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30 August 2018

AJ Lucas senior loan facility headroom increased, maturity extended

AJ Lucas Group Limited (ASX: AJL) has reached a binding agreement to increase the headroom and extend the maturity of its senior loan notes facility.

Under the terms of the revised facility, the Company will have the ability to draw down an additional US\$9 million (A\$12.3 million). If required this additional funding will be used by AJ Lucas to further investment in the Company's UK shale gas activities as the exploration program at Preston New Road moves into a new phase, with hydraulic fracturing expected to commence in October 2018, followed by gas flow testing.

Agreement has also been reached to extend the maturity of the facility to 31 January 2020 (from 22 July 2019), and to defer the requirement to reduce the facility principal to US\$20 million to 30 June 2019 (from 30 September 2018). In accordance with the terms of the senior loan notes facility, the maturity of the Kerogen loan facility has also been extended and is now repayable on the earlier of 31 July 2020 (previously 31 December 2019) or 6 months from full repayment of the senior loan notes facility.

In line with the previous senior loan notes facility, the Company will have an obligation to make quarterly cash interest payments at a rate of 12% per annum, with a further 6% per annum interest payable on maturity.

AJ Lucas chairman Phil Arnall said: "These amendments provide the Company with funding headroom and represent a strong vote of confidence from our senior and subordinated facility providers. If required, the additional headroom will enable us to manage the unwind of working capital following the sale of the engineering and construction business, as we complete an important phase of the program at Preston New Road."

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