
- other potential impacts on ordinary shareholders of the terms of the RCPS, including:
 - possible restrictions on dividend payments on ordinary shares;
 - ranking of claims in the event of a winding up of the Company, relative to claims of ordinary shareholders;
 - the existence and effect of participation rights (in limited circumstances) under the RCPS terms in respect of certain in-specie distributions; and
 - the tendency of certain terms of the RCPS to place restrictions on activities of the Company, because of consent rights in the RCPS or limits on the nature of corporate actions that can occur without consent; and
- the consequences under the Bridge Facility.

In addition, as set out in the Explanatory Statement, the RCPS terms contain certain negative covenants and finance restrictions which may have an impact upon actions of the Company:

- unless approved by a Resolution (as defined in the Terms) of RCPS holders, the Company may not dispose of all or substantially all of the assets in any key division within the AJ Lucas group (other than coal seam gas assets); and
- the Company may not incur any new finance debt except: debt incurred for the purpose of Redemption of all of the RCPS; debt which does not raise the adjusted Total Leverage Ratio of the Company above 4.0 times; or debt which is permitted under the Company's senior debt agreements (with certain additional restrictions and consent requirements).

The Company has rolled over its loan under the Bridge Facility to 8 December 2008. As at the date of this Prospectus, the interest rate payable on the Bridge Facility is 9.75% (BBSY as at 5 December 2008 plus a margin of 5.5%) per annum. The reduction in BBSY over the course of the term of the Bridge Facility has resulted in a net interest rate premium of 1.25% when compared to the RCPS dividend rate of 11% per annum (however if the Company does not pay a dividend on the RCPS when due, the step up dividend rate of 13% per annum would apply until any unpaid dividends are paid).

The Explanatory Statement to the Notice of AGM was lodged with ASX, was sent to all ordinary shareholders who received the Notice of AGM, and is available on ASX's website - www.asx.com.au. An extract of those parts of the Explanatory Statement incorporated in this Prospectus has been lodged with ASIC and a copy may be obtained free of charge from the Company Secretary.

1.4 Terms of issue of the RCPS

A summary of the terms and conditions of issue of the RCPS was set out in the Explanatory Statement to the Notice of AGM, however, this summary was not exhaustive. The final terms of issue of the RCPS were approved by special resolution of ordinary shareholders in the form annexed to the Notice of AGM, and are set out in full in Appendix 1 to this Prospectus (**Terms**).

1.5 Rights attaching to Ordinary Shares

The RCPS may be converted into Ordinary Shares in accordance with the Terms.

The rights and liabilities attaching to Ordinary Shares are set out in the Company's Constitution (a full copy of the Constitution is available from the Company on request free of charge) and are regulated by the Act, the general law, the Listing Rules and the ASTC Settlement Rules. The following is a summary of the principal rights and liabilities attaching to the Ordinary Shares. This summary does not purport to be exhaustive. A reference to "shareholder" below refers to a holder of any Ordinary Shares.

Securities - The Directors have control over the issue of shares and options over such shares, but in doing so, must act in accordance with the Act, the Listing Rules and the Constitution.

Voting Rights - Subject to the Constitution, every shareholder present in person or by proxy, attorney or, in the case of a corporation, a duly appointed representative, has one vote on a show of hands and one vote for each fully paid share on a poll. Shareholders may appoint a proxy to attend and vote at a general meeting on their behalf. Except in the case of any resolution which as a matter of law requires a special majority, a resolution is taken to be carried if a majority of the votes cast on the resolution are in favour of it. At a general meeting, a resolution must be decided on a show of hands unless a poll is demanded in accordance with the Act. Should there be an equality of votes on a proposed resolution, the chairperson of the meeting, in addition to his or her deliberate vote, has a casting vote.

General meetings and notices - The Directors may convene a general meeting whenever they think fit. The Directors must convene an annual general meeting in accordance with the Act. Notice of the general meetings must be given to every shareholder as required under the Act.

Dividend entitlement - Subject to the Act, the Directors may pay any interim and final dividends as, in their judgment, the financial position of the Company justifies, and may fix the amount, time and method of payment of such dividends. Subject to any rights or restrictions attached to any Ordinary Shares, all dividends in respect of Ordinary Shares must be paid to shareholders in proportion to the number of Ordinary Shares held by the shareholder.

The Directors may retain any dividend payable to a shareholder in respect of an Ordinary Share on which the Company has a lien. The Company may apply such dividend in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Variation of rights - The Company may vary the rights attaching to a class of shares if a special resolution is passed at a general meeting of the holders of that class of shares allowing the variation to be made, or with the written consent of the holders of at least 75% of the issued shares of that class.

Transfer of Ordinary Shares - A transfer of Ordinary Shares must be made in accordance with the Act, the Constitution, the Listing Rules and the ASTC Settlement Rules. A shareholder may transfer all or any of their Ordinary Shares by a proper ASTC transfer or an instrument in writing in any usual form or in any other form that the Directors approve. The Directors must not in any way prevent, delay or interfere with the generation of a proper ASTC transfer or the registration of a paper-based transfer in registrable form. The Directors may decline to register a transfer or may request ASTC to apply a holding lock where the Listing Rules permit them to do so.

1.6 ASX Listing

The RCPS are not proposed to be quoted on ASX. The Company will apply to ASX, in accordance with the requirements of Listing Rules at the relevant time, for official quotation of the Ordinary Shares to be issued from time to time upon conversion of the RCPS.

2 Company Overview

2.1 General overview

Lucas is a diversified engineering, construction and services group specialising in providing services to the water and waste water, oil and gas, resources, mining, infrastructure and property sectors in Australia and, from time to time, in the Asia-Pacific region.

Lucas is structured into two principal business segments the client base of each comprising predominantly governments and major corporations.

- **Drilling** - Lucas provides specialty drilling services for the exploration of coal, the degasification of coal mines, the production of coal seam gas from coal fields, and for the installation by horizontal directional drilling of conduits and pipelines.. Lucas Drilling is fully integrated such that it is able to fully undertake a project from engineering and planning, through field exploration and field development. When drilling for the recovery of gas, Lucas is able to commercialise the resource by bringing the gas to market.
- **Infrastructure and Pipelines** - Lucas provides engineering, procurement, construction, and facilities management for pipelines, civil engineering projects, buildings, and cable roll outs. These projects have been predominantly for water and waste water, and natural gas and hydrostatic testing.

A third division is emerging. This will be for Operations, Maintenance, and Similar Services.

In addition, Lucas holds direct equity interests in coal seam gas assets primarily in New South Wales and Queensland held through a wholly owned subsidiary known as Lucas Energy. In recent months, maiden reserves have been announced in two of the core assets which have demonstrated the capability of Lucas in identifying attractive coal seam gas prospects.

The Company has announced an intention to sell one of its Australian coal seam gas assets, being its interest in ATP 651 in Queensland's Surat Basin. It is reviewing its strategic options for, and has announced an intention to restructure the ownership of, its other coal seam gas assets and interests, including the PEL 285 petroleum exploration licence in New South Wales. While the Company is seeking to complete these transactions in the current financial year, there is no certainty as to timing or completion of these potential transactions.

2.2 Annual Report and ASX announcements

A summary of the strategic focus, major activities and financial information for the Company is in the Annual Report. A full copy of the Annual Report has been lodged with ASIC. The Annual Report contains information concerning the activities of the Company to 30 June 2008 as well as information about the Company's financial position as at that date.

Since the lodgment of the Company's Annual Report, the Company has also issued the ASX announcements referred to in Section 4

The Annual Report and all ASX announcements for the Company are available from ASX on its website - www.asx.com.au. A copy of the Annual Report may also be obtained, free of charge, from the Company Secretary.

The Company has recently given updates to the market in relation to its strategic directions. See the Company's recent announcements set out in Schedule 1.

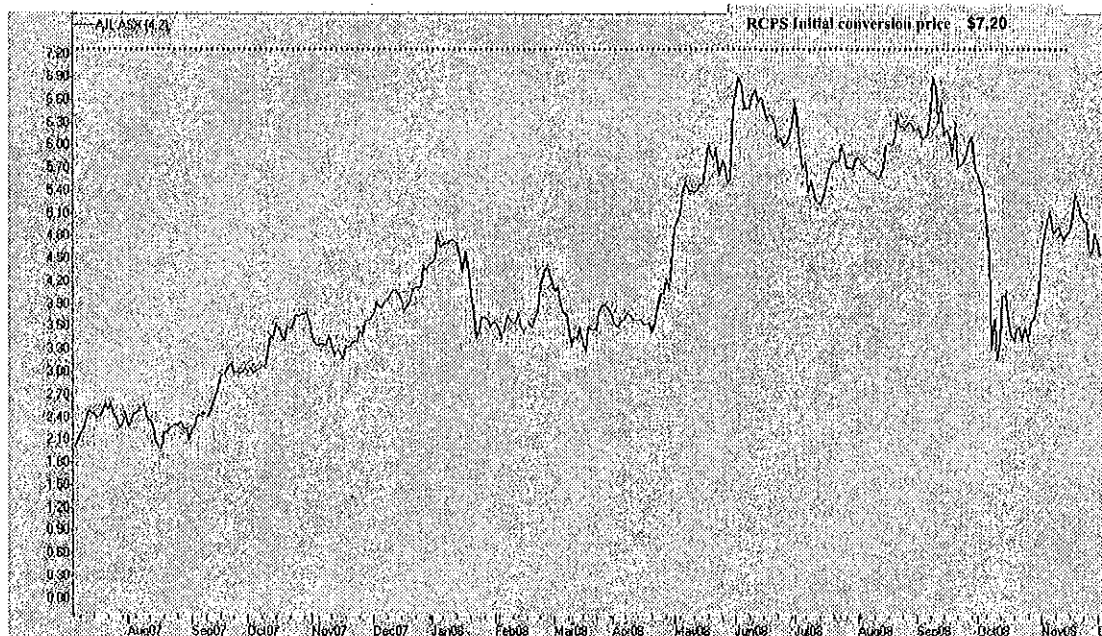
2.3 Market price of Lucas' shares on the ASX

The highest and lowest closing sale prices for Ordinary Shares on the ASX during the three months preceding this Prospectus were \$6.90 on 9 September 2008 and \$3.16 on 10 October

2008. The closing price for Ordinary Shares on the ASX on the last trading day before the date of this Prospectus was \$4.20.

The following table sets out the share price history for the Company from 1 July 2007 to 5 December 2008. ***This table supersedes and updates the share price chart (Figure 8.4.6) included in the Explanatory Statement to the Notice of AGM.***

Share price history for the Company for the period from 1 July 2007 to 5 December 2008.



However, please note that past performance or share price trends are no indication or guarantee of future performance or share price trends.

3 Risks

3.1 Introduction

As with all businesses, there are a number of factors both specific to Lucas and of a general nature that may have a material impact on Lucas' future operating and financial performance. This Section 3 describes certain specific areas that are believed to be risks associated with Lucas and with an investment in the RCPS. Each of these risks described below could, if it eventuates, have a material impact on the Company's operating and financial performance and its ability to pay dividends on the RCPS and redeem them and on the market price of the Company's Ordinary 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 Lucas, its directors and its senior executives.

In considering an investment in the RCPS, the Company understands that the Investor has engaged its own professional advisors to provide independent legal, tax, accounting, and other advice on the merits and risks of making this investment. The terms of the Subscription Agreement and the RCPS were negotiated between the Investor and the Company at arm's length, and the Amended Subscription Agreement does not materially change the obligations of the Company. The Investor and the Subscribers are strongly encouraged to read the contents of this Prospectus in its entirety and to make their own assessment of all risks associated with an investment in the Company.

Risks have been outlined in two categories:

- Risks relating to investing in RCPS; and
- Risks more generally regarding Lucas and the markets in which it operates.

3.2 Risks relating to investing in RCPS

No events of default

The terms of the RCPS contain no events of default and, accordingly, failure to pay a dividend on the RCPS will not constitute an event of default. Further, in the event that the Company does not pay a dividend when scheduled on the RCPS, a RCPS holder has no right to apply for the Company to be wound up, or placed in administration, or cause a receiver or a receiver and manager to be appointed in respect of the Company merely for that reason. However, a failure to pay dividends on the RCPS or a breach of other key obligations under the Terms of the RCPS (including the finance covenants and redemption obligations) does have consequences under the Terms, including triggering a step-up dividend rate and dividend restrictions for Ordinary Shares (see the paragraph headed "Dividends on RCPS may be suspended" below).

Dividends on RCPS may be suspended

The payment of dividends on the RCPS may be suspended. The payment of each dividend under the RCPS is subject to:

- the Directors in their sole discretion resolving to pay the dividend;
- the Company being solvent after paying the dividend;
- payment of the dividend not being prohibited under the Company's senior finance documents;
- the Company having profits available to pay the dividend; and
- payment of the dividend not being in breach of any applicable material law.

There is a risk that one or more of the above elements will not be satisfied, and there is therefore, a risk that a dividend may be suspended.

As noted above, the suspension of dividends does not constitute an event of default under the Terms, although there are consequences under the Terms. Dividends on the RCPS are cumulative. Any unpaid amount of a suspended dividend (not including any part of that dividend that the RCPS holder has elected to roll-up to be added to the conversion amount of the relevant RCPS) will be payable (subject to any further suspension) as a dividend at the next scheduled dividend payment date (unless the Company, in its discretion, elects to reduce any unpaid dividend amounts by paying an optional dividend).

However, if the Company does not pay a declared dividend in full within 5 business days of the relevant dividend payment date, then the Company must not declare or otherwise determine to pay a dividend or make any distribution on its Ordinary Shares (other than pro rata payments on RCPS and any security of the Company which ranks in respect of dividends (in the case of a dividend) or return of capital in a winding-up (in the case of any other payment), equally with the RCPS), without approval from a resolution of holders of the RCPS unless the Company pays in full the unpaid dividends on the RCPS or all the RCPS have been redeemed or converted into Ordinary Shares. In addition, a step-up dividend rate will apply to the unpaid dividends and future dividends unless and until the unpaid dividends have been paid.

Liquidity

The RCPS will be unlisted and there will be no established secondary market for the securities. Furthermore, any transfer of RCPS to any person other than the initial holders of the RCPS pursuant to the Subscription Agreement, members of the GSJBW Group, funds or trusts managed or advised by the Investor or entities within the GSJBW Group (or nominees or custodians for any of those entities) requires the prior consent of Lucas.

Market conditions

RCPS are convertible into Ordinary Shares at the option of the holders within prescribed time periods (see clause 4 of the Terms). The Ordinary Shares held as a result of any conversion of RCPS will, following conversion, rank equally with existing Ordinary Shares. Accordingly, the ongoing value of any Ordinary Shares received upon conversion will depend upon the market price of Ordinary Shares after conversion. The market price of the Ordinary Shares will fluctuate due to various factors, including investor perceptions, domestic and worldwide economic conditions, interest rates and the Company's financial performance and position.

In addition, these and other events and conditions, such as any disruption to the market for the Ordinary Shares or to capital markets generally, the availability of purchasers of Ordinary Shares and any costs or practicalities associated with trading or disposing of Ordinary Shares at that time, may affect the ability of holders of RCPS to trade or dispose of the Ordinary Shares issued on conversion.

Dividends not franked

The Company does not expect dividends on the RCPS to be franked. The Company expects that the RCPS should be treated as debt for income tax purposes, but has not obtained a tax ruling on this issue, and it may be characterised differently.

Changes in interest rates

The dividend rate payable on the RCPS is fixed (subject to the step-up provisions). There is a risk that, if market interest rates increase, the dividend rate will become less attractive when compared with the rates of return on comparable securities. There is also a risk for the Company that, if market interest rates remain low or decrease, the cost of the RCPS to the Company will be more expensive than alternative forms of funding.

