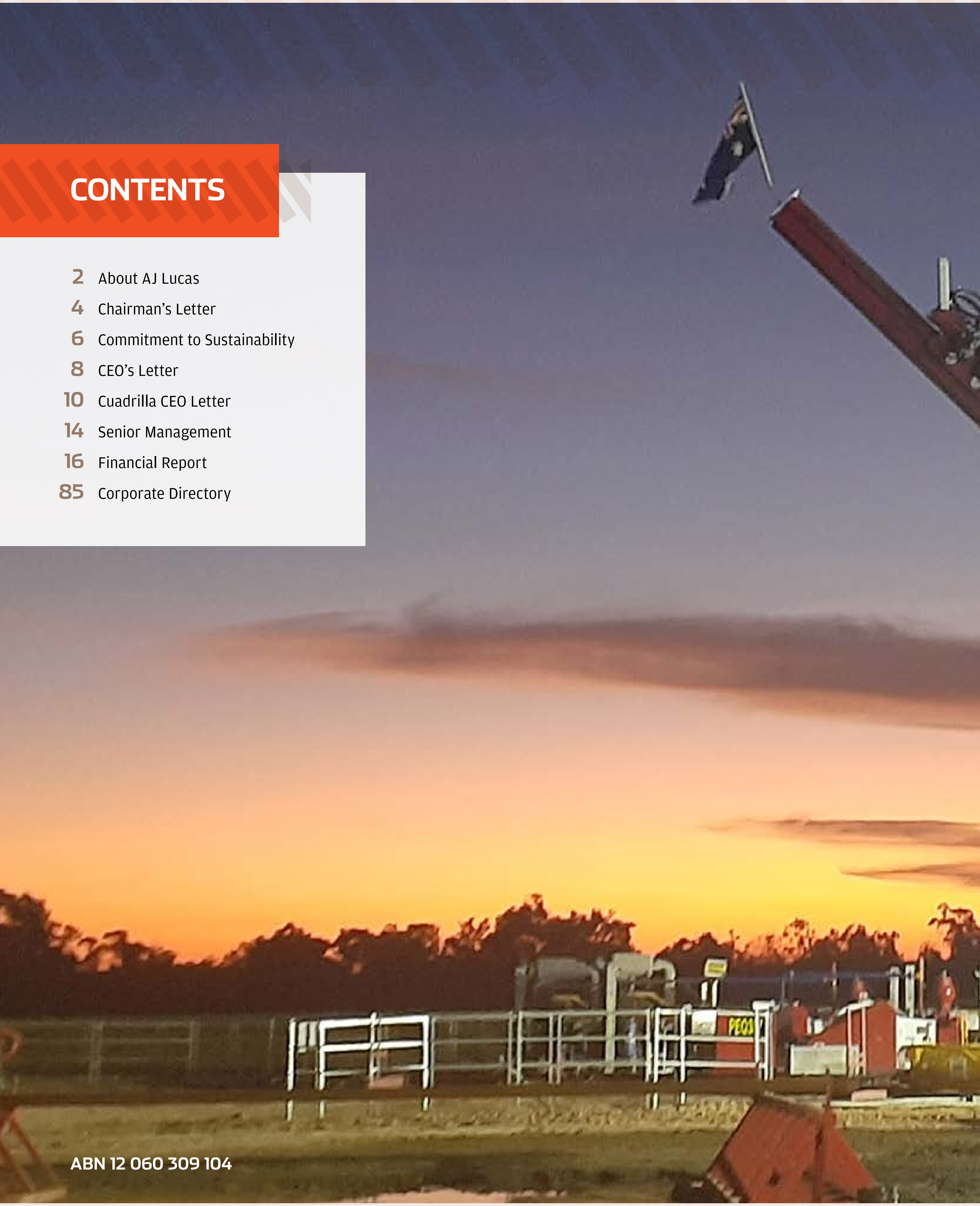
LUCAS

2022
ANNUAL REPORT

CONTENTS



ABN 12 060 309 104

ABOUT AJ LUCAS

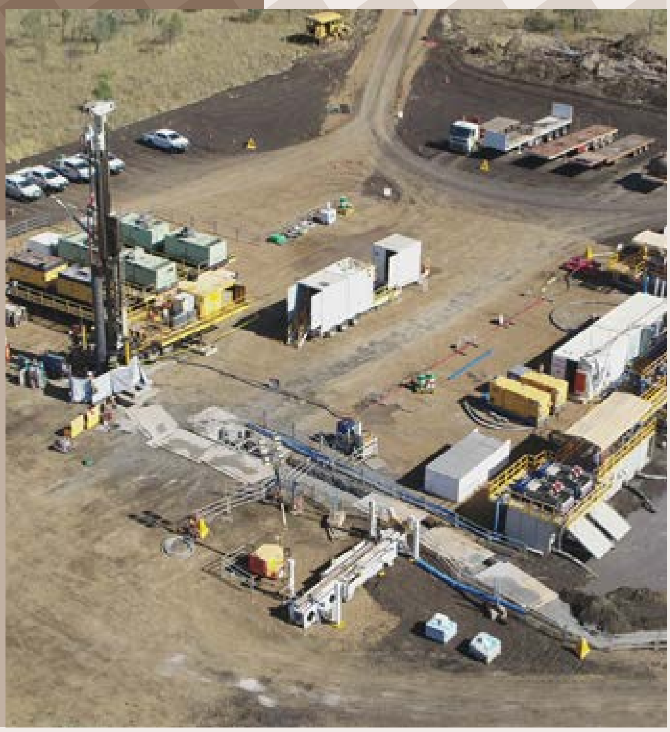
AUSTRALIAN OPERATIONS

DRILLING SERVICES (LDS)

Major drilling services provider to the east coast Australian coal sector for mine degassing and exploration

Delivering intelligent and practical solutions to support Australian mining sector

