

AJ Lucas Group Limited



Restructuring Update Presentation

Mark Summergreene, Group Chief Financial Officer

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Present Restructuring Situation

- As outlined by the CEO, the Group has been undertaking a comprehensive review of its financial position and its operations. This review has recently accelerated and has involved a detailed analysis of the entire Group.
- The restructuring objective is to:
 - Stabilise the financial position. This has involved:
 - Improvements to the balance sheet
 - Improvements to the profitability of the operating businesses, including through an alignment of costs with the current business environment and outlook
 - Further develop the Bowland UK based shale gas prospect with a view to selling the asset within a two years timeframe and deleveraging.
- **The Group expects that its overall financial position would be materially improved, following successful achievement of these restructuring objectives.**

Restructuring Implementation

- Balance sheet improvements:
 - New funds of > \$215m have been raised over the past 18 months, \$90m as new equity, \$100m in new loans and \$25m from asset sales
 - Maturity profile of liabilities has been extended to better match expected free cash flow and future asset disposals:
 - An extended repayment plan including partial interest forgiveness has recently been agreed with the ATO, involving repayment of the principal (approx. \$27m) through to June 2017 and beyond for payment of interest
 - Ongoing support from Kerogen Capital including amendments to their various loans
- Operational improvements:
 - Significant labour cost reductions across the Group
 - New working capital



Restructuring Implementation cont.

Transaction Description	Amount Raised	Application of funds
Sale of underground drilling business, March 2011	\$25.5m	\$ 3.8m to fund Cuadrilla \$21.7m to fund working capital
Private Equity Placement, September 2011	\$13.9 m	\$9.9m to fund Cuadrilla \$4.0m for working capital
Mezzanine Term Loan Facility, December 2011	\$86.5 m	\$59.2m to repay prior funding facility \$10.8m for working capital \$10.1m to fund Cuadrilla \$6.4m restructure costs
New Equity Rights Issue, February 2012	\$35.5 m	\$15.0m repayment to ATO \$9.0m for working capital \$7.3m repayment to ANZ \$4.2m to fund Cuadrilla
Temporary junior funding facility, May-June 2012	\$11.0 m	\$5.6m to fund Cuadrilla \$4.9m for working capital \$0.5m for loan fees
Additional junior funding / equity funding bridge facility, July - August 2012	\$15.0 m	\$9.0m to fund Cuadrilla \$1.0m Drilling Services capital expenditure \$5.0m for working capital
\$40 m equity placement and options exercise (net \$29.4m) September 2012	\$29.4m	\$10.6m to repay temporary Kerogen funding facility \$10m for payment to ATO \$18.9m for Cuadrilla / general working capital \$0.5m for costs
Total	\$216.8m	



Restructuring Implementation cont.







- A thorough review of the Engineering & Construction (E&C), Drilling business (LDS) and Corporate Office (LSS) was conducted as part of the initial FY13 budgeting processes
- Further significant ongoing reviews have been conducted in light of softening market conditions including material divisional and corporate overhead cost reductions and revenue enhancement measures
- The initial restructuring (Jun-Sep) included a reduction of 148 employees (LDS 70, E&C 73, LSS 5) consisting of \$7.5m overhead and \$11.2m in project staff annualised cost savings
- The secondary review (Oct-Feb) includes a reduction of 60 additional employees (LDS 29, E&C 15, LSS 16) consisting of \$5.6m overhead and \$2.9m project staff

	Period to Sep-12	Period to Dec-12	Period to Feb-12	Grand Total
LDS Project	\$3,858,490	\$2,896,624	-	\$6,755,113
LDS Overhead	\$4,020,169	\$1,919,483	\$397,446	\$6,337,097
LDS Total	\$7,878,658	\$4,816,106	\$397,446	\$13,092,211
E&C Project	\$7,313,465	-	-	\$7,313,465
E&C Overhead	\$3,131,489	\$762,681	-	\$3,894,171
E&C Total	\$10,444,954	\$762,681	-	\$11,207,635
LSS Overhead	\$310,950	\$1,512,193	\$1,002,497	\$2,825,640
LSS Total	\$310,950	\$1,512,193	\$1,002,497	\$2,825,640
Overhead Subtotal	\$7,462,609	\$4,194,357	\$1,399,942	\$13,056,908
Project Subtotal	\$11,171,954	\$2,896,624		\$14,068,578
Grand Total	\$18,634,563	\$7,090,981	\$1,399,942	\$27,125,486

Refinancing Status

- A refinancing of the Group's senior bank facilities is required. The present date for repayment of the Group's banking facilities is 30 November 2012. Based on the most recent discussions with the Group's senior lender, the bank has indicated that it is favourably disposed towards extending the repayment date. At the time of writing there has, however, been no formal response received.
- The Group has requested an extension to the present repayment date of the bank facilities
- The Group is presently negotiating with a number of prospective financiers for funding necessary to:
 - Refinance the senior bank facilities
 - Provide additional working capital funding, matched against the expected operational requirements
 - Cover the anticipated ongoing Bowland / Cuadrilla funding requirements

Restructuring Summary

-  Restructuring of non-bank financial creditors 
 -  Detailed operational review of business 
 -  Refinancing of senior financial creditor
 -  Secure Cuadrilla development funding through to monetisation
- Work in progress. Group is in active discussions with a number of prospective financiers to secure the required facilities