Ranking behind creditors but ahead of ordinary shareholders

The Company's obligations under the RCPS rank subordinate and junior in right of payment and in a winding up to the Company's obligations to its creditors, including subordinated creditors. Accordingly, the Company's obligations under the RCPS will not be satisfied unless it can satisfy in full all of its other obligations ranking senior to the RCPS. However, RCPS holders rank in priority to RCPS holders for the payment of dividends and for return of capital in a winding up.

Ranking in a winding up

In the event of a winding up of the Company, if RCPS have not been converted or redeemed, holders of RCPS will be entitled to be paid the Redemption Amount (broadly, the issue price of RCPS plus accrued but unpaid dividends and any rolled-up dividends, as adjusted pursuant to the Terms) as at the relevant date for each RCPS. The claim for this Redemption Amount ranks ahead of Ordinary Shares but behind all creditors. If there is a shortfall of funds on a winding up to pay all amounts ranking senior and equally with the RCPS amounts above, there is a risk that holders of RCPS will not receive a full (or any) return of capital or payment of any dividends declared but unpaid. Although the RCPS may pay a higher rate of dividend than comparable instruments which are not subordinated, there is a real risk that an investor in RCPS will lose all or some of its investment should the Company become insolvent.

Future issue of securities by the Company

The Company may in the future issue securities that:

- rank for payments of dividends or payments of capital (including on the winding up of the Company) behind RCPS, or, with consent of an ordinary Resolution of holders, as defined in the Terms) equal with or ahead of RCPS, and which may contain a distribution restriction which affects distributions on the RCPS;
- have the same or different distribution, interest or distribution rates as the RCPS; or
- have the same or different terms and conditions as the RCPS.

An investment in the RCPS carries no right to participate in any future issue of securities (whether equity, hybrid, debt or otherwise) by the Company (although RCPS carry limited rights, in some circumstances, to participate in in-specie distributions). No prediction can be made regarding the effect (if any) such future issue of securities by the Company may have on the market price or liquidity of the RCPS and the Ordinary Shares to be issued upon conversion of the RCPS.

Redemption and go-to-market risk

A holder of RCPS may require all of its RCPS to be redeemed by the Company following a change of control event (as defined in the Terms), if the Ordinary Shares cease to be listed, or if the Company fails to pay a dividend on the RCPS when scheduled or is in breach of certain finance restrictions and does not remedy that situation within 10 business days. If RCPS are not redeemed on a required redemption date, the Company is obliged to go to market to conduct an offer of securities, at whatever discount is necessary, to raise the redemption amount within 90 days after the redemption date and irrespective of market conditions. No prediction can be made regarding the effect (if any) such future issue of securities by the Company may have on the market price or liquidity of the RCPS and the Ordinary Shares to be issued upon conversion of the RCPS.

Negative covenants and finance restrictions

Unless approved by a Resolution (as defined in the Terms) of RCPS holders, the Company may not dispose of all or substantially all of the assets in any key division within the Group, including future key divisions, other than a divestment of CSG assets. Such a restriction may

limit the corporate opportunities which the Company may pursue, or may affect the Company's ability to promptly act on such opportunities if the consent of RCPS holders is not obtained within the required time frame.

Under the Terms, the Company may not incur any new finance debt except debt incurred for the purpose of redemption of all of the RCPS, debt which does not raise the adjusted Total Leverage Ratio (as defined in the Terms) of the Company above 4.0 times, or debt which is permitted under the Company's senior debt agreements (with certain additional restrictions and consent requirements). This limitation may have an adverse effect on the Company's ability to source required funding for its operations if the Company is not able to secure any alternative source of funding.

Classification of RCPS as a non-current liability

The Company understands that the RCPS will be recognised for accounting purposes as a non-derivative liability. Accordingly it expects that the RCPS will be classified in their entirety as a "liability" with no amount included in equity prior to their conversion into Ordinary Shares. The liability has been classified in the pro-forma balance sheet included in the Explanatory Statement to the Notice of AGM as a non-current liability reflecting its five year term. However, because the RCPS can be redeemed earlier in certain circumstances at the holder's option, accounting standards may require them to be reported as a current liability.

Other impacts of RCPS on the Company

The issue of RCPS has other impacts on the Company's operations and financial performance, including the impacts referred to in Section 1.3 of this Prospectus.

Details of these impacts and other principal effects on the Company of the Issue are set out in Section 8.4 of the Explanatory Statement to the Notice of AGM, which is incorporated by reference in this Prospectus.

3.3 Risks more generally regarding Lucas and the markets in which it operates

Variable sector activity

Lucas operates predominantly in the engineering, energy, mining and infrastructure sectors. Any variance in the level of activity in any or all of these sectors may have an adverse effect on operating results and the factors influencing that variance are beyond the control of Lucas. These factors vary but can include, amongst other things:

- Availability and cost of key resources, including people, equipment, and critical consumables;
- Energy (including coal, oil, and gas) and commodity prices and supply and demand, and the impact of foreign currency exchange rates on energy and commodity prices;
- Contracting and execution strategies of major CSG producers and other key customers of Lucas;
- Availability and cost of capital; and
- Government funding of, and sponsorship of, infrastructure projects.

Availability of equipment and resources

The sectors in which Lucas operates are technically specialised fields which utilise a range of highly specialised equipment. The business needs to continue to source and commission new equipment and to recruit, retain and train skilled employees to operate the more specialised equipment. Depending upon the demands of particular projects from time to time, the continuing availability of new equipment, long lead times or other delays in the supply or commissioning of new equipment, and shortages in available skilled personnel to operate the

equipment can be relevant to Lucas' future financial performance and growth.

In addition, the drilling industry in which the Lucas drilling division operates is capital intensive. The operating and financial performance of that division is partly reliant on adequate capital investment. However, the other divisions of Lucas' business are less capital intensive.

Lucas' 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 Lucas.

Commercial, financial and operational risks of business

As a business operating in these sectors, Lucas faces general commercial risks, including the risks of the loss of major customers, competition and other causes of business interruption, which may have a material adverse effect on Lucas. The development of new products or technologies which compete with Lucas may also have a material adverse effect on Lucas.

As a contracting and services business, Lucas is subject to, and seeks to manage, a number of contractual risks which include the following:

- Lucas' businesses enjoy a number of contracts with long-term customers and business relationships. If any of these key customers reduce 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 Lucas;
- Certain public infrastructure alliance contracts contain provisions permitting the project sponsor to change, curtail or cancel the project;
- For certain major projects, Lucas may need to join into joint ventures which can bring counterparty risks or may limit Lucas' access to opportunities if suitable joint venture partners are not available;
- Contracts in the sectors in which Lucas operates often contain penalty clauses, and contractual disputes can potentially have a material adverse effect on the Company; 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 Lucas' operations.

Personnel risks

Like other companies, Lucas' 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 any of its senior executives or key personnel, or a loss of the ability to continue to attract and retain qualified employees, could have a material adverse effect on the operations and financial results of Lucas. Continuity and retention of staff is important for customer retention and ongoing customer negotiations. A change of staff or resourcing issues arising from periods of rapid growth could affect ongoing relationships with various parties connected to Lucas.

Increased or new competition

In common with many other companies, Lucas faces competition in its businesses. To the extent that there are new entrants or changes in strategy by existing competitors, Lucas may lose market share with consequent adverse effects upon operating and financial performance. In addition, further consolidation within the industries in which Lucas operates is possible, which may adversely affect Lucas' competitive position.

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 Lucas' goodwill will be damaged, including goodwill arising from Lucas' reputation as a reliable and safe service provider. In addition, as with any listed company, Lucas' share price can be affected by market sentiment.

Funding requirements

Lucas sources capital from cash generated by the business and, where necessary, from debt markets (including finance leases) and equity markets. There is no guarantee that funds will be available on favourable terms for future requirements. An inability to obtain the necessary funding for the business or a material increase in the cost of funding through an increase in interest rates, or changes in pricing of equity may have a material adverse impact on Lucas.

Lucas' ability to service current debt will depend on its future performance, which will be affected by many factors, some of which may prove to be beyond Lucas' control and that of its directors. Any inability of Lucas to service its existing debt would have a material adverse effect on the Company.

Lucas may use derivative instruments in order to hedge against movements in interest rates. Circumstances might arise where Lucas' exposure in the spot market may have a material adverse effect on Lucas.

Labour disputes

If any material disputes were to arise between Lucas and its employees or sub-contractors, there would be potential for disruption to the operations of Lucas. Such disruption may increase labour costs and availability, and adversely impact revenue and profitability.

Litigation and legal risks

Litigation risks to Lucas 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, an adverse outcome in litigation, the cost of responding to potential or actual litigation, or the disruptive effect of disputes may have a material adverse impact on the financial performance of Lucas.

Environmental risks

Environmental laws and regulations in Australia can affect the operations of businesses, including Lucas. The laws and regulations that regulate certain aspects of health and environmental quality, 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 Lucas, including for certain discharges into the environment, effects on employees, sub-contractors or customers, or as clean up costs.

Occupational Health and Safety

Lucas manages risks associated with the occupational health and safety of its employees, sub-contractors and others. It is possible for injuries and/or incidents 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 Lucas' earnings.

Corporate opportunities

Lucas regularly examines a range of corporate opportunities for acquisitions, sales of assets or businesses, or restructures of existing interests with a view to determining whether those opportunities will enhance its financial performance, market position or growth.

The successful implementation of any acquisition, divestment or restructure will depend on a range of factors, including potential funding strategies (for Lucas or potential counterparties), counterparty risks, completion risks, challenges associated with integrating and adding value to any business which is acquired, and market and economic conditions. Lucas may fail to realise the anticipated value from investments in, or acquisitions, divestments or restructures of, key assets (including those which have been foreshadowed to the market), in which instance it may have a material adverse impact on the Company.

Major incidents

Lucas may be impacted (directly or indirectly) by natural or environmental disasters, infrastructure disruptions, the actions of governments in any relevant jurisdictions, or disruption of domestic or global financial markets and other economic circumstances or by major global incidents such as the threat of war, terrorism or other hostilities (regional or international),

Major incidents to do with forces of nature, operator fault or negligence or events beyond Lucas' control may adversely impact Lucas' operational and financial performance.

Changes of law and government policy

Future regulatory and legal developments, including potential changes to regulatory environments and requirements, legislation, regulations and other laws, accounting standards, government policies, and future tax developments or changes to tax laws or the tax treatment of the Company or any of its subsidiaries, may have a material adverse effect on the Company.

3.4 Risk Mitigation

The Company has established systems of risk management and internal control. These systems assist in alleviating some (but not all) of the operational risks associated with the Company's business.

Risk Management Systems and Procedures

The Company has in place risk management systems, procedures and internal control mechanisms. These systems include recognised operating business system applications, including include Workbench (job costing, project management and property and equipment maintenance), Microsoft Dynamics (Great Plains) for financials, and LMS (Lucas Management System) which is a control system for referencing compliance requirements and check points of company policies and procedures. Further, the Company has adopted AS/NZS 4360: Risk Management published the Standards Australia.

The Company's chief executive officer, chief financial officer and group commercial manager are charged with ensuring that these systems, procedures and controls are being used, are functioning properly and are workable, and that they are appropriate to the nature of the business and changes to the business over time.

Quality Management System

The Lucas Quality Management System forms part of the Lucas Management System described above. Lucas was granted unconditional certification for its Quality Management System to AS/NZS ISO 9001:2000 from certification authority (BVQi) Bureau Veritas Quality International, on 25 October 2001, Certificate No. 89383. The certificate covers the following business elements:

- Project management;

- Procurement and Design Management for construction and installation;
- Maintenance of Gas, Oil, Water and other pipelines;
- Utilities/Infrastructure Works; and
- Horizontal Directional Drilling.

Occupational Health & Safety

Lucas has established a occupational health and safety system which is mandatorily applied throughout the Company. It is based on standards published by Standards Australia namely AS/NZS 4360: Risk Management, AS/NZS 18001:1999 Occupational Health & Safety and AS/NZS 4801:2001 Safety Management Systems.

Projects and operations are regularly audited for compliance with this system.

Environmental Management

Lucas has adopted AS/NZS 14001:2004 Environmental Management Systems as published by Standards Australia and has established an environmental management system accordingly.

Additionally, the Lucas System addresses the Australian Pipeline Industry Association Code of Environmental Practice. Lucas also has accreditation from the NSW Department of Commerce in accordance with the current NSW Government Environmental Management System Guidelines November 1998 (Appendix B, Section 2).

The summary of risks in this Section 3 is not exhaustive, and investors should consult their financial adviser or other professional adviser before making any investment decision.

4 Additional Information

4.1 Short Form Prospectus

This Prospectus is a prospectus to which the special content rules under section 713 of the Act apply. Section 713 allows the issue of a concise prospectus in relation to offers of securities in a class which have been continuously quoted on ASX for the 12 months prior to the date of the prospectus. The RCPS are convertible into securities of a class of securities that are continuously quoted securities.

This Prospectus is a short form prospectus issued pursuant to section 712 of the Act. This Prospectus incorporates by reference information contained in documents previously lodged with ASIC (and in certain respects supersedes and updates such information). This Prospectus refers to certain Sections of the Explanatory Statement to the Notice of AGM and the Annual Report, and these extracted Sections were lodged with ASIC on 8 December 2008.

Set out below is a summary of the information contained in these documents that is deemed to be incorporated in this Prospectus.

- The following Sections in the Explanatory Statement to the Notice of AGM:
 - **Section 5 - Background of Mitchell Drilling acquisition** - This Section contains background information relating to the Company's acquisition of Mitchell Drilling and the financing arrangements entered into by the Company to fund the acquisition, including details relating to the Bridge Facility.
 - **Section 8.2 - Background to proposed issue of RCPS** - This Section contains background to the proposed issue of RCPS.
 - **Section 8.4 - Consequences if Resolution 9 is passed (other than Figure 8.4.6, which has been updated in Section 2.3 of this Prospectus)** - This Section contains a description of the impact on the Company and the holders of Ordinary Shares of the Issue being approved by the Company's shareholders and of the issue of the RCPS.

The following information in the Annual Report:

- **Page 41 of the Annual Report - Section entitled "5. Auditor's Remuneration"** - This Section contains the remuneration paid to the Company's auditors for audit and non-audit services for the years ended 30 June 2007 and 30 June 2008.

A complete copy of the Notice of AGM including the Explanatory Statement and the Annual Report can be obtained from the Company (see Section 4.2 below).

4.2 Continuous Disclosure Obligations

The Company is a disclosing entity for the purposes of the Act and, as such, is subject to regular reporting and disclosure obligations under the Act and the Listing Rules. Broadly, these obligations require:

- the preparation of both yearly and half yearly financial statements, a report on the operations of the Company during the relevant accounting period, together with an audit or review report thereon by the Company's auditor; and
- immediate notification to ASX of any information concerning the Company which it becomes aware of and which a reasonable person would expect to have a material effect on the price or the value of the Company's securities, subject to certain limited exceptions.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC. The Company will provide a copy of the Notice of AGM (see Section 4.1) and the following documents, free of charge, to any person who requests such a document on or before the close of business on the date of issue of the RCPS, which is expected to be on or about 8 December 2008:

- the Annual Report, being the most recently lodged financial report before the date of this Prospectus;
- any continuous disclosure notices given by the Company to ASX after the lodgment of the Annual Report and before lodgment of this Prospectus with ASIC. The following is a list of those continuous disclosure notices:

Date Lodged	Particulars of Announcement
05/12/2008	Change in substantial holding from BTT
05/12/2008	Change in substantial holding from WBC
26/11/2008	Results of AGM
26/11/2008	AGM Chairman's Address
26/11/2008	Appointment of CEO
20/11/2008	Southern Seawater Desalination Project - Preferred Alliance Partner
18/11/2008	Update of Sale of Interest in ATP 651
23/10/2008	Share Buy-Back Announcement Correction
22/10/2008	Notice of Annual General Meeting/Proxy Form
22/10/2008	Quarterly Update and Presentation

The Annual Report and copies of continuous disclosure notices lodged with ASX are also available through ASX's website - www.asx.com.au.