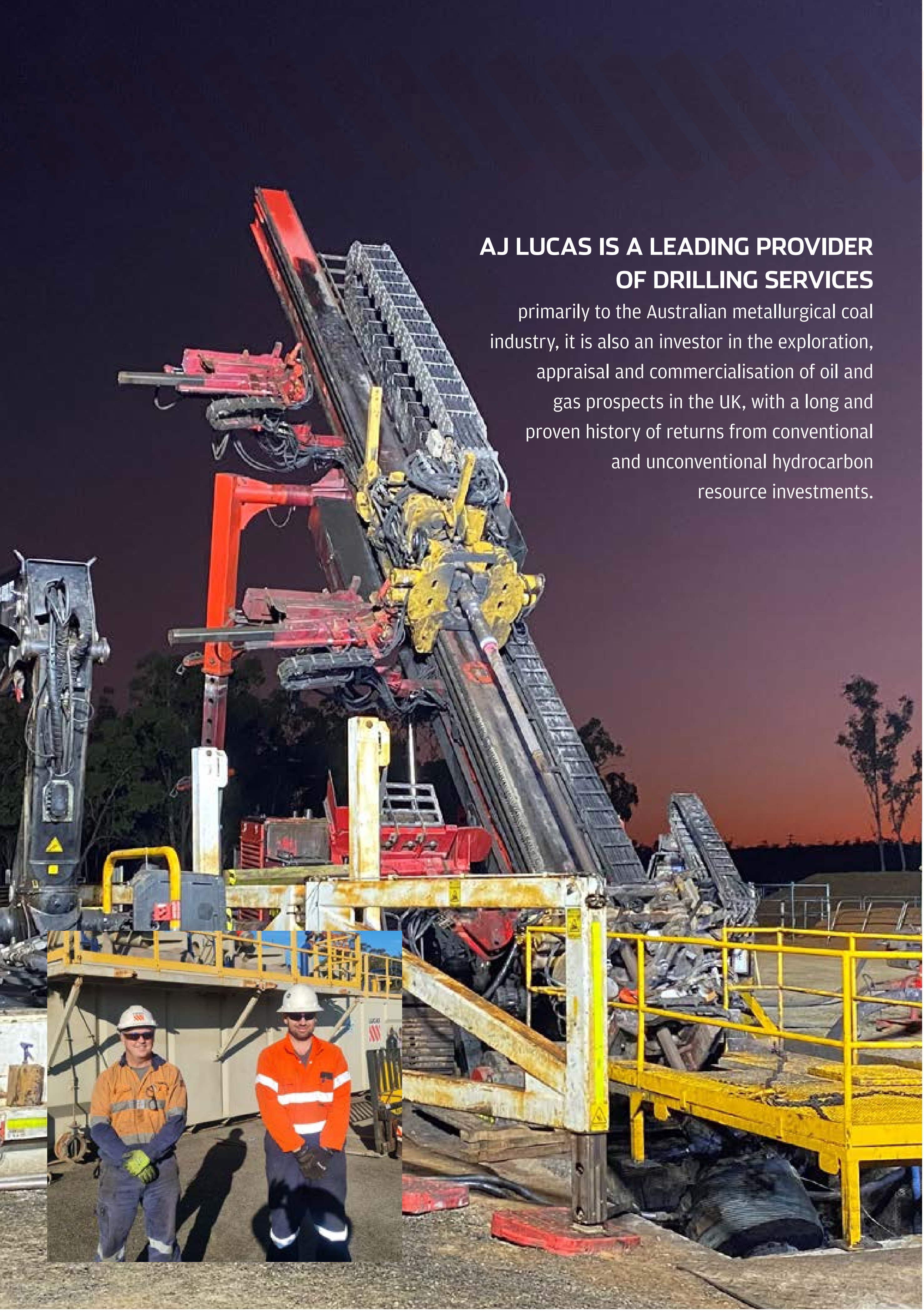
UK OPERATIONS



OIL & GAS

Appraisal and commercialisation of unconventional hydrocarbons in the UK

One of the largest shale gas acreage positions in the UK



AJ LUCAS IS A LEADING PROVIDER OF DRILLING SERVICES

primarily to the Australian metallurgical coal industry, it is also an investor in the exploration, appraisal and commercialisation of oil and gas prospects in the UK, with a long and proven history of returns from conventional and unconventional hydrocarbon resource investments.

CHAIRMAN'S LETTER

ANDREW PURCELL
Chairman

It is with great pleasure that I present the 2022 Annual Report for AJ Lucas Group Limited.

The trends we anticipated in last year's report have mostly come to pass. Demand for Australian resources, particularly metallurgical coal (the production of which our company's performance is strongly correlated to) increased strongly. This was made most readily apparent by the dramatic increase in the price achieved by our customers for metallurgical coal. This very nearly translated into a strong increase in our company's performance for the year, but, unfortunately, circumstances beyond our control (including an extraordinarily wet period experienced on the eastern Australian seaboard these past six months or so) conspired to deny our people the satisfaction of a result they otherwise well deserved. Nevertheless, we expect global demand for steel (consequently, metallurgical coal) to remain robust; so we expect to have the opportunity in the year ahead to show what our company can do in a year not marred with negative externalities. Our Drilling division is staffed by experienced and competent professionals who add considerable value when meeting our customers' needs, which is the reason we have been their preferred supplier of our services for many years.

We also anticipated in last year's report that the UK's forecast ongoing (and increasing) demand for natural gas should eventually lead to a practical reappraisal of the clean and plentiful supply of gas we have demonstrated exists within the significant shale deposits in our UK licence areas – a belief supported by the fact that the UK's domestic reserves and production of gas, given limited new investment, have been in decline for decades. The counterargument, of