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ASX ANNOUNCEMENT/MEDIA RELEASE

AJ Lucas Executes Loan Facility Agreements

Further to the announcement made on 21 March 2013, AJ Lucas Group Limited (ASX:AJL) (**AJ Lucas** or **the Company**) advises that it has today executed two new loan facility agreements.

The first is with Athena Investments Holdings LLC (**Athena**), a corporation which is part of Elliott and Affiliates, a global private investment firm, for a facility of up to US\$70 million (**Athena Facility**).

At the same time, the Company has executed a new facility agreement with Kerogen Investments No. 1 (HK) Limited (**Kerogen**), which replaces the three existing facilities with the Company (**Kerogen Restructured Facility**), amounting to approximately \$125 million. Both the Athena Facility and the Kerogen Restructured Facility are subject to shareholder approval.

Athena Facility

The Athena Facility will allow the Company to fully repay its existing senior lender (ANZ), meet various other short term commitments, provide capital to sustain the Company's investments in Cuadrilla and its direct interests in the Bowland and Bolney Prospects in the UK, and provide working capital.

The Athena Facility may be drawn down in two tranches of respectively US\$55 million and US\$15 million:

- the first tranche may be drawn down at closing and will have a maturity date of 31 October 2014. Warrants equal to 4.75% of the issued capital of the Company (on a fully diluted basis, including the first tranche of warrants to be issued to Kerogen in connection with the Kerogen Restructured Facility) will be issued at draw down (**Athena First Tranche Warrants**); and
- subject to the satisfaction of certain operational milestones, the second tranche may be drawn down at any time between 31 October 2013 and 21 November 2013 and will have a maturity date of 31 October 2014. If drawn down, warrants equal to (in aggregate with the Athena First Tranche Warrants) 6.0% of the issued capital (on a fully diluted basis) must be issued at the time of draw down of the second tranche (**Athena Second Tranche Warrants**).

The Company may also elect to extend the maturity date of the facility from 31 October 2014 to 30 April 2015, in which case warrants equal to (in aggregate with the Athena First Tranche Warrants and Athena Second Tranche Warrants) 7.0% of the issued capital



(on a fully diluted basis) must be issued at the time of the election (**Athena Third Tranche Warrants**). The warrants are exercisable at \$1.55 per share and expire 42 months after issue.

The interest rate payable by the Company is:

- for the period to 31 October 2014, 8% per annum in cash and 2% per annum deferred until the maturity date; and
- if the maturity date is extended, for the period from 1 November 2014 to 30 April 2015, 10% per annum in cash and 4% per annum deferred until the extended maturity date.

The Athena Facility is subject to various conditions precedent, including:

- the granting of first ranking security to replace the existing first ranking security issued to ANZ, together with approval by shareholders under the financial assistance provisions of the Corporations Act;
- approval by shareholders of the issue of the warrants to Athena or a nominee of its choice; and
- entry by the Company into, and approval by shareholders of, the Kerogen Restructured Facility.

Kerogen Restructured Facility

The terms of the Kerogen Restructured Facility substantially reflect those of the Athena Facility. The principal terms of the Kerogen Restructured Facility are:

- accrued interest under the existing Kerogen facilities will be capitalised under the Kerogen Restructured Facility, providing cash flow relief to the Company;
- after capitalisation of accrued interest and the Kerogen Placement (discussed below), there will be two loan tranches, one of US\$30 million (**Tranche 1**) and one of approximately US\$75 million (**Tranche 2**);
- the Kerogen Restructured Facility will rank behind the Athena Facility;
- a maturity date beyond that of the existing Kerogen facilities, initially to 30 November 2014 and then, if the Elliott Facility is extended, 31 May 2015;
- the interest rate payable by the Company is:
 - for Tranche 1, 6% per annum in cash and 9% per annum deferred until its maturity date; and



- for Tranche 2, 2% per annum in cash and 13% per annum deferred until its maturity date;
- in the event the maturity date of the Kerogen Restructured Facility is extended, the deferred interest rate payable by the Company on both of the tranches increases by 2% per annum from the date of extension through to the extended maturity date; and
- the issue of warrants equal to 2.25% of the issued capital of the Company (on a fully diluted basis including the Athena First Tranche Warrants) to Kerogen or a nominee of its choice and, if the maturity date of the Kerogen Restructured Facility is extended, warrants equal to (in aggregate with the first tranche warrants issued to Kerogen) 2.75% of the issued capital of the Company (on a fully diluted basis and including all warrants issued to Athena). The warrants are exercisable at \$1.55 per share and expire 42 months after issue.

The Kerogen Restructured Facility (including the extension of the maturity dates effected by it) is subject to various conditions precedent, including:

- approval by shareholders for the granting of additional security to Kerogen;
- approval by shareholders of the issue of warrants to Kerogen or a nominee of its choice; and
- approval by shareholders for Kerogen to subscribe for 15 million ordinary shares in AJ Lucas at \$1.55 per share (**Kerogen Placement**), satisfied by way of set off of amounts owing under Kerogen's existing facilities, thereby reducing the Company's Tranche 2 borrowings by \$23.25 million.

An extraordinary general meeting of AJ Lucas shareholders will be called shortly to approve the granting of the security to Athena and Kerogen, to approve the terms of the warrants and to approve the Kerogen Placement (**EGM**). It is currently expected that the EGM will be held in mid-July 2013.

Commenting on the signing of the Athena and Kerogen Facilities, AJ Lucas CEO, Allan Campbell, said:

"The additional funding and extension of time in which to repay these amounts gives us much more flexibility to manage our business. This should assist in the award of additional work. Importantly, this increased funding allows us to maintain our investments in our European shale gas portfolio as the various prospects there move up the development curve."



Potential Farm-in to Bowland Prospect

Discussions are continuing with leading energy companies in respect of a potential farm-in or similar type investment into the Bowland shale prospect in Lancashire in the UK, which is held as to 75% by Cuadrilla Resources and 25% by the Company. Lucas remains confident of a positive outcome. Further details will be provided in due course.

For further information please contact:

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About AJ Lucas Group Limited

Lucas is a leading provider of specialist infrastructure, construction and drilling services to the energy, water and waste water, resources and public infrastructure sectors. In particular, it is the largest supplier of drilling and gas management services to Australia's coal industry. Other divisions provide construction and civil engineering services.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Current investments include a 44% shareholding in Cuadrilla Resources, an exploration and production company focused on unconventional hydrocarbons, and a 25% direct interest in each of the Bowland and Weald shale basin prospects in respectively North West and South East England. Past projects successfully developed and exited include the Company's investments in Gloucester Basin, Sydney Gas and ATP651 in Queensland's Surat Basin.