4.3 Directors' Interests

Except as disclosed in this Prospectus, no Director, and no firm in which a Director has an interest:

- has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Issue or property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Issue; or
- has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of the Company or the Issue.

The relevant interest of each Director and their Director-related entities in the shares and options over shares issued by the Company are:

	Ordinary Shares	Options issued under Management Rights Plan
Allan Campbell	10,140,083	360,000

Ian Stuart-Robertson	1,386,750	220,000
Andrew Lukas	6,204,833	220,000
Martin Green	125,000	-
Garry O'Meally	219,180	-

At the AGM, the Company's shareholders approved the plans comprised in the Incentive Scheme. The Company proposes to issue rights to acquire shares in the Company (**Rights**) to Allan Campbell, the executive chairman and chief executive officer of the Company, under the Incentive Scheme. Details of the plans comprised in the Incentive Scheme and the proposed issue of the Rights are set out in Section 3 of the Explanatory Statement to the Notice of AGM.

At the AGM, the Company's shareholders approved a Non-executive Directors Share Plan (**NED Plan**) to allow the Company's non-executive Directors the flexibility of sacrificing part of their fees to acquire Ordinary Shares in the Company rather than receiving all of their annual fees in cash. Details of the NED Plan are set out in Section 4 of the Explanatory Statement to the Notice of AGM.

4.4 Directors' remuneration

The Directors are entitled to remuneration for their services as Directors out of the funds of the Company, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares.

As remuneration for services as a Director, the non-executive Directors are paid an amount, determined by the Board within the aggregate amount approved by the Company's shareholders. Currently, each non-Executive Director is paid \$70,000 per annum plus \$10,000 per annum for each committee to which they are appointed. The remuneration of the executive Directors may be fixed by the Board and may be by way of salary or commission or participation in profits or by all or any of those modes, but may not be by a commission on or percentage of operating revenue. Certain Directors may, from time to time, be offered participation in the Incentive Scheme and the NED Plan referred to in Section 4.3 above.

The Directors are entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Company has agreed to indemnify all directors and officers of the Company against all liabilities, including expenses to another person or entity (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company has also paid or agreed to pay premiums in respect of Directors' and Officers' liability and legal expenses insurance contracts for the year ended 30 June 2008 and for the year ending 30 June 2009.

4.5 Interests of other persons

Except as disclosed in this Prospectus, no expert, promoter or other person named in this Prospectus as performing a function in a professional, advisory or other capacity:

- has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the Issue or property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Issue; or
- has been paid or given or will be paid or given any amount or benefit in connection with the formation or promotion of the Company or the Issue.

KPMG have acted as auditors to the Company in respect of the historical financial information in the Annual Report. Their fees as auditors for the Company generally are set out on page 41 of the Annual Report, which is incorporated by reference into this Prospectus. KPMG have performed work in relation to accounting services and tax advice in connection with the Issue of the RCPS. The Company has paid or agreed to pay approximately \$170,000 (excluding GST) for these services to the date of this Prospectus. Further amounts may be paid in accordance with KPMG's normal time based charges.

4.6 Expenses of the Issue

All expenses connected with this Prospectus, including legal fees (including fees incurred in relation to the AGM at which the Terms were approved), printing costs and other miscellaneous expenses, are estimated at approximately \$755,000 (exclusive of GST). These expenses will be borne by the Company.

4.7 Consents

The Directors have given their consent to the lodgment of this Prospectus with ASIC and have not withdrawn their consent prior to lodgment.

Each of the parties referred to as consenting parties who are named below:

- has given, and has not before the lodgment of this Prospectus with ASIC, withdrawn, its written consent to being named in this Prospectus in the form and context in which it is named;
- has not authorised or caused the issue of this Prospectus or the making of the Issue; and
- makes no representation regarding, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

Role	Consenting party
Auditors of the Company	KPMG

4.8 ASIC Relief

ASIC relief has been obtained in respect of the application of section 727(3) of the Act to allow the RCPS to be issued before the expiry of the 7 day period after this Prospectus was lodged with ASIC.

4.9 ASX Waivers

ASX has granted a waiver of the requirements of Listing Rules 6.3.2 and 6.3.2A to the extent necessary to permit the Terms to restrict holder(s) of the RCPS from voting on any resolution to effect a reduction of capital or approve the terms of a buy-back agreement, where the capital reduction or buy-back agreement is undertaken to effect a redemption of RCPS in accordance with the Terms.

4.10 Shareholders approval

On 26 November 2008, Lucas shareholders passed a special resolution authorising the issue by the Company of the RCPS on the terms set out in the Explanatory Statement to the Notice of AGM for all purposes, including for the purposes of Listing Rule 7.1.

4.11 Authorisation

This Prospectus is issued by Lucas and its issue has been authorised by each of the

Directors.

5 Glossary

\$ means Australian dollars. Unless otherwise stated all \$ are Australian dollars;

Act means the Corporations Act 2001 (Cth);

AGM means the annual general meeting of the Company held on 26 November 2008;

Amending Deed means the novation and variation deed entered into by the Company, the Investor and the Subscribers on or about 8 December 2008;

Annual Report means the annual report of the Company for the financial year ended 30 June 2008 which includes audited financial statements for the financial year ended 30 June 2008 and the auditor's report which was lodged with ASX and ASIC on 17 October 2008;

ASIC means the Australian Securities and Investments Commission;

ASTC means ASX Settlement and Transfer Corporation Pty Limited;

ASTC Settlement Rules means the operating rules of ASTC;

ASX means ASX Limited;

ATP651 means a joint CSG exploration with Queensland Gas Company and the BG Group in Surat Basin, Queensland;

BBSY means the bank bill swap bid rate, a benchmark interest rate quoted and dispersed by Reuters Information Service;

Board means the board of directors of the Company;

Bridge Facility means the 6-month \$45 million subordinated bridge facility entered into by the Company with Goldman Sachs JBWere Capital Markets Limited on 21 August 2008;

Company means AJ Lucas Group Limited (ABN 12 060 309 104);

Constitution means the Constitution of the Company;

CSG means coal seam gas;

Directors means the directors of the Company at the date of this Prospectus;

Group means the Company and its subsidiaries;

GSJBW Group means Goldman Sachs JBWere Pty Ltd (ABN 21 006 797 897), Goldman Sachs JBWere Group Holdings Pty Ltd (ABN 25 006 163 524) and their subsidiaries;

Investor means Goldman Sachs JB Were PIA (Management) Pty Limited, in its capacity as investment manager for the constituent entities of the Goldman Sachs JB Were Trans-Tasman Private Equity Fund 2007;

Issue means the issue of RCPS pursuant to this Prospectus;

Listing Rules means the Listing Rules of ASX;

Lucas means the Company;

Mitchell Drilling means Mitchell Drilling Corporation, acquired by Lucas in August 2008;

Notice of AGM means the notice of annual general meeting issued by the Company in

relation to the AGM;

Ordinary Share means an ordinary share in the capital of the Company;

Prospectus means this prospectus in relation to the Issue that was lodged with ASIC on 8 December 2008;

RCPS means the 450,000 redeemable convertible preference shares to be issued by the Company pursuant to this Prospectus;

Subscribers means Goldman Sachs JBWere Private Equity (A Units) Pty Limited ACN 002 979 679 in its capacity as trustee of the trust known as the Goldman Sachs JBWere Trans-Tasman Private Equity Fund 07 Trust A; Goldman Sachs JBWere Private Equity (B Units) Pty Limited ACN 002 979 704 in its capacity as trustee of the trust known as the Goldman Sachs JBWere Trans-Tasman Private Equity Fund 07 Trust B; Goldman Sachs JBWere Private Equity (B Units) Pty Limited ACN 002 979 704 in its capacity as trustee of the trust known as the Goldman Sachs JBWere Trans-Tasman Private Equity Fund 07 Trust C; TTPE 07 No. 4 Limited in its capacity as trustee of the trust known as the TTPE4 Investment Trust; and Perpetual Corporate Trust Limited ACN 000 341 533 as trustee of the Employee Trusts as defined in a co-investment deed entered into by Perpetual Corporate Trust Limited dated 13 April 2007, or their respective custodians;

Subscription Agreement means the subscription agreement entered into by the Company on 23 July 2008 with the Investor (as amended by the Amending Deed where the context requires); and

Terms means the terms and conditions of issue of the RCPS that are set out in Appendix 1 to this Prospectus.

Schedule 1

Company's recent announcements

The following list sets out a selected number of recent announcements of the Company relating to the strategic direction of the Company's' business. It is not an exhaustive list of all the announcements made by the Company during the covered period. All ASX announcements for the Company are available from ASX on its website - www.asx.com.au.

Date	Announcement	Brief description of Announcement
26/11/2008	AGM's Chairman's address and Lucas AGM 2008 Presentation	The Company discussed its overall strategy, its business divisions, its structure, financial profile and business assets.
26/11/2008	Appointment of CEO	The Company announced the appointment of Mike Rollo as the Company's chief executive officer of the Lucas engineering and infrastructure services business.
20/11/2008	Southern Seawater Desalination Project - Preferred Alliance Partner	Western Australia's Water Corporation announced that the Southern Seawater Alliance, which comprises the Company and three other companies, has been chosen as the preferred consortium to build and operate Western Australia's second seawater desalination plant near Binningup. ¹
18/11/2008	Update of Sale of Interest in ATP 651	The Company confirms that it is in discussions with a number of parties regarding a proposed sale transaction of its coal seam gas assets (including its 15% interest in ATP 651). Discussions are at a preliminary stage.
23/10/2008 and 9/10/2008	Announcement of Share Buy-back	The Company announced its plan to effect an on-market buy-back of up to 10% of its issued share capital. The buy-back will be funded from the Company's cash flow and credit lines. The Company intends to commence the buy-back within two months from the date of the announcement on 23/10/2008.
22/10/2008	Quarterly Update and Presentation	The Company announced its quarterly update of the Company's trading, strategy, balance sheet and cash flow, CSG strategy and outlook.
17/10/2008	Annual Report to shareholders	The Company announced its results for the financial year ended 30 June 2008.

¹ Note: This project is subject to environmental and other regulatory approvals. If any of the required approvals is not provided, this project may not proceed and the Alliance may not be awarded the project.

2/10/2008	Strategic review of CSG Assets	The Company announced that following a review of its CSG investments, it has appointed Goldman Sachs JBWere to explore options for its 15% ownership interest in ATP 651.
15/10/2008	Quarterly Mining Activities Report	The Company announced its mining activities for the quarter ended 30 September 2008
20/8/2008	Joint venture with Marais Groupe for broadband installation	The Company announced that it is forming an Australian joint venture with French engineering company, Groupe Marais SA, to provide broadband installation services in Australia.
31/7/2008	Quarterly Mining Activities Report	The Company announced its mining activities for the quarter ended 30 June 2008.
23/7/2008	Acquisition of Mitchell Drilling	The Company announced its acquisition of Mitchell Drilling for \$150 million.

Appendix 1

Terms and Conditions of the RCPS

This Appendix contains the Terms.

Terms and conditions in relation to the RCPS

General terms

1 Issue of Preference Shares

1.1 Issue

Each Preference Share will be issued by the Company fully paid on the Issue Date and on the terms set out in these Terms.

1.2 Issue Price

The Issue Price of each Preference Share is \$100.

2 Dividends

2.1 Dividends

Subject to clauses 2.3 ("Dividend Roll-Up"), 2.4 ("Conditions to the payment of Dividends") and 2.9 ("Optional Dividends") of these Terms, each Preference Share entitles the Holder on a Record Date to receive on the relevant Dividend Payment Date, a dividend for the Dividend Period ending on that Dividend Payment Date (**Dividend**) calculated according to the following formula:

$$\text{Dividend} = \frac{(R \times P \times D)}{365} + \frac{(R_S \times P \times D_S)}{365}$$

R means 11.00%, subject to any adjustment under clause 13.2(b) (**Dividend Rate**).

R_S means the Dividend Rate plus 2% (**Step-Up Rate**).

D means the number of days in the relevant Dividend Period on which the Step-Up Rate does not apply under clause 3.2 ("Trigger Event").

D_S means the number of days in the relevant Dividend Period on which the Step-Up Rate does apply under clause 3.2 ("Trigger Event").

P means the Conversion Amount for the Preference Share as at the relevant Dividend Payment Date, plus, as a separate dividend (and not, for the avoidance of doubt, part of the Dividend as defined above), any amount of Unpaid Dividend required to be paid as a dividend under this clause 2.1 by reason of clause 2.5(b).

2.2 Dividend Payment Dates and accrual

- (a) Subject to paragraph (d), each 31 May and 30 November commencing on 31 May 2009 will be Dividend Payment Dates.
- (b) The date on which Conversion occurs will (if not already a Dividend Payment Date) be a Dividend Payment Date (immediately prior to Conversion) in relation to the Preference Shares being Converted on that date.
- (c) The date on which Redemption occurs will (if not already a Dividend Payment Date) be a Dividend Payment Date (immediately prior to Redemption) in relation to the Preference Shares being Redeemed on that date.
- (d) If a Dividend Payment Date under paragraph (a) is a day which is not a Business Day, then that Dividend Payment Date will become the next day which is a Business Day (and the amounts of the Dividend and the Dividend for the next Dividend Period will be adjusted accordingly (but with no other payment due in respect of the delay in payment)).
- (e) For the purpose only of each reference in these terms to amounts "notionally accrued" on any Unpaid Dividend, and without otherwise limiting or qualifying the operation of clause 2.1 ("Dividends"), each amount of Unpaid Dividend in respect of a Preference Share will be deemed, subject to paragraph (f), to notionally accrue a Dividend on a daily basis at the Step-up Rate for the period from the day upon which that amount became an Unpaid Dividend (including that date) up to the date (but not including that date) upon which that amount of Unpaid Dividend (and all amounts of Dividend notionally accrued on it) either:
 - (i) are paid to the relevant Holder;
 - (ii) form part of the Conversion Amount on Conversion of that Preference Share; or
 - (iii) form part of the Redemption Amount on Redemption of that Preference Share (as applicable).
- (f) If an amount of Unpaid Dividend in respect of a Preference Share (and all amounts of Dividend notionally accrued on it) is paid to the relevant Holder as a Dividend within 5 Business Days of the Dividend Payment Date upon which that amount became an Unpaid Dividend, and as a result no Trigger Event subsisted during that period from the Dividend Payment Date (including that date) until the date of payment (but not including that date), then the Dividend which notionally accrues on that Unpaid Dividend during that period under paragraph (e) will notionally accrue at the Dividend Rate rather than the Step-up Rate.

2.3 Dividend Roll-Up

- (a) Subject to paragraph (b), the Company may, by giving notice to each Holder not less than 5 Business Days before the Record Date for a Dividend Payment Date, elect to roll-up part of the Dividend on all Preference Shares for the relevant Dividend Period such that the rolled-up amount of the Dividend for each Preference Share (**Roll-Up Amount**) under paragraph (b) will not be payable on the relevant Dividend Payment Date and instead the Conversion Amount will be taken to be increased by an equivalent amount as from the relevant Dividend Payment Date.
- (b) The Roll-Up Amount for a Dividend Period may not exceed the amount which would equate to the amount of the Dividend for that Dividend Period if both the Dividend Rate and the Step-Up Rate for that Dividend Period had been 6.00% per annum.