course, was that natural gas would not form a part of the energy future which instead would lie solely in renewables. However, as we have been stating for many years, natural gas is a key input not just in the supply of electricity but as a source for heating homes and as a feedstock to many industries. The UK Government's indifference to, or even reluctance to support new investment in, UK natural gas, especially shale gas which has the potential to provide many years of energy security (without convoluted and expensive supply chains and storage facilities), has left the country in a precarious energy supply and pricing position.

> "Demand for Australian resources, particularly metallurgical coal increased strongly."

In our view it was only a matter of time that that energy systems would come under pressure. This was first felt when systems were called upon to heat homes and power industry in the depths of a cold winter. Without the back-up of fossil fuels, and natural gas in particular, they proved to be not up to the job. This failure of renewables to perform when most needed was repeated across much of Europe, which had similarly been decommissioning or deemphasising its reliance on fossil fuels for heating and for industry as well as nuclear base load generation capacity for electricity generation. So the ensuing scramble for limited pipeline and seaborne supplies of natural gas led to a predictable and dramatic increase in the price of this most essential and reliable fuel. This, in turn, led to some significant Asian economies (already heavily dependent on seaborne gas) to move to secure more supply than they would have otherwise usually thought necessary, which only forced prices higher. This led to some influential political voices in the UK beginning to question the wisdom of ignoring the strategic value of the natural gas deposits securely contained underneath their feet, resulting in the UK Government asking the British Geological Society to take a fresh look at whether gas could be safely and cleanly extracted from the extensive shale deposits that exist across the north of England. That study was due to report back at the end of June 2022, has now been delayed until after a new Prime Minister is appointed in September, and we look forward to reading its findings.

Then, Russia invaded Ukraine and the whole question of price became less important than security of supply given what a possible further interruption (let alone cessation) of gas supply from Russia would mean for Europe's economies and the wellbeing of its peoples. While the UK is not a major importer of Russian gas, it is exposed to regional price changes, as has been clearly seen over the past six months, and to its reliance on Norway as the main source of its pipeline gas imports as well as the Middle-East and the US for imported LNG.

There are significant challenges ahead for the UK and Europe. Should the UK decide to lift the moratorium that has prevented us from developing these new supplies of clean natural gas we stand ready to safely deliver this new source of domestic supply to the UK market with priority given to local communities. There remains much that the UK regulators will still need to do, including cutting the level of red tape and the imposition of undue working restrictions that hindered our previous efforts in Lancashire. We hope that if the moratorium is lifted, the UK Government demonstrates real and sustained commitment to facilitate the safe and timely development of the industry. We remain convinced that UK shale could and should be a key component of the UK's energy security. That we were able to welcome back our partner, Spirit Energy (a subsidiary of Centrica PLC) (who recently withdrew their Notice to exit from the shale exploration permits we hold together) was a pleasing development and one that should enhance our ability to deliver on the above undertaking in a timely manner.

Our businesses are well placed to benefit from the robust demand for our customers' metallurgical coal in Australia and to supply clean and plentiful gas to UK industrial and residential energy consumers, should we be allowed to resume operations there. Having these two potential value catalysts are very important and your board is working hard to put your company onto a stronger economic footing to allow it to leverage their value in the most appropriate and timely way.

Finally, I wish to thank my fellow directors, our executive team and all our people for their professional and tireless efforts to position your company to deliver the best possible financial return to our shareholders in the years ahead. I am proud of what they have achieved this year and I look forward to seeing what the next twelve months will bring.

Andrew Purcell
Chairman

COMMITTMENT TO SUSTAINABILITY

"At Lucas, we believe we have a responsibility to positively impact the environment, the communities where we operate, and all our stakeholders. We know that having focused initiatives addressing these issues leads to a better and more resilient company as well as delivering a better world. As such, we are committed to being a sustainable, responsible corporate entity and updating all our stakeholders on our Environment, Social and Governance (ESG) initiatives.

Ultimately, we aim to use the natural and human resources available to us wisely, conservatively and in a responsible manner while playing an appropriate role in local and global issues that impact the world we leave to future generations.

Our ambition is to create an inclusive business that encourages and supports sustainability and social responsibility while delivering superior returns to our shareholders. Our ESG approach is focused on three key areas - creating a healthy and safe workplace, reducing environmental impacts and building strong communities. Across all areas, our goal is to build sustainable operations that enhance the lives of our stakeholders, including staff, customers, communities and shareholders."

CREATING A HEALTHY AND SAFE WORKPLACE

We understand the impact poor safety performance and staff culture can have on attainment of not only our business objectives but also those of our clients and other stakeholders. As such, Lucas invests heavily in its people and their safety and well-being by:

- setting the highest standards of safety in everything we do, including embracing a company-wide goal of an injury-free workplace;
- investing in the welfare and development of our people through programs such as High Performing Teams, which allows our staff to take greater ownership of their role and share in the benefits of success;
- developing policies and undertaking training for staff to ensure we are organisationally and individually equipped to deal with things such as Anti Bribery and Corruption, Modern Slavery, Codes of Conduct, Continuous Disclosure, Safety and diversity;
- creating a dedicated team evaluating COVID impacts and implementing appropriate policies and procedures to ensure our staff, our customers and their families are kept safe;
- developing programs aimed at assisting our staff and family with mental health, with a confidential external counselling service available to our team; and
- expect all our suppliers to abide by our Supplier Code of Conduct.

REDUCING ENVIRONMENTAL IMPACT

We have committed to acting in a manner that protects the environment and drives continual improvement, as well as working closely with our clients to achieve the best possible environmental performance and outcomes. We do this by:

- embracing technology and engineering innovation through solutions like large diameter surface to in-seam drilling, which is more effective, safer and substantially reduces our operational footprint by reducing the number of drilling pads required than traditional gas drainage methods;
- constantly improving well construction time to reduce the energy required to power our machinery and lower emissions; and
- continually exploring technical solutions to further reduce our operational footprint through pad size reduction, extended reach horizontal drilling, drilling fluid recycling and recycling batteries.