2.4 Conditions to the payment of Dividends

The payment on a Dividend Payment Date of a Dividend (other than any Roll-Up Amount which the Company elects to add to the Conversion Amount) or Unpaid Dividend, or a payment of an Optional Dividend is subject to satisfaction of all the following conditions:

- (a) the Directors in their sole discretion resolving to pay the dividend;
- (b) the Company being solvent after paying the dividend;
- (c) payment of the dividend not being prohibited under the Senior Finance Documents;
- (d) the Company having profits available to pay the dividend; and
- (e) payment of the dividend not being in breach of any applicable material law.

If any such condition is not satisfied with respect to a Dividend, a **Dividend Suspension** will subsist.

2.5 Cumulative

- (a) The Dividend rights attached to the Preference Shares are cumulative.
- (b) If all or any part of a Dividend is not paid on the relevant Dividend Payment Date because of a Dividend Suspension, the unpaid amount of that Dividend (not including, for the avoidance of doubt, any Roll-Up Amount) (the **Unpaid Dividend**) will be payable as a dividend under clause 2.1 ("Dividends") at the same time as the Dividend for the Preference Shares for the following Dividend Period (to the extent it is not subject to any further Dividend Suspension or discharged under clause 2.9(a) ("Optional Dividends")).
- (c) If all or any part of a dividend payable under clause 2.1 ("Dividends") is not paid otherwise than because of a Dividend Suspension, the unpaid amount of that Dividend (an **Owed Dividend**) will remain due and payable and interest will accrue upon it at the Step-Up Rate daily until it is paid.

2.6 Ranking for payment of dividends

Preference Shares rank in respect of payment of dividends:

- (a) in priority to Ordinary Shares;
- (b) *pari passu* amongst themselves; and
- (c) *pari passu* with each other preference share that the Company may issue on terms that such preference shares will rank equally with these Preference Shares.

2.7 Restrictions in the case of non-payment

If any of the following is the case:

- (a) the Dividend for any Dividend Period has not been paid in full for any reason (other than, for the avoidance of doubt, to the extent that it was rolled-up in accordance with clause 2.3 ("Dividend Roll-Up")), within 5 Business Days of the relevant Dividend Payment Date; or
- (b) on a Redemption Date, for any reason the Redemption Amount has not been paid in full in relation to the relevant Preference Shares; or
- (c) a Holder Redemption Notice is given, but the Company is not obliged to Redeem the relevant Preference Shares by reason of clause 6.4 ("Redemption subject to Senior Finance Documents"); or
- (d) the Company is in breach of clause 3.1 ("Debt restrictions"),

the Company must not declare or otherwise determine to pay, or pay, a dividend or make any distribution on its ordinary share capital unless:

- (i) where only paragraph (a) applies, since that date the Company has paid in full to Holders any Unpaid Dividends outstanding and any Dividends which have notionally accrued in respect of those Unpaid Dividends since the last Dividend Payment Date; or
- (ii) all Preference Shares have been Redeemed or Converted into Ordinary Shares; or
- (iii) such action has been approved by a Resolution of Holders,

provided that nothing in this clause 2.7 will be taken to prevent a payment by way of pro rata payments to Holders and the holders of any security of the Company which ranks in respect of dividends (in the case of a dividend) or return of capital in a winding up (in the case of any other payment) equally with the Preference Shares.

2.8 No other rights on a Dividend Suspension

This clause 2 ("Dividends") sets out all the consequences of a Dividend Suspension. No Holder may take any action or initiate any proceedings to recover any Unpaid Dividend or to wind up the Company or seek the appointment of a

liquidator, provisional liquidator, administrator, Controller (as defined in the Corporations Act) or other insolvency official to the Company solely by reason of a Dividend Suspension or the existence of any Unpaid Dividend or Owed Dividends.

2.9 Optional Dividends

- (a) The Company may, in its discretion, elect at any time to reduce the amount of any outstanding Unpaid Dividend by paying, to those persons who are Holders on the relevant Record Date, an optional dividend in an amount equal to an amount which may be all or part of the Unpaid Dividend plus all Dividends notionally accrued on that amount of Unpaid Dividend in the period from the last Dividend Payment Date (including that date) up to the date of payment (not including that date) (**Optional Dividend**).
- (b) This clause does not apply to (nor limit) the means by which the Company may choose to discharge all or part of an Owed Dividend and any interest on an Owed Dividend.

3 Investor Protections

3.1 Debt restrictions

Until the date on which all Preference Shares have been converted or Redeemed, the Group must not incur any new Finance Debt after the Issue Date except:

- (a) any Finance Debt incurred for the purposes of a Redemption of all of the Preference Shares (after allowing for transaction costs), provided that such Finance Debt is then promptly used to so Redeem all of the Preference Shares;
- (b) where, after incurring such Finance Debt, the Adjusted Total Leverage Ratio is no greater than 4.0 times; or
- (c) where such Finance Debt falls within the definition of "Permitted Financial Indebtedness" under the Senior Facility Agreement as at the time of execution of that agreement except that where:
 - (i) the Finance Debt falls within paragraphs (f), (i) and (m) of that definition, or
 - (ii) the Finance Debt falls within paragraph (e) of that definition and that Finance Debt may only be incurred with the express consent of the "Lender" under the Senior Facility Agreement after the date of the Senior Facility Agreement,

the prior consent of the Holders is required (such consent not to be unreasonably withheld or delayed).

On each occasion when the Company calculates the Adjusted Total Leverage Ratio in order to apply the test in paragraph (b) above, the Company will give to the Holders notice of the result of that calculation.

3.2 Trigger Event

If any of the following applies:

- (a) the Dividend for any Dividend Period has not been paid in full for any reason (other than, for the avoidance of doubt, to the extent that it was rolled-up in accordance with clause 2.3 ("Dividend Roll-Up")) within 5 Business Days of the relevant Dividend Payment Date;
- (b) on a Redemption Date, for any reason, the Redemption Amount has not been paid in full in relation to the relevant Preference Shares;
- (c) a Holder Redemption Notice is given, but the Company is not obliged to Redeem the relevant Preference Shares by reason of clause 6.4 ("Redemption subject to Senior Finance Documents"); or
- (d) the Company is in breach of clause 3.1 ("Debt restrictions"),

(each a **Trigger Event**) then, in addition to the consequences in clause 2.7 ("Restrictions in the case of non-payment"), the Step-Up Rate will apply from the date on which the Trigger Event occurs (or, where paragraph (a) applies, from the relevant Dividend Payment Date (including that date)) until the Trigger Event has been remedied (in the case of paragraph (a) only, by the Company paying in full to Holders any outstanding Unpaid Dividends and any Dividends which have notionally accrued in respect of those Unpaid Dividends since the last Dividend Payment Date).

3.3 Negative covenants

Unless approved by a Resolution of Holders (such approval not to be unreasonably withheld or delayed), the Company may not dispose of all or substantially all of the assets in any key division within the Group, including future key divisions, other than a divestment of coal seam gas assets (foreshadowed on 23 July 2008).

4 Conversion

4.1 Holder Conversion Right

Subject to the provisions of this clause 4 ("Conversion"), the Holder Conversion Right may be exercised, at the option of the Holder thereof:

- (a) at any time during the Holder Conversion Period; or
- (b) at any time no later than the earlier of:
 - (i) 20 Business Days after the Company has given a Company Redemption Notice (as defined in clause 7.3 ("Company Redemption Notice - early or Final Redemption")) in accordance with clause 7.1(a) ("Grounds for early Redemption"); or

- (ii) 5 Business Days before a Redemption Date.

A Holder may exercise its Holder Conversion Right in respect of one or more Preference Shares held by that Holder and from time to time (within the periods permitted under paragraphs (a) and (b) above).

A Holder Conversion Right may be exercised by a Holder by delivering a duly signed and completed Holder Conversion Notice to the Company.

4.2 Effect of Notice

Subject to clause 4.3(b) ("Obligations"), any Holder Conversion Notice given under clause 4.1 ("Holder Conversion Right") is irrevocable.

4.3 Obligations

- (a) A Holder may only give a Holder Conversion Notice where the Conversion of the Preference Share and issue of Ordinary Shares to the Holder would not breach applicable laws including, without limitation, the *Foreign Acquisition and Takeovers Act 1975* (Cth) and securities laws in the relevant jurisdiction and by giving such a notice, a Holder is taken to give a representation and warranty to the effect that it is a person for whom the relevant Preference Share can be Converted, and to whom the relevant Ordinary Shares can be issued, without breaching the applicable securities laws of the Holder's jurisdiction and without, to the best of the knowledge of the Holder (having taken competent Australian legal advice on the point), the Holder breaching the *Foreign Acquisition and Takeovers Act 1975* (Cth).
- (b) If a Holder Conversion Notice is not a proper notice by reason of paragraph (a), then that notice will be deemed never to have been given, provided that:
- (i) this is without prejudice to the right of any Holder to give other Holder Conversion Notices from time to time in accordance with these terms; and
- (ii) the parties agree that the Company may take all necessary or appropriate steps to rescind, rectify or unwind any action the Company has taken in response to or reliance on the notice; and
- (iii) to the extent that because Conversion did not occur, a Dividend or Unpaid Dividend was not taken to be paid on the relevant Dividend Payment Date, no Trigger Event will be taken to have occurred under clause 3.2 ("Trigger Event"), nor will a Dividend Suspension subsist in respect of that Dividend or Unpaid Dividend.
- (c) A Holder must pay directly to the relevant taxing authorities any taxes and capital, stamp, issue and registration duties arising on Conversion (other than any taxes or capital duties or stamp duties payable in Australia in respect of the allotment and issue of any Ordinary Shares on such conversion) and such Holder must pay all, if any, taxes arising by reference to any disposal or deemed disposal of a Relevant Preference Share or interest therein in connection with such Conversion.

4.4 Conversion Amount

The Conversion Amount for a Preference Share is:

- (a) for the purpose of a calculation of a Dividend, the amount equal to the Issue Price plus any Roll-Up Amount under clause 2.3 ("Dividend Roll-Up"), and any Unpaid Dividend outstanding, as at the beginning of that Dividend Payment Date; and
- (b) for the purpose of a Conversion or Redemption, the amount equal to the Issue Price plus any Roll-Up Amount under clause 2.3 ("Dividend Roll-Up"), and any Unpaid Dividend outstanding, as at the Conversion Date or Redemption Date (as applicable), where these amounts of Roll-Up Amount and Unpaid Dividend will be calculated as follows:
- (i) the Company must have first calculated the Dividend for the Dividend Period ending on that Conversion Date or Redemption Date (as applicable) and determined:
- (A) the extent (if any) to which it will roll-up part of that Dividend under clause 2.3 ("Dividend Roll-up");
- (B) whether it will be paying that Dividend (other than any such Roll-Up Amount); and
- (C) the extent to which it will be paying Unpaid Dividends (if any) still outstanding on that Conversion Date or Redemption Date (as applicable); and
- (ii) the Roll-Up Amount (if any) which forms part of the Conversion Amount will be the sum of any Roll-Up Amount referred to in paragraph (b)(i)(A) above and all prior Roll-Up Amounts; and
- (iii) the Unpaid Dividend (if any) which forms part of the Conversion Amount will be the sum of:
- (A) all Unpaid Dividends (if any) still outstanding which the Company will not be paying on that date; and
- (B) the amount (if any) of the Dividend referred to in paragraph (b)(i) which the Company will not be paying on that date by reason of a Dividend Suspension.

The Conversion Amount will not, for the avoidance of doubt, include any Owed Dividends.

4.5 Conversion mechanics

- (a) A Preference Share confers all of the rights attaching to one Ordinary Share, but these rights do not take effect until 5.00pm on the Conversion Date for the Relevant Preference Share when it Converts into an Ordinary Share.
- (b) Upon any Conversion of each Relevant Preference Share pursuant to a Holder Conversion Notice:

- (i) **(change of rights)** all rights or restrictions conferred on the relevant Preference Shares under these Terms (other than those attaching to an Ordinary Share, and any rights relating to a Dividend, an Optional Dividend, or a dividend under clause 2.1 ("Dividends") attributable to Unpaid Dividends, which (in any such case) has been declared or determined but not paid on or before the date of Conversion) will no longer have effect;
- (ii) **(additional shares)** the Company will, subject to paragraph (v) below, also issue the number of additional Ordinary Shares in respect of each Relevant Preference Share calculated in accordance with the following formula:

$$\text{Additional Ordinary Shares} = (\text{Conversion Amount} / \text{Conversion Price}) - 1$$
- (iii) **(ranking)** the Ordinary Share resulting from Conversion of a Preference Share will rank equally with all other Ordinary Shares then on issue;
- (iv) **(effect of Conversion)** Conversion does not constitute a buy-back, cancellation, redemption or termination of a Relevant Preference Share or an issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under paragraph (b)(ii));
- (v) **(fractions)** fractions of Ordinary Shares will not be issued on Conversion and no cash adjustments will be made in respect thereof. However, if more than one Relevant Preference Share held by the same Holder is Converted at any one time, the number of Ordinary Shares to be issued upon such Conversion will be calculated on the basis of the aggregate Conversion Amount (in accordance with paragraph (b)(ii) of the Relevant Preference Shares to be Converted for that Holder and rounded down to the nearest whole number of Ordinary Shares;
- (vi) **(adjustments)** the initial "Conversion Price" is A\$7.20 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in **Annexure A**;
- (vii) **(Holder consents)** each Holder irrevocably and unconditionally:
 - (A) agrees and acknowledges that, immediately and automatically upon performance by the Company of all of its obligations under clauses 4.5 ("Conversion mechanics") and 4.6 ("Issue and quotation of Ordinary Shares"), in the manner described those clauses is in full and final satisfaction of the Company's obligations in respect of Conversion of the Relevant Preference Shares as at the relevant Conversion Date;
 - (B) consents to be a member of the Company and agrees to be bound by the constitution of the Company as in force from time to time; and
 - (C) agrees:
 - (aa) that the Company may take all necessary or appropriate action on its behalf to effect the Conversion of the Relevant Preference Shares registered in its name;
 - (ab) to take all reasonable action (or if the Relevant Preference Shares are registered in the name of a nominee for the Holder, to procure that the nominee takes all reasonable action) requested by the Company to facilitate the Conversion of the Relevant Preference Shares registered in its name;
 - (ac) that the Company may, if it is expedient for the purposes of Conversion and subject to all applicable laws, move the Relevant Preference Shares to an uncertificated holding on CHESS pending Conversion of the Relevant Preference Shares;
 - (ad) that, from the date on which a Holder gives a Conversion Notice until Conversion occurs, it will not (and if the Relevant Preference Shares are registered in the name of a nominee for the Holder, will procure that the nominee will not) transfer or purport to transfer the Relevant Preference Shares registered in its name except for the purposes of clauses 4.5(b) ("Conversion Mechanics") or 4.6 ("Issue and quotation of Ordinary Shares"); and
 - (ae) that from the time of receipt of a Conversion Notice in respect of Preference Shares, the Company may refuse to register any transfer or purported transfer of the Relevant Preference Shares until Conversion occurs, except for the purposes of clauses 4.5(b) ("Conversion Mechanics") or 4.6 ("Issue and quotation of Ordinary Shares").

4.6 Issue and quotation of Ordinary Shares

- (a) On or by the Conversion Date, without limiting or qualifying clause 4.5(b)(ii) ("Conversion Mechanics"), the Company must issue, transfer or otherwise deliver (or procure the issue, transfer or delivery) to the CHESS account of each Holder as notified by that Holder to the Company (in writing at least 5 Business Days prior to the Conversion Date), the number of Ordinary Shares resulting from Conversion of that Holder's Relevant Preference Shares calculated in accordance with clause 4.5 ("Conversion Mechanics").
- (b) The Company must take all necessary and reasonable steps, including furnishing all such quotation applications, documents, information and undertakings as may be reasonably necessary in order, to procure the quotation on ASX of the Ordinary Shares resulting from Conversion of the Relevant Preference Shares on or by the Business Day following the Conversion Date for those Relevant Preference Shares.
- (c) Ordinary Shares to be issued on exercise of Conversion Rights will be issued in uncertificated form through CHESS.

- (d) Statements of holdings in respect of Ordinary Shares resulting from Conversion of Relevant Preference Shares will be despatched by the Company by mail as soon as practicable but in any event within 10 Business Days after the relevant Conversion Date.

4.7 Ranking of Ordinary Shares

Each Ordinary Share issued on Conversion will, as from (and including) the Conversion Date, rank equally in all respects with Ordinary Shares, except that it will not be entitled to any dividend or any other distribution or entitlement that has been declared or determined but not paid on Ordinary Shares as at the relevant Conversion Date.

5 Redemption

5.1 Preference Shares are Redeemable

The Preference Shares are Redeemable in accordance with clause 5.3 ("Who can Redeem"), clause 5.4 ("Final Redemption"), clause 6 ("Redemption at Holder's option") and clause 7 ("Redemption by Company").

5.2 Meaning and Process of Redemption

If Preference Shares are to be Redeemed, on the Redemption Date, subject only to the qualifications set out in clause 5.3 ("Who can Redeem"), the Company must pay to the Holder the Redemption Amount in respect of each Preference Share, by way of:

- (a) buy-back; or
- (b) reduction of capital (and cancellation); or
- (c) redemption, in which case the Redemption Amount for each such Preference Share:
 - (i) must be sourced from the proceeds of a new issue of shares made for the purpose of the redemption in an amount at least equal to the amount paid up on the Preference Share immediately before the Redemption; and
 - (ii) may be sourced from profits only in an amount not exceeding the Coupon Component of the Redemption Amount,

(the above steps undertaken by the Company being a "Redemption").

5.3 Who can Redeem

Preference Shares are liable to be Redeemed:

- (a) at the option of Holders, where clause 6 ("Redemption at Holder's option") applies;
- (b) at the option of the Company, where clause 7.1 ("Grounds for early Redemption"); and
- (c) by the Company, where clause 7.4 ("Late Redemption") applies (other than by reason of a failure to so Redeem all Preference Shares on the Maturity Date),

in each case subject to applicable laws and clause 6.4 ("Redemption subject to Senior Finance Documents"), and

- (d) by the Company, at the Maturity Date (or, if it has failed to so Redeem all Preference Shares on the Maturity Date and as a result clauses 5.5 ("Failure to Redeem") and 7.4 ("Late Redemption") apply, as soon as practicable after the Maturity Date), subject only to section 254K of the Corporations Act.

5.4 Final Redemption

Subject only to section 254K of the Corporations Act, the Company must Redeem each Preference Share on issue on the Maturity Date and must for that purpose give a notice to each Holder no later than 10 days prior to the Maturity Date under clause 7.3 ("Company Redemption Notice – early or final Redemption").

5.5 Failure to Redeem

If:

- (a) the Company cannot or does not Redeem a Preference Share which is liable to be Redeemed on a Redemption Date, or
- (b) a Holder Redemption Notice is given but the relevant Redemption would be prohibited by the Senior Finance Documents (and therefore the Company would not be obliged to Redeem the relevant Preference Shares by reason of clause 6.4 ("Redemption subject to Senior Finance Documents")) unless that Redemption were to be funded from the proceeds of an issue of ordinary or preference shares:

then the Company must, except to the extent that the Holders (in their absolute discretion) otherwise agree (by resolution of Holders), irrespective of market conditions:

- (c) within 90 days after the Redemption Date (or, where paragraph (b) above applies, the Holder Redemption Notice), issue Ordinary Shares, preference shares or other securities (convertible or otherwise) in such amount and at whatever discount as is necessary to raise the new equity necessary to allow the Company to Redeem the Preference Shares which were liable to be Redeemed on that Redemption Date, subject to all applicable laws and clause 6.4 ("Redemption subject to Senior Finance Documents"); or
- (d) if the Company has not within 70 days after the Redemption Date (or, where paragraph (b) above applies, the Holder Redemption Notice) determined and announced to ASX a share issue as contemplated by paragraph (a) above (or if it does not proceed to successfully conduct that share issue as contemplated by paragraph (a) above before the expiry of the period specified in paragraph (a) above), then the Company must as soon as possible thereafter and in any case within 90 days of the Redemption Date (or, where paragraph (b) above applies, the

Holder Redemption Notice) make offers (and may enter into underwriting agreements) to issue Ordinary Shares, such offers and (if applicable) underwriting agreements and the resulting issues to be structured and conducted so as to fall within:

- (i) exceptions 1, 2 and 3 in Listing Rule 7.2 (or the then closest equivalent provisions), and including any ASX modifications or waivers which may be granted or available; and
- (ii) if necessary, so as to fall within the exception in item 10 of the table in section 611 of the Corporations Act, as modified by section 615 of the Corporations Act (or the then closest equivalent provision), and including any ASIC modifications, waivers or relief which may be granted or available,

in such amount and at whatever discount as is necessary in order to raise the new equity necessary to allow the Company to Redeem (by way of redemption, and in accordance with these terms and section 254K of the Corporations Act) the Preference Shares which are liable to be Redeemed on that Redemption Date (or, where paragraph (b) above applies, the Preference Shares the subject of that Holder Redemption Notice), subject only to clause 6.4 ("Redemption subject to Senior Finance Documents"),

and the Company hereby acknowledges that upon a breach of this clause any Holder will be entitled to obtain orders from a court of competent jurisdiction for the specific performance (or, alternatively, for mandatory injunctive relief in the nature of specific performance) of the Company's obligations under this clause 5.5 and clause 7.4 ("Late Redemption").

6 Redemption at Holder's option

6.1 Holder's option

Subject to clauses 6.4 ("Redemption subject to Senior Finance Documents") and 6.5 ("Waiver of right to require Redemption"), a Holder has the right to require Redemption of all (but not some only) of the Holder's Preference Shares by giving a notice in accordance with clause 6.2 ("Holder Redemption Notice"):

- (a) if a Trigger Event occurs and is not remedied within 10 Business Days;
- (b) if a Change of Control Event occurs; or
- (c) if a Delisting Event occurs.

6.2 Holder Redemption Notice

- (a) A notice of Redemption given by a Holder may be given at any time after the event described in clause 6.1 ("Holder's option"). The notice must be in substantially the form of Annexure D and must be accompanied by evidence of title reasonably satisfactory to the Company for the relevant Preference Shares ("**Holder Redemption Notice**").
- (b) Once a Holder has given a Holder Redemption Notice, that Holder must not deal with, transfer, dispose or otherwise encumber the Holder's Preference Shares, unless a period of 90 days after the relevant Redemption Date has expired and at the end of that period the Company has not Redeemed all of the Preference Shares of the relevant Holder.
- (c) A Holder Redemption Notice is irrevocable.

6.3 Company Redemption Notice - response

Where a Holder has given a Holder Redemption Notice under clause 6.2 ("Holder Redemption Notice"), the Company must give a notice as soon as reasonably practicable thereafter (but no later than 60 days after receipt of the Holder Redemption Notice) in response which must state:

- (a) the Redemption Date determined in accordance with clause 8.1(a) ("Redemption Date");
- (b) that Dividends will cease to be payable once the Preference Shares have been Redeemed and Holders have no further rights to participate in the surplus assets or profits of the Company;
- (c) that the Redemption Amount is payable by way of:
 - (i) buy-back;
 - (ii) reduction of capital (and cancellation); or
 - (iii) redemption, in which case the notice must also specify:
 - (A) the extent to which the Redemption Amount is intended to be sourced from the proceeds of a new issue of shares made for the purpose of the redemption, which must be, for each Preference Share, at least an amount equal to the amount paid up on the Preference Share immediately before the Redemption; and
 - (B) the extent to which the Redemption Amount is intended to be sourced from profits, which must be, for each Preference Share, no greater than the Coupon Component of the Redemption Amount,
- (or, if a combination thereof, in what such combination);
- (d) the place or places where the certificates (if any) for the Preference Shares (or, in the event of loss of these, a customary indemnity in favour of the Company and a statutory declaration attesting to the fact of, and the circumstances surrounding, the loss) may be submitted and the method(s) of payment of the Redemption Amount to Holders (which may be, without limitation, by the same method(s) as dividends are paid to Holder); and
- (e) the amount paid up on the Preference Share immediately before the Redemption.

6.4 Redemption subject to Senior Finance Documents

- (a) Subject to paragraph (b), the Company's obligation to Redeem a Holder's Preference Shares following receipt of a Holder Redemption Notice is subject to the Company not being prohibited from doing so under the Senior Finance Documents.
- (b) Paragraph (a) does not apply in relation to a Redemption on or after the Maturity Date.

6.5 Waiver of right to require Redemption

A Holder may elect to waive or renounce a right to require the Company to Redeem the Preference Shares, which has arisen under clause 6.1 ("Holder's option") by giving a notice to the Company which states:

- (a) the event or events which have occurred and which give rise to rights under clauses 6.1(a), (b) or (c) ("Holder's Option"); and
- (b) that the Holder irrevocably waives or renounces its right to Redeem which has arisen in respect of that event or those events.

For the avoidance of doubt, the giving of a notice by a Holder under this clause 6.5 in respect of any given event or events does not limit or prejudice in any way either the rights of that Holder in respect of any later event or events (whether or not of the same type) or the Holder's right under these terms to have its Preference Shares Redeemed at Maturity.

7 Redemption by Company

7.1 Grounds for early Redemption

The Company may elect in its discretion to Redeem Preference Shares by giving a notice to Holders in accordance with clause 7.3 ("Company Redemption Notice"):

- (a) in respect of all (but not some only) Preference Shares at any time which is:
 - (i) not before 3 years after the Issue Date; and
 - (ii) no later than 30 Business Days after the completion of a period of 20 consecutive Business Days where the closing price of the Ordinary Shares as quoted on the ASX is at least 130% of the Conversion Price; and
 - (iii) not before 10 Business Days after issuing an Entitlement Notice to Holders under clause 7.2 ("Entitlement Notice"); or
- (b) in respect of all (but not some only) Preference Shares, at any time:
 - (i) in which the aggregate Issue Price of all Preference Shares on issue at that time is less than 10% of the aggregate Issue Price of all Preference Shares at the issue date; and
 - (ii) which is not before 10 Business Days after issuing an Entitlement Notice to Holders under clause 7.2 ("Entitlement Notice").

7.2 Entitlement Notice

The Company may give a notice ("Entitlement Notice") to the Holders which states that the Company has become entitled (but is not obliged) to exercise early Redemption of the Preference Shares under clause 7.1 ("Grounds for early Redemption") (subject only to giving the Entitlement Notice and a subsequent Company Redemption Notice).

7.3 Company Redemption Notice - early or Final Redemption

A notice of Redemption given by the Company under clause 5.4 ("Final Redemption") or clause 7.1 ("Grounds for early Redemption") must state:

- (a) the Redemption Date determined in accordance with clause 8.1 ("Redemption Date");
 - (b) that Dividends will cease to be payable once the Preference Shares have been Redeemed and that Holders will have no further rights to participate in the surplus assets or profits of the Company;
 - (c) that the Redemption Amount is payable by way of:
 - (i) buy-back;
 - (ii) reduction of capital (and cancellation); or
 - (iii) redemption, in which case the notice must also specify:
 - (A) the extent to which the Redemption Amount is intended to be sourced from the proceeds of a new issue of shares made for the purpose of the redemption, which must be, for each Preference Share, at least an amount equal to the amount paid up on the Preference Share immediately before the Redemption; and
 - (B) the extent to which the Redemption Amount is intended to be sourced from profits, which must be, for each Preference Share, no greater than the Coupon Component of the Redemption Amount,
- (or, if a combination thereof, in what such combination);
- (d) the place or places where the certificates (if any) for the Preference Shares (or, in the event of loss of these, a customary indemnity in favour of the Company and a statutory declaration attesting to the fact of, and the circumstances surrounding, the loss) may be submitted and the method(s) of payment of the Redemption Amount to Holders (which may be, without limitation, by the same method(s) as dividends are paid to Holder); and

- (e) the amount paid up on the Preference Share immediately before the Redemption.

7.4 Late Redemption

- (a) If the Company fails to Redeem Preference Shares on a Redemption Date, then, without limiting clause 5.5 ("Failure to Redeem"), the Company must Redeem those Preference Shares as soon thereafter as is practicable (and in any case, without limiting the foregoing, on or before the date which is 6 months after the Maturity Date).
- (b) The Company may initiate a late Redemption by giving a notice to Holders in accordance with clause 7.5 ("Late Redemption Notice") in respect of all (but not some only) of the Preference Shares which it failed to Redeem upon the relevant Redemption Date.

7.5 Late Redemption Notice

A notice of Redemption given by the Company under clause 7.4 ("Late Redemption") must state:

- (a) the Redemption Date determined in accordance with clause 8.1 ("Redemption Date");
- (b) that Dividends will cease to be payable once the Preference Shares have been Redeemed and that Holders will have no further rights to participate in the surplus assets or profits of the Company;
- (c) that the Redemption Amount is payable by way of:
 - (i) buy-back;
 - (ii) reduction of capital (and cancellation); or
 - (iii) redemption, in which case the notice must also specify:
 - (A) the extent to which the Redemption Amount is intended to be sourced from the proceeds of a new issue of shares made for the purpose of the redemption, which must be, for each Preference Share, at least an amount equal to the amount paid up on the Preference Share immediately before the Redemption; and
 - (B) the extent to which the Redemption Amount is intended to be sourced from profits, which must be, for each Preference Share, no greater than the Coupon Component of the Redemption Amount,(or, if a combination thereof, in what such combination);
- (d) the place or places where the certificates (if any) for the Preference Shares (or, in the event of loss of these, a customary indemnity in favour of the Company and a statutory declaration attesting to the fact of, and the circumstances surrounding, the loss) may be submitted and the method(s) of payment of the Redemption Amount to Holders (which may be, without limitation, by the same method(s) as dividends are paid to Holder); and
- (e) the amount paid up on the Preference Share immediately before the Redemption.

8 Steps on Redemption

8.1 Redemption Date

The Redemption Date is, for Redemption:

- (a) in connection with a Holder Redemption Notice given in accordance with clause 6.2 ("Holder Redemption Notices"), any date determined by the Company being at least 2 Business Days (but no later than 90 days) after the date of the Holder Redemption Notice;
- (b) in connection with a Company Redemption Notice given under clause 7.1 ("Grounds for early Redemption"), the date specified by the Company in the notice, being at least 10 Business Days after the date of the Company Redemption Notice (or such shorter period as agreed with the Holder); or
- (c) otherwise, the Maturity Date,

provided that, in connection with a Late Redemption Notice given under clause 7.4 ("Late Redemption"), without limiting the Company's obligations under clauses 5.5 ("Failure to Redeem") and 7.4 ("Late Redemption"), the Redemption Date for that Late Redemption will be the date specified by the Company in the notice, being at least 2 Business Days (but no later than 90 days) after the date of the Late Redemption Notice.

8.2 Redemption Amount

The Redemption Amount for a Preference Share is the amount equal to the Conversion Amount for that Preference Share, calculated as at the Redemption Date (**Redemption Amount**).

8.3 Effect of Redemption

On the Redemption Date:

- (a) subject to clause 6.4 ("Redemption subject to Senior Finance Documents"), a Holder's Preference Shares will be Redeemed by the Company upon payment of the Redemption Amount for those Preference Shares; and
- (b) upon payment of the Redemption Amount for those Preference Shares, all other rights conferred or restrictions imposed by those Preference Shares under these Terms will no longer have effect; and
- (c) those Preference Shares will be cancelled immediately upon completion of their Redemption under these Terms.

If the Redemption involves a buy-back of Preference Shares, the Company Redemption Notice constitutes a buy-back offer for the Redemption Amount payable on the Redemption Date and each Holder is deemed to have accepted that buy-back offer for the Preference Shares held by the Holder to which the Company Redemption Notice relates and will be deemed to have sold those Preference Shares to the Company on Redemption.

9 Rights on a winding up

9.1 Rights on winding up

In a winding up of the Company, a Preference Share that has not been Redeemed or Converted confers upon its Holder the right to payment in cash out of the surplus (if any) assets or profits available for distribution to shareholders of an amount equal to the Redemption Amount as at the relevant date, but no further or other right to participate in the surplus assets or profits of the Company or a return of capital in the winding up.

9.2 Ranking for payment on a winding up

Holders of Preference Shares will rank for payment of the Redemption Amount in a winding up of the Company:

- (a) in priority to Ordinary Shares;
- (b) *pari passu* amongst holders of equivalent classes of Preference Shares; and
- (c) junior to all creditors, other than creditors whose claims are expressed to rank *pari passu* with the Preference Shares.

10 Meetings and voting rights

10.1 Meetings

A Holder has the same rights as those conferred by the Constitution upon the holders of Ordinary Shares in relation to receiving notices, reports and audited accounts and attending meetings of the Company.

10.2 Voting rights

A Preference Share does not entitle its Holder to vote at a general meeting of the Company except that the holders of Preference Shares may:

- (a) vote together with the holders of Ordinary Shares:
 - (i) on any resolution for the winding up of the Company or during the winding up of the Company;
 - (ii) on any resolution to reduce the share capital of the Company, other than a reduction of capital in accordance with these Terms;
 - (iii) on any resolution to approve the terms of a buy-back agreement, other than a buy-back in accordance with these Terms; and
 - (iv) on any resolution for the disposal of the whole of the Company's property, business and undertaking.
- (b) vote as a class on any resolution:
 - (i) to vary the rights attaching to the Preference Shares; and
 - (ii) during a period during which a dividend or part thereof in respect of the Preference Share is in arrears,

in which case the Holder has the same rights as to manner of attendance and as to voting in respect of each Preference Share as those conferred on the holders of Ordinary Shares in respect of each Ordinary Share.

10.3 Number of votes

Where a holder of a Preference Share has an entitlement to vote under clause 10.2 ("Voting Rights"):

- (a) on a show of hands a Holder has one vote per Preference Share held; and
- (b) on a poll a Holder has one vote per Preference Share held.

10.4 Capital reductions

Without limiting clause 10.2 ("Voting rights"), each Holder agrees that if the Company undertakes a Redemption under these Terms by way of reduction of capital with respect to the Preference Shares that involves the cancellation of the Preference Shares and under applicable law the Holder is entitled to a vote on a resolution to approve that reduction, the Holder will vote in favour of that resolution.

11 No participation in issues of securities

A Preference Share does not confer any right to participate in any issue of securities made by the Company to holders of Ordinary Shares, except pursuant to clauses 3(e) ("Circumstances where no adjustment is required") and 4 ("Participation in lieu of adjustment") of Annexure A.

12 Variation of rights

12.1 Issue or conversion of junior or equal ranking preference shares and Redemptions permitted

Without prejudice to the consent obligations in clause 3.3 ("Negative Covenants"), the issue of preference shares, or the conversion of existing shares into preference shares, ranking junior to or *pari passu* with the Preference Shares then on issue in respect of dividends or in respect of payments in a winding up (and whether entitled to cumulative or non-cumulative dividends) is expressly permitted and authorised by these Terms and will not constitute a modification or variation of the rights or privileges attached to the Preference Shares then on issue (provided, in each case, for any such shares ranking *pari passu* with the Preference Shares, that such issue or conversion has been approved in accordance with clause 3.3 ("Negative Covenants")).

12.2 Capital distributions permitted

Without prejudice to clause 2.7 ("Restrictions in the case of non-payment") or Annexure A ("Adjustments to Conversion Price"), a buy-back, redemption, reduction or return or other distribution of capital in respect of any share in the capital of the Company (other than a Preference Share of other Holders except as expressly provided for in these Terms (**Other Share**)), or for the benefit of the holder of any Other Share (whether that Other Share ranks *pari passu* with or junior to the Preference Shares) is expressly permitted by these Terms and will not constitute a variation, modification or abrogation of the rights or privileges attached to the Preference Shares.

12.3 Variation of rights

The rights attached to the Preference Shares may not be varied or abrogated except:

- (a) with the approval by Resolution of Holders; or
- (b) pursuant to clause 13 ("Amendments to these Terms").

13 Amendments to these Terms

13.1 Amendment without consent

Subject to complying with the Corporations Act and all other applicable laws, the Company may amend these Terms without consent or approval of Holders if the amendment is:

- (a) of a formal, minor or technical nature (where such amendment does not cause Material Prejudice to the Holders);
- (b) made to cure any ambiguity or correct any manifest error; or
- (c) necessary to comply with the provisions of any applicable law, or the requirements of any Government Agency or ASX.

13.2 Tax Event

- (a) Subject to complying with the Corporations Act and all other applicable laws, the Company may amend these Terms with the prior written consent of the Holders if the amendment is made to respond to a Tax Event, provided that the Holders may withhold that written consent only if either:
 - (i) the amendment is not the minimum amendment necessary to respond to the Tax Event; or
 - (ii) the amendment would cause Material Prejudice to the Holders.
- (b) Where a Tax Event has occurred which results in the loss, in whole or part, of the tax deductibility to the Company of dividends on the Preference Shares for a given Dividend Period and it is not practicable for the Company to amend the terms under paragraph (a) so as to restore that deductibility or the Holders do not consent to such an amendment, the Company must adjust the Dividend Rate for that Dividend Period in accordance with Annexure B.

13.3 Amendment with consent

Without limiting clause 13.1 ("Amendment without consent"), the Company may amend these Terms in any way if the amendment has been approved by a Resolution of Holders.

13.4 Meanings

In clause 13.1 ("Amendment without consent"), "amend" includes modify, cancel, alter, adjust or add to and "amendment" has a corresponding meaning.

13.5 Notice of amendments

Any amendment of these Terms made in accordance with clause 13.1 ("Amendment without consent") must be promptly notified to Holders.

14 General

14.1 Authorisations

The Company, its officers and employees and any liquidator of the Company severally may do all such acts and things including signing all documents, transfers and other writings as be necessary or desirable to be done in order to give effect to, and perform, these Terms including, but not limited to, making any entry in the Register or doing any other thing necessary or desirable to effect Redemption or Conversion in accordance with these Terms.

14.2 No tax gross up

All payments in respect of the Preference Shares shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by Australia or any political subdivision or authority thereof or therein having the power to tax, unless such withholding or deduction is required by law.

If a withholding or deduction is required by law, the Company is not liable or obliged to gross up any payment to, or compensate, a Holder for or in respect of any such deduction or withholding.

14.3 Transfer restrictions

The Preference Shares may not, without the prior consent in writing of the Company (not to be unreasonably withheld), be held by, or assigned or transferred to any person other than:

- (a) the initial holders of the Preference Shares pursuant to the Subscription Agreement; or
- (b) members of the GSJBW Group; or
- (c) fund vehicles or trusts managed or advised by members of the GSJBW Group; or
- (d) any trustee, nominee, general partner, investment vehicle or custodian of any of the entities in paragraphs (a) to (c), above,

provided that any such person is resident in Australia or New Zealand.

The Company will not be obliged to register or recognise any transfer of Preference Shares that is not in accordance with this clause 14.3. Where a Holder ceases to be an entity described in paragraphs (b) or (c) above or a trustee, nominee, general partner, investment vehicle or custodian of those entities described in (b) or (c) above ("GSJBW entity"), the Company may require that that Holder then transfer or assign all of its Preference Shares to a GSJBW entity.

15 Governing law

These Terms are governed by the law in force in the State of New South Wales, Australia.

16 Interpretation and definitions

16.1 Definitions

These meanings apply unless a contrary intention appears:

Adjusted Total Leverage Ratio has the meaning given to "Leverage Ratio" in clause 19 of the Senior Facilities Agreement, but on the basis that Total Debt includes (without double counting):

- (a) to the extent not already included in clause 19 of the Senior Facilities Agreement, the aggregate paid up amount of all preference shares or hybrid or similar securities of the Company which rank equally with or senior to the Preference Shares either in respect of payment of dividends or in respect of return of capital upon a winding up of the Company (including, for the avoidance of doubt, any further Preference Shares which might be issued beyond the \$45m of Preference Shares to be issued pursuant to the Subscription Agreement); and
- (b) to the extent not already included in clause 19 of the Senior Facilities Agreement, in respect of the \$45m of Preference Shares to be issued pursuant to the Subscription Agreement, the aggregate Issue Price of such of those Preference Shares which are then outstanding (not to exceed \$45 million),

and also on the basis that the reference, in paragraph (b) of the definition of "Leverage Ratio" in clause 19 of the Senior Facilities Agreement, to "EBITDA for the 12 months ending on that Ratio Testing Date" is read instead as a reference to "EBITDA for the 12 months ending on the most recent month end date before the date of calculation of this Leverage Ratio".

Adjustment Event Notice has the meaning given in clause 1.2 of Annexure A ("Notice of adjustment events").

Adjustment Notice has the meaning given in clause 1.3(a) ("Determination of adjustments") of Annexure A ("Determination of adjustments").

Administrative Action means any judicial decision, or any of the following actions by the Australian Taxation Office: official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations or any refusal or failure to give a requested ruling).

ASX means ASX Limited (ABN 98 008 624 691).

ASX Listing Rules means the listing rules of ASX with any modifications or waivers in their application to the Company which ASX may grant.

Australian Dollars and A\$ means the lawful currency of Australia.

Business Day has the meaning given in the ASX Listing Rules.

Change in Law means an introduction of, an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation of any relevant jurisdiction or any directive, order, standard, requirement, guideline or statement of any relevant Government Agency.

Change of Control Event occurs if:

- (c) a takeover offer is made to acquire all or some Ordinary Shares, the offer has become or is declared free from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and as a result of the bid, a person has a relevant interest in more than 50% of the Ordinary Shares of the Company; or
- (d) a court approves a scheme of arrangement which, when implemented, will result in a person (other than the Company) having a relevant interest in more than 50% of the Ordinary Shares of the Company; or
- (e) any person (other than the Company, Andial Pty Limited, its shareholders or their respective associates) otherwise comes to have a relevant interest in more than 50% of the Ordinary Shares of the Company.

CHESS means the securities trading system known as the Clearing House Electronic Sub-register System operated by ASX Settlement and Transfer Corporation Pty Ltd (or any successor licensed clearance and settlement facility applicable to Ordinary Shares).

Company means AJ Lucas Group Limited (ABN 12 060 309 104).

Company Redemption Notice means a notice given by the Company under:

- (a) clause 6.3 ("Company Redemption Notice - response") in response to a Holder Redemption Notice; or
- (b) clause 7.3 ("Company Redemption Notice - early or Final Redemption") pursuant to clause 5.4 ("Final Redemption") or in circumstances permitted under clause 7.1 ("Grounds for early Redemption"); or
- (c) clause 7.4 ("Late Redemption").

Constitution means the constitution of the Company.

Controller has the meaning given in the Corporations Act.

Conversion means a conversion of Preference Shares into Ordinary Shares in accordance with clause 4 ("Conversion"), and **Convert** or **Converted** have the same meaning.

Conversion Amount has the meaning given in clause 4.4 ("Conversion Amount").

Conversion Date means in respect of the exercise of a Holder Conversion Right and a Preference Share, the fourth Business Day following the later of:

- (a) the date the Company receives the relevant Holder Conversion Notice; and
- (b) the date the Holder confirms that any payments (if required) under clause 4.3 ("Obligations") have been made; provided that, if such date is a Non-trading Day, then the Conversion Date will be the next following Business Day that is not a Non-trading Day.

Conversion Price has the meaning given in clause 4.5(b)(vi) ("adjustments").

Corporations Act means the Corporations Act 2001 (Cth) of Australia.

Coupon Component means, in respect of a Preference Share which is to be redeemed, the amount equal to the Redemption Amount for that Preference Share less the amount paid up on the Preference Share immediately before the Redemption.

Current Market Value means, in respect of an Ordinary Share at a particular date, the average of the VWAP of an Ordinary Share for the 2 months ending on the dealing day immediately preceding such date; provided that if at any time during the said 2 month period the VWAP shall have been based on a price ex-dividend (or ex-any other entitlement) and during some other part of that period the VWAP shall have been based on a price cum-dividend (or cum-any other entitlement), then:

- (a) if the Ordinary Shares to be issued do not rank for the dividend (or entitlement) in question, the VWAP on the dates on which the Ordinary Shares shall have been based on a price cum-dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement) (excluding, in any case, any associated tax credit); or
- (b) if the Ordinary Shares to be issued do rank for the dividend (or entitlement) in question, the VWAP on the dates on which the Ordinary Shares shall have been based on a price ex-dividend (or ex-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by such similar amount,

and provided further that if on each dealing day of the said 2 months the VWAP shall have been based on a price cum-dividend (or cum-any other entitlement) in respect of a dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued do not rank for that dividend (or other entitlement) then the VWAP on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the fair market value of any such dividend or entitlement per Ordinary Share as at the date of the first public announcement of such dividend or entitlement (excluding, in any case, any associated tax credit), and provided further that, if the VWAP of an Ordinary Share is not available on one or more of the said 2 months then the average of such VWAPs which are available in that 2 month period shall be used (subject to a minimum of two such prices) and if only one, or no, such VWAP is available in the relevant period the Current Market Value shall be determined in good faith by an Independent Financial Adviser.

In making any calculation or determination of Current Market Value or VWAP, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or subdivision of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

Delisting Event means the shares in the Company ceasing to be listed on the ASX.

Directors means some or all of the directors of the Company acting as a board or an authorised committee of the board.

Dividend has the meaning given in clause 2.1 ("Dividends").

Dividend Payment Date has the meaning given in clause 2.2 ("Dividend Payment Dates").

Dividend Period means in respect of a Preference Share:

- (a) for the first Dividend Period, the period from the Issue Date (including that date) to the first Dividend Payment Date (not including that date); and
- (b) for each subsequent Dividend Period, the period from a Dividend Payment Date (including that date) to the next Dividend Payment Date (not including that date).

Dividend Rate has the meaning given in clause 2.1 ("Dividends").

Dividend Suspension has the meaning given in clause 2.4 ("Conditions to the payment of Dividends").

Finance Debt has the meaning given to "Financial Indebtedness" in the Senior Facility Agreement.

Government Agency means any government, governmental, semi-governmental, administrative, fiscal, judicial or quasi judicial body, department, commission, authority, tribunal, agency or entity.

Group means the Company and its subsidiaries (as defined in the Corporations Act).

GSJBW Group means Goldman Sachs JBWere Pty Ltd ABN 21 006 797 897, Goldman Sachs JBWere Group Holdings Pty Ltd ABN 25 006 163 524 and their subsidiaries (as defined in the Corporations Act).

GSJBW PIA means Goldman Sachs JBWere PIA (Management) Pty Limited in its capacity as investment manager for the constituent entities of the Goldman Sachs JBWere Trans-Tasman Private Equity Fund 2007.

Holder means a person whose name is for the time being registered in the Register as the holder of a Preference Share.

Holder Conversion Notice means a notice given under clause 4.1 ("Holder Conversion Right") in, or substantially in, the form set out in Annexure C.

Holder Conversion Period means any time on or after the Issue Date up to 5.00 pm (Sydney time) on the day 10 days prior to the Maturity Date, other than a time after a Holder Redemption Notice or a Company Redemption Notice has been given.

Holder Conversion Right means the right of a Holder to convert some or all of its Preference Shares into Ordinary Shares in accordance with these Terms.

Holder Redemption Notice has the meaning given in clause 6.2 ("Holder Redemption Notice").

Independent Financial Adviser means an investment bank of international repute and independent of the Company, appointed by the Company.

Issue Date means, in respect of a Preference Share, the date on which that Preference Share is issued.

Issue Price has the meaning given in clause 1.2 ("Issue Price").

Material Prejudice means, in respect of an amendment or potential amendment to these terms, that the amendments would cause material prejudice to the Affected Persons (as defined below) who hold interests in not less than 10% of the Preference Shares, where:

- (a) if the Holder of a parcel of Preference Shares is one of the constituent entities of the Goldman Sachs JBWere Trans-Tasman Private Equity Fund 07 or any other investment fund (a **Fund**) (or is a trustee, nominee, custodian, general partner or investment vehicle of one of those constituent entities), then the ultimate investors in that constituent entity of that Fund will be deemed for the purpose of this definition to be "**Affected Persons**" in respect of those Preference Shares, in proportion to their respective economic interests in that constituent entity; and
- (b) otherwise, the "**Affected Person**" in respect of any given Preference Share will be its Holder, disregarding in each case any material prejudice to any such person which arises from the fact that the person is a resident of, or a taxpayer in, a place other than Australia or New Zealand.

Maturity Date means, in respect of a Preference Share, the fifth anniversary of the Issue Date.

Optional Dividend has the meaning given in clause 2.8 ("Optional Dividends").

Ordinary Shares means a fully paid ordinary share in the capital of the Company.

Owed Dividend has the meaning given in clause 2.5(c).

Preference Share means a fully paid redeemable convertible preference share in the share capital of the Company issued on these Terms.

Reconstruction Event has the meaning given in clause 2.1 ("Reconstruction Events") of Annexure A.

Record Date means:

- (a) with respect to a Dividend payable on a Dividend Payment Date, the date which is 7 calendar days before the Dividend Payment Date; and
- (b) with respect to an Optional Dividend, the number of Business Days prior to the date of payment of the Optional Dividend that is determined by the Company,

or in either case such other date as may be required by ASX.

Redeem means redeem, buy-back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with the Preference Shares and in accordance with these terms, and **Redeemed**, **Redeemable** and **Redemption** have the corresponding meanings.

Redemption Amount has the meaning given in clause 8.2 ("Redemption Amount").

Redemption Date has the meaning given in clause 8.1 ("Redemption Date").

Register means the register of Preference Shares maintained by, or on behalf of, the Company.

Relevant interest has the meaning given in the Corporations Act.

Relevant Preference Share means those Preference Shares the subject of a Holder Conversion Notice.

Resolution, with respect to an approval or resolution of Holders, means:

- (a) with the approval of a resolution passed at a meeting of Holders by the affirmative vote of at least 50% of the votes cast by Holders entitled to vote at that meeting on the resolution; or
- (b) with the consent in writing of Holders holding (in aggregate) at least 50% of the Preference Shares then on issue.

Roll-Up Amount has the meaning given in clause 2.3 ("Dividend Roll-Up").

Senior Facilities Agreement means the facilities agreement between Australia and New Zealand Banking Group Limited, the Company and others dated on 21 August 2008.

Senior Finance Documents means each of the following:

- (a) the Senior Facilities Agreement;
- (b) any other "Finance Document" as defined in the Senior Facilities Agreement; and
- (c) any amendment of, supplement to or replacement of a document referred to in (a) or (b) above and in the case of replacements, includes a new facility agreement with different lender(s) to lenders under the original Senior Facilities Agreement; and
- (d) any additional facility agreement or finance document with any lender(s) which provides senior debt funding to the Group,

provided in each case that relevant document (or amendment, supplement or replacement, as applicable) is not prohibited under the Subscription Agreement.

Specified Office of a person means the office specified for that person as notified to Holders from time to time and, if none specified or notified, that person's registered office.

Step Up Rate has the meaning given in clause 2.1 ("Dividends").

Subscription Agreement means the subscription agreement between the Company and GSJBW PIA dated 23 July 2008 (as amended).

Tax Act means the Income Tax Assessment Act 1936 or the Income Tax Assessment Act 1997, as the case requires.

Tax Event means a determination is made by the Directors, having received advice from reputable counsel experienced in such matters in the relevant jurisdiction, that a Change in Law or an Administrative Action has occurred or is announced, in each case in any relevant jurisdiction and at any time after the Issue Date, and that Change in Law or Administrative Action has resulted or may result in:

- (a) more than a negligible increase in taxes or costs to the Company in respect of the Preference Shares; or
- (b) a change in characterisation of the Preference Shares for tax purposes.

Terms means these terms of issue.

Trigger Event has the meaning given in clause 3.2 ("Trigger Event").

Unpaid Dividend has the meaning given in clause 2.5 ("Cumulative").

VWAP means, in respect of an Ordinary Share on any dealing day, the volume-weighted average price of an Ordinary Share published by or derived (in the case of an Ordinary Share) from the ASX or such other source as shall be determined to be appropriate by an Independent Financial Adviser on such dealing day, provided that on any such dealing day where such price is not available or cannot otherwise be determined as provided above, the VWAP in respect of such dealing day shall be the volume-weighted average price, determined as provided above but on the immediately preceding dealing day on which the same can be so determined.

In making any calculation or determination of VWAP, such adjustments (if any) shall be made as an Independent Financial Adviser considers appropriate to reflect any consolidation or subdivision of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

16.2 Corporations Act

Except as required by clause 5.4 ("Final Redemption") or any other clause or paragraph of these terms which relates to Redemption on or after the Maturity Date, but despite any other clause or paragraph of these Terms, the Company is not required to comply with these Terms to the extent that to do so would contravene the Corporations Act.

16.3 Interpretation

Unless otherwise specified or the contrary intention appears:

- (a) a reference to “applicable law” includes all laws, statutes and regulations of jurisdictions (within or outside Australia) applicable to the Company, the Company’s securities or to Holders (as the case may be), and rules, policies, official directives, guidelines, orders, requests or requirements of any Government Agency, including the ASX Listing Rules, ASTC Settlement Rules and CHES rules, except in any case to the extent that compliance is modified, waived or exempted in favour of the relevant person in the relevant circumstances;
- (b) a reference to a clause or paragraph is a reference to a clause or paragraph of these Terms;
- (c) if a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places;
- (d) headings and application of bold fonts are for convenience only and do not affect the interpretation of these Terms;
- (e) the singular includes the plural and vice versa;
- (f) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (g) if an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day;
- (h) a reference to Australian Dollars, dollars, A\$, \$ or cents is a reference to the lawful currency of Australia;
- (i) a reference to a time of day is a reference to Sydney time;
- (j) calculations, elections and determinations made by the Company, or the Directors under these Terms are binding on Holders in the absence of manifest error;
- (k) a reference to a party to an agreement or deed includes a reference to a replacement or substitute of the party according to that agreement or deed;
- (l) a reference to an agreement or deed includes a reference to that agreement or deed as amended, added to or restated from time to time; and
- (m) the words “includes” or “including”, “for example” or “such as” do not exclude a reference to other items, whether of the same class or genus or not.

Annexure A

ADJUSTMENTS TO THE CONVERSION PRICE - CLAUSE 4.5(b)(vi)

1 Adjustment of Conversion Price

1.1 Conversion Price

The Conversion Price (initially \$7.20 per Ordinary Share) is subject to adjustment by the Company in the circumstances and according to the principles set out in this Annexure.

1.2 Notice of adjustment events

Where a Reconstruction Event occurs which may give rise to an adjustment to the Conversion Price, the Company must notify Holders of the occurrence of that event within 5 Business Days of the relevant Reconstruction Event (**Adjustment Event Notice**).

1.3 Determination of adjustments

- (a) The Company will determine the adjustments to be made to the Conversion Price pursuant to this Annexure, and will give notice of any adjustment to Holders within 15 Business Days of the relevant Reconstruction Event or Change of Control Event (**Adjustment Notice**).
- (b) If no notice is given by Holders under clause 1.4 (a) ("Disputes as to adjustments") of this Annexure, the adjustments set out in the Adjustment Notice will be final and binding on all Holders.

1.4 Disputes as to adjustments

- (a) Holders holding, in aggregate, at least 50% of the Preference Shares on issue as at the Issue Date may dispute the determination of the adjustment by the Company, by written notice (**Dispute Notice**) to the Company given no later than 10 Business Days after the date of the Adjustment Notice setting out:
 - (i) the grounds for disputing the Company's adjustments which grounds must be reasonable; and
 - (ii) the Holders' proposed alternative adjustments (including the basis for calculation of those adjustments, having regard to this Annexure).
- (b) Holders may only dispute the determination of the adjustment under paragraph (a) on the grounds that:
 - (i) the formulae under clauses 2.2 ("Adjustments for bonus issues, rights issues and placements") to 2.6 ("Adjustments outside formulae") have been applied incorrectly; or
 - (ii) the Directors were obliged to make adjustments to the Conversion Price under clause 2.6 ("Adjustments outside formulae"), but failed to do so, or did so in a way which was not appropriate and necessary;
 - (iii) the formula in clause 2.4 ("Adjustment for return of capital or Special Dividend") applies and the Directors have for that purpose determined a value for non-cash property with which the Holders do not agree on reasonable grounds (provided that the Holders may not dispute such a valuation if the Directors' valuation is approximately at the mid-point of a valuation range determined by an independent expert whose identity was approved in advance by the Holders (acting reasonably) and who was properly appointed and informed by the Company prior to making that valuation; or
 - (iv) the Directors purported to make an adjustment under clause 2.6 ("Adjustments outside formulae") when they were not entitled to do so, as none of the circumstances in 2.6(a) to 2.6(c) were fulfilled.
- (c) The Company and the relevant Holders will use reasonable endeavours to agree the adjustments within 5 Business Days of the date of a Dispute Notice being given under paragraph (a).
- (d) In the event that the adjustments are not agreed within the period specified in paragraph (c), the parties will refer the determination of the adjustments to PricewaterhouseCoopers or another appropriate accounting firm as agreed between the parties or determined in accordance with this clause (**Expert**), in which case:
 - (i) if the Company does not wish the parties to appoint PricewaterhouseCoopers as the Expert (or PricewaterhouseCoopers declines to accept that appointment), then the Company must give notice to that effect to the Holders and the Company and the Holders must then use all reasonable endeavours to agree the identity of another appropriate accounting firm to act as the Expert within 5 Business Days after date of the notice;
 - (ii) if the Company gives a notice under paragraph (i) and the parties fail to agree the identity of the Expert within the period specified in paragraph (i), then the parties must promptly ask the President of the Institute of Chartered Accountants in Australia to nominate an appropriate accounting firm to act as the Expert;
 - (iii) the parties must jointly appoint the Expert to determine the adjustments in accordance with this clause and within 20 Business Days of the date of appointment;
 - (iv) the Expert will act as an expert and not as an arbitrator;
 - (v) each party may make written submissions to the Expert within 10 Business Days of the date of appointment (or such other period as the parties may agree), provided that any such submissions are contemporaneously copied to the other parties;
 - (vi) the expert's determination will be binding upon the parties in the absence of manifest error; and
 - (vii) the Company (as to one part) and the Holders (as to the other) will bear the costs of the Expert in equal shares, and each will bear their own legal costs.

2 Adjustments for reconstructions and other events

2.1 Reconstruction Events

The Conversion Price will be adjusted by the Company upon the occurrence of any of the following events (**Reconstruction Events**) in accordance with clauses 2.2 ("Adjustments for bonus and rights issues") to 2.6 ("Adjustment

for Special Dividend”) of this Annexure (and subject to clause 3 (“Circumstances where no adjustment is required”) of this Annexure) as follows:

- (a) a bonus issue of Ordinary Shares – adjustment under clause 2.2 (“Adjustments for bonus issues, rights issues and placements”);
- (b) a rights issue (including an “AREO”, “RAPIDS” or “Jumbo placement”, or other form of accelerated rights issue or placement) or placement where the issue price is less than 90% of the Current Market Price per share – adjustment under clause 2.2 (“Adjustments for bonus issues, rights issues and placements”); or
- (c) other issues of Ordinary Shares (other than pursuant to employee options or rights) which would be dilutive, where the issue price is less than 90% of the Current Market Price per share – adjustment under clause 2.2 (“Adjustments for bonus issues, rights issues and placements”),

other than, in the case of paragraphs (b) or (c), an issue conducted for the purpose of Redeeming (or to facilitate Redemption of) all of the remaining Preference Shares;

- (d) a return of share capital of the Company other than as a result of a Redemption of Preference Shares – adjustment under clause 2.3 (“Adjustment for off-market buy-back”) where the return of capital relates to an off-market buy-back, and otherwise under clause 2.4 (“Adjustment for return of capital or Special Dividend”);
- (e) payment of a special dividend (including an in specie distribution by way of dividend) on Ordinary Shares (other than the interim or final ordinary dividend) – adjustment under clause 2.4 (“Adjustment for return of capital or Special Dividend”);
- (f) payment of an interim or final dividend (including any in specie distribution by way of dividend) on Ordinary Shares (other than a special dividend referred to in paragraph (e)) in excess of a combined yield (in aggregate, over the interim and final dividends in respect of the relevant financial year) of 3.50% per annum payable in respect of the financial year (notwithstanding that the payment may be made in the subsequent financial year) (based on the 2 month VWAP of Ordinary Shares traded prior to the ex date for the relevant final dividend) – adjustment under clause 2.4 (“Adjustment for return of capital or Special Dividend”),

(any of the dividends referred to in paragraphs (e) or (f) being a **Special Dividend**); or

- (g) subdivision, consolidation of Ordinary Shares of the Company – adjustment under clause 2.5 (“Adjustment for consolidation or subdivision”).

2.2 Adjustments for bonus issues, rights issues and placements

If the Company makes a pro rata bonus issue or rights issue or placement or other essentially pro rata issue (including an issue of the kind known as a “Jumbo”, “AREO” or “RAPIDS” issue, where offers to certain institutional holders (or beneficial holders) are made in advance of offers to other holders) of Ordinary Shares to holders of Ordinary Shares generally (other than a transaction described in clause 3 (“Circumstances where no adjustment is required”)), the Conversion Price will be adjusted in accordance with the following formula:

$$CP = CP_0 \times \frac{1}{P} \times \frac{(RD \times P) + (RN \times A)}{(RD + RN)}$$

where:

CP means the Conversion Price applying immediately after adjustment under this Annexure;

CP₀ means the Conversion Price applying immediately before adjustment under this Annexure;

P means the VWAP during the 20 Business Days up to (and including) the first Business Day before the announcement of the bonus, rights or other relevant issue or placement to the ASX;

A means the subscription price or unit price per Ordinary Share for a rights issue or placement and is zero in the case of a bonus issue;

RN means the number of Ordinary Shares issued pursuant to the rights, bonus or other relevant issue or placement; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the rights, bonus or other relevant issue or placement,

provided always that no adjustment to the Conversion Price will occur if A exceeds 90% of P.

2.3 Adjustment for off-market buy-back

If the Company undertakes an off-market buy-back (other than a transaction described in clause 3 (“Circumstances where no adjustment is required”)), the Conversion Price will be adjusted in accordance with the following formula:

$$CP = CP_0 \times \frac{1}{P} \times \frac{(BD \times P) - (BN \times A)}{(BD - BN)}$$

where:

CP means the Conversion Price applying immediately after adjustment under this Annexure;

CP₀ means the Conversion Price applying immediately before adjustment under this Annexure;

P means the VWAP during 20 Business Days prior to the announcement to the ASX of the buy-back;

A means the buy-back price per Ordinary Share;

BN means the number of Ordinary Shares bought back; and

BD means the number of Ordinary Shares on issue immediately prior to the buy-back,

provided always that no adjustment to the Conversion Price will occur if A is less than 110% of P.

2.4 Adjustment for return of capital or Special Dividend

If the Company makes a pro rata return of capital to holders of Ordinary Shares or pays a Special Dividend (other than a transaction described in clause 3 (“Circumstances where no adjustment is required”)), the Conversion Price will be adjusted in accordance with the following formula:

$$CP = CP_0 \times \frac{(P-C)}{(P)}$$

where:

CP means the Conversion Price applying immediately after adjustment under this Annexure;

CP₀ means the Conversion Price applying immediately before adjustment under this Annexure;

P means the VWAP during the 20 Business Days prior to the announcement of the return of capital or Special Dividend to the ASX; and

C means with respect to a return of capital or a Special Dividend, the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero). Where property distributed to holders of Ordinary Shares is a listed security, C is the 30 Business Day VWAP of the listed security following the distribution.

2.5 Adjustment for consolidation or subdivision

If at any time the Ordinary Shares are consolidated or subdivided into a lesser or greater number of Ordinary Shares (other than a transaction described in clause 3 ("Circumstances where no adjustment is required")), the Conversion Price will be adjusted in accordance with the following formula:

$$CP = CP_0 \times \frac{(RD)}{(RN)}$$

where:

CP means the Conversion Price applying immediately after adjustment under this Annexure;

CP₀ means the Conversion Price applying immediately before after adjustment under this Annexure;

RN means the number of Ordinary Shares on issue immediately post the consolidation or subdivision; and

RD means the number of Ordinary Shares on issue immediately prior to the consolidation or subdivision.

2.6 Adjustments outside formulae

Despite the provisions of clauses 2.2 ("Adjustments for bonus issues, rights issues and placements") to 2.5 ("Adjustment for consolidation or subdivision") of this Annexure, where:

- (a) the effect of any of the adjustment provisions set out in clauses 2.2 ("Adjustments for bonus issues, rights issues and placements") to 2.5 ("Adjustment for consolidation or subdivision") of this Annexure is so manifestly unreasonable that no reasonable person could consider that the outcome represented a fair or equitable result between the Holders and the Company; or
- (b) the Directors, having duly consulted with the Holders, reasonably consider that it is not clear which adjustment provision applies or that more than one adjustment provision may apply,

the Directors must make such alterations to the Conversion Price as they reasonably consider, after due consultation with the Holders, to be appropriate or necessary (subject to clause 3 ("Circumstances where no adjustment is required") of this Annexure) in order to preserve the value of the Preference Shares, without causing Holders to receive a benefit that holders of ordinary securities do not receive.

2.7 ASX Listing Rules requirements

Notwithstanding any other provision of clauses 2.2 ("Adjustments for bonus issues, rights issues and placements") to 2.6 ("Adjustments outside formulae") of this Annexure, any adjustments will be otherwise carried out in accordance with the ASX Listing Rules (as applicable), and subject to all applicable laws.

3 Circumstances where no adjustment is required

No adjustment to the Conversion Price is required for:

- (a) a rights issue or placement of Ordinary Shares (including an "AREO", "RAPIDS", "Jumbo placement" or other form of accelerated rights issue or placement of Ordinary Shares), dividend reinvestment plan (by way of Ordinary Shares), or issue of Ordinary Shares where (in each case) the issue price is not less than 90% of the Current Market Price per share;
- (b) any issue or exercise of employee options or rights;
- (c) any issue of securities conducted for the purposes of funding Redemption (or to facilitate Redemption) of all of the Preference Shares (unless those funds are not applied to effect or facilitate such Redemption);
- (d) any return of share capital by the Company as a result of a Redemption of Preference Shares; or
- (e) where clause 5 ("Participation in lieu of adjustment") of this Annexure applies and that right is so extended to all Holders.

4 Participation in lieu of adjustment

- (a) The Company must by notice to the Holders extend to the Holders the right to participate in any in specie distribution of some or all of the Coal Seam Gas assets of the Company and its related entities, or in any similar demerger or distribution transaction in relation to some or all of those assets (however structured) as if they were the holders of the number of Ordinary Shares into which the Preference Shares would notionally Convert as at the date of the record date for that distribution (or the Company's best estimate of such number of Ordinary Shares).
- (b) Without limiting paragraph 4(a) of this Annexure, the Company may offer to extend a right to participate in an in specie distribution to Holders, and the Holders may, if approved by Resolution, approve the extension of a right to Holders to participate in an in specie distribution as if they were holders of the number of Ordinary Shares into which the Preference Shares would notionally Convert as at the date of the record date for that distribution (or the Company's best estimate of such number of Ordinary Shares), subject to all applicable laws.

Annexure B

ADJUSTMENTS TO THE DIVIDEND RATE - CLAUSE 13.2(b)

1

Adjustment to the Dividend Rate

Where this Annexure applies by reason of clause 13.2(b), the Company must adjust the Dividend Rate for the given Dividend Period as follows:

- (n)
- if 100% of the tax deductibility to the Company of dividends on the Preference Shares for the given Dividend Period is lost, the Dividend Rate for the given Dividend Period will be adjusted as follows:

$$DR = DR_0 - (DR_0 \times TR \times 50\%),$$

where:

DR means the Dividend Rate after adjustment under this Annexure;

DR₀ means the Dividend Rate before adjustment under this Annexure; and

TR means the corporate income Tax rate for the relevant Dividend Period; and

- (o)
- if less than 100% of the tax deductibility to the Company of dividends on the Preference Shares for the given Dividend Period is lost, an iteration process will be applied as contemplated by the table below in order to determine an adjustment to the Dividend Rate for the given Dividend Period which ensures that the after Tax impact on the Company is shared with the Holders on a 50:50 basis (equivalent to the 50:50 sharing of that impact under paragraph (a) above in circumstances where 100% of deductibility is lost).

Assumptions

Face Value	45.0
Coupon	11.0%
Tax Rate	30.0%
Benefit of Deductibility	3.3%

Coupon Adjustment	Loss of Deduction	Coupon pre tax fully deductible	Target after Tax Coupon (fully deductible)	Adjusted coupon	After tax cost to company	Company cost after tax	Cost to Holder	Difference
	0%	11.00%	7.70%		7.70%	0.00%	0.00%	0.00%
	25%	11.00%	7.70%		8.16%	-0.46%	-0.46%	0.00%
	50%	11.00%	7.70%		8.59%	-0.89%	-0.89%	0.00%
	100%	11.00%	7.70%		9.35%	-1.65%	-1.65%	0.00%

Annexure C

Form of Holder Conversion Notice

1. CONVERSION ELECTION

I/We, being holder(s) of AJ Lucas Group Limited ("AJL") Redeemable Convertible Preference Shares ("RCPS"), hereby give notice pursuant to and in accordance with clause 4.1 of the RCPS Terms approved by shareholders of AJL on or about 26 November 2008 (as amended from time to time), of my/our wish to Convert all or part of my/our RCPS holding as indicated below.

Name(s) of registered Holder(s): _____

Share certificate number(s)/HIN/SRN: _____
(as appropriate)

Nominate the number of RCPS you wish to Convert: _____

AND

Tick the box that applies:

Full Conversions of RCPS holding* ☐

Partial Conversion of RCPS holding** ☐

**Note: this must be all of your RCPS holding.*

***Note: this must not exceed your RCPS holding.*

In completing and signing this Notice, I/we make the representations, acknowledgments and consents set out in Part 4 of this Notice. Words and expressions defined in, and for the purposes of, the RCPS Terms have the same meaning as in the RCPS Terms where used in this Notice unless otherwise specified.

2. SIGNATURE(S) OF HOLDER(S)

Holder 1 (Individual)

Sole Director and Sole
Company Secretary/Director
(delete one)

Joint Holder 2 (Individual)

Director/Company Secretary
(delete one)

Joint Holder 3 (Individual)

Date

3. CONTACT DETAILS

Contact Name (PRINT): _____

Telephone Number (Business Hours): _____

Email: _____

Fax: _____

4. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS BY HOLDER

REPRESENTATIONS WARRANTIES

I/we represent, both at the time of giving this Notice and separately at the time my/our RCPS are Converted pursuant to this Notice, for the benefit of AJL:

- (a) I/we am/are the legal and registered owner/s of the RCPS to which this Notice relates and am/are presently entitled to give this Notice under the Terms and have, or am acting with the authority of any Holder of, the beneficial interest in the RCPS to which this Notice relates;
- (b) I/we are person(s) for whom the RCPS can be Converted, and to whom the Ordinary Shares can be issued, without breaching the applicable securities laws of my/our jurisdiction(s) and without, to the best of my/our knowledge (having taken competent Australian legal advice on the point), breach by me/us of the Foreign Acquisition and Takeovers Act 1975 (Cth); and
- (c) these RCPS are free and clear of any interest or power reserved in or over any interest in the RCPS including, without limitation, under a bill of sale, mortgage, charge, lien, pledge, option, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation or any other encumbrance (whether legal or equitable) or any third party rights and whether existing or agreed to be granted or created.

ACKNOWLEDGMENTS AND CONSENTS

I/We further acknowledge and agree:

- (a) I/we acknowledge (in particular) clauses 4.3, 4.4 and 4.5 of the RCPS Terms, give the agreements, acknowledgements and consents set out in clauses 4.3(c) and clauses 4.5(b)(vii);
- (b) I/we will not deal with, transfer or dispose of or otherwise encumber the RCPS which are the subject of this Notice;
- (c) I/We agree to accept the Ordinary Shares issued by AJL on Conversion under the RCPS Terms and the terms of AJL's constitution in full satisfaction of my/our entitlements on Conversion under the RCPS Terms in respect of the RCPS the subject of this Notice;
- (d) I/we authorise AJL, its agent or the Share Registry to enter my/our Name on the share register in relation to the Ordinary Shares issued to me/us; and
- (e) that AJL, its agents or the Share Registry may use or provide information to a third party regarding my/our holding of these RCPS in connection with or in order to facilitate Conversion of these RCPS.

5. HOW TO COMPLETE THIS NOTICE

Part 1: Conversion Election

Enter the number of RCPS you wish to Convert and tick the applicable box to indicate whether you wish to Convert all or part only of your RCPS holding. You should provide evidence of title to your RCPS. In the event of an inconsistency between this Notice and the Company's records as to your holding, the Company may (at its discretion) rely on its records of your holding. In that event, an election to Convert all or part of your holding may be reduced (in either case) by AJL at its discretion (in the case of an election to Convert all of your holding) to accord with its records of your holding or increased.

Part 2: Signing Instructions

This form should be signed by the Holder:

- (a) If a joint holding, all Holders should sign.
- (b) If signed by the Holder's attorney, a certified copy of the power of attorney must be attached to this Notice.
- (c) If executed by a company, the Notice must be executed in accordance with the Holder's constitution and the Corporations Act 2001 (Cth) (or for foreign companies, the laws in the relevant jurisdictions).

Part 3: Contact Details

Please enter your contact name, area code, telephone number(s) and email address in case we need to contact you in relation to your Holder Conversion Notice.

LODGMET INSTRUCTIONS

You must return the completed Notice to:

AJ Lucas Group Ltd
PO Box 675
Ryde NSW 1680
Fax: 02 9807 6088

or such other address as is notified to you from time to time by AJL.

Annexure D

Form of Holder Redemption Notice

1. REDEMPTION ELECTION

I/We, being holder(s) of AJ Lucas Group Limited ("AJL") Redeemable Convertible Preference Shares ("RCPS"), hereby give notice pursuant to and in accordance with clauses 6.1 and 6.2 of the RCPS Terms approved by shareholders of AJL on or about 26 November 2008 (as amended from time to time), of my/our wish to Redeem all RCPS referred to below.

Name(s) of registered Holder(s): _____

Share certificate number(s)/HIN/SRN: _____
(as appropriate)

Number of RCPS to be Redeemed*: _____

**Note - this must be all of your RCPS holding.*

In completing and signing this Notice, I/we make the representations, acknowledgments and consents set out in Part 4 of this Notice.

Words and expressions defined in, and for the purposes of, the RCPS Terms have the same meaning as in the RCPS Terms where used in this Notice unless otherwise specified.

2. SIGNATURE(S) OF HOLDER(S)

Holder 1 (Individual)

Sole Director and Sole
Company Secretary/Director
(delete one)

Joint Holder 2 (Individual)

Director/Company Secretary
(delete one)

Joint Holder 3 (Individual)

Date

Signing Instructions: Please see next page.

3. CONTACT DETAILS

Contact Name (PRINT): _____

Telephone (Business Hours): _____

Email: _____

Fax: _____

4. REPRESENTATIONS, WARRANTIES AND ACKNOWLEDGEMENTS BY HOLDER

REPRESENTATIONS AND WARRANTIES

I/we represent, both at the time of giving this Notice and separately at the time my/our RCPS are Redeemed pursuant to this Notice, for the benefit of AJL:

- (a) I/we am/are the legal and registered owner/s of the RCPS to which this Notice relates and am/are presently entitled to give this Notice under the RCPS Terms, and have, or am acting with the authority of any holder(s) of, the beneficial interest in the RCPS to which this Notice relates; and
- (b) these RCPS are free and clear of any interest or power reserved in or over any interest in the RCPS including, without limitation, under a bill of sale, mortgage, charge, lien, pledge, option, trust or power, by way of security for the payment of debt or any other monetary obligation or the performance of any other obligation or any other encumbrance (whether legal or equitable) or any third party rights and whether existing or agreed to be granted or created.

ACKNOWLEDGMENTS AND CONSENTS

I/We further acknowledge and agree:

- (a) I/we will not deal with, transfer or dispose of or otherwise encumber the RCPS which are the subject of this Notice;
- (b) I/We agree to accept the Redemption Amount payable by AJL under the RCPS Terms, on the terms of AJL's constitution and in full satisfaction of our entitlements on Redemption under the RCPS Terms in respect of the RCPS the subject of this Notice;
- (c) that AJL, its agents or the Share Registry are authorised to pay any Redemption Amount to me/us by the same means as we presently receive Dividend payments on these RCPS, including by way of direct credit to a bank account previously nominated by me/us to AJL, its agents or the Share Registry, and I/we accept the risk associated with any such payment; and
- (d) that AJL, its agents or the Share Registry may use or provide information to a third party regarding my/our holding of these RCPS in connection with or in order to facilitate Redemption of these RCPS.

5. HOW TO COMPLETE THIS NOTICE

Part 1: Redemption Election

Write the number of RCPS you hold in the box in the first part of this Notice. Please note that under the RCPS Terms, if you elect to redeem your RCPS, you must redeem **all** your RCPS. You must provide evidence of title to your RCPS. In the event of an inconsistency between this Notice and the Company's records as to your holding, the Company may (at its discretion) rely on its records of your holding and this Notice will be taken to extend to that holding.

Part 2: Signing Instructions

This Notice should be signed by the Holder

- (a) If a joint holding, all Holders should sign.
- (b) If signed by the Holder's attorney, a certified copy of the power of attorney must be attached to this Notice.
- (c) If executed by a company, the Notice must be executed in accordance with the Holder's constitution and the Corporations Act 2001 (Cth) (or for foreign companies, the laws in the relevant jurisdictions).

Part 3: Contact Details

Please enter your contact name, area code, telephone number(s) and email address in case we need to contact you in relation to your Holder Redemption Notice.

LODGMET INSTRUCTIONS

You must return the completed Notice to:

AJ Lucas Group Ltd
PO Box 675
Ryde NSW 1680
Fax: 02 9807 6088

or such other address as is notified to you from time to time by AJL.