BUILDING STRONG COMMUNITIES

We understand the importance and value of the communities where we operate. Our shared goal is to support these communities so they can grow and prosper over the long term. Most recently, Lucas Drilling proudly sponsored and/or participated in the following community/charity events:

- Fittest in the Coalfields (Moranbah Cross Fit event)
- Moranbah Race Day
- John Allen Memorial Race Day
- Bowen Basin Mining Club Luncheon, Mackay
- ADIA Drill2022 industry conference
- Toowoomba Oil Patch Golf Carnival
- Mark Hughes Foundation Golf Day
- Movember 2021, fundraising for men's health

In addition, Lucas actively participates in various industry and community events, such as the Queensland Resources Council/Women in Mining and Resources, Queensland International Women's Day breakfast and panel debate.

CEO'S LETTER

BRETT TREDINNICK
Group Chief Executive Officer

The 2022 financial year was challenging for the company as we dealt with a range of external factors that seriously disrupted our operations and negatively impacted our performance.

“Combined, the Australian and UK operations reported EBITDA of $18 million (2021: $21 million).”

The 2022 financial year was challenging for the company as we dealt with a range of external factors that seriously disrupted our operations and negatively impacted our performance. Whilst the results we delivered were not what we had hoped or planned. I am however proud of how our team responded to the difficult operating environment and limited the negative impacts that faced us so as to position the business to be able to return to growth.

FINANCIAL RESULTS

The Group's Australian drilling operations delivered an EBITDA of $19 million (2021: $21.9 million) during the year) on revenue of $123.2 million (2021: $111.1 million). The year was impacted by client operational delays in the first half, the shutdown of operations at a key customer site in March 2022, and major wet weather events, particularly in May 2022.

Our UK operations incurred administration and other expenses of $1.1 million, largely unchanged from last year. All spending in the UK was to support the maintenance of the Group's licences and to pursue strategies to overturn the moratorium, which has hampered the development of these assets.

Combined, the Australian and UK operations reported EBITDA of $18 million (2021: $21 million).

Following depreciation, amortisation and net finance costs, the Group recorded a loss of $11.3 million during the year, compared to a profit of $3.4 million in the previous year. Net finance costs incurred totalled $22 million, compared to $14.2 million in the prior year, an increase of $7.8 million. Finance costs included a $4.1 million unrealised foreign exchange loss on US dollar, related-party debt, compared to a $3.3 million foreign exchange gain in the prior year, resulting in a $7.4 million turnaround.

The result also includes one-off, non-recurring costs of approximately $1.2m associated with exploring new market and acquisition opportunities, including associated balance sheet restructuring options. The Group is in the final stages of evaluating several opportunities, and further information will be provided if and when appropriate.

OPERATIONAL ISSUES

We entered financial year 2022 optimistic the client-related issues we faced in the second half of the 2021 financial year would be resolved quickly. With a strong global market for coal, we would be able to consolidate our successes and deliver a year of solid growth.

While the resolution of the legacy issues from the previous year took longer than we had hoped, the second half started with full utilisation of the Group's higher earning rigs and an increased monthly EBITDA run rate. Based on customer mine plans, this higher EBITDA run rate was expected to continue, resulting in a stronger second half and a better full-year result.

However, in late March, a serious safety incident, which did not involve Lucas, its employees, or its operations, resulted in all operations being suspended at a key customer mine site. A restart of operations, subject to adequate completion of investigations with relevant authorities, took longer than initially anticipated and resulted in revenue losses.

We responded to these delays by reducing our variable costs. However, given the sudden nature of the event, the cost-cutting was insufficient to fully offset the loss in revenue.

Additionally, significant wet weather events in the Illawarra and central Queensland regions in the last quarter meant several operating rigs had to be suspended. As a result, the number of working shifts lost to wet weather in May 2022 was more than four times our long-term assumptions. While customer contracts provide cover for variable labour costs for a period of wet weather, profit margins were impacted in May and June.

The COVID19 pandemic and government policy reactions also continued to pose challenges to operations, impacting labour availability and supply chain lead times which eventuate in additional business costs. This is demonstrated by the recent spike in inflation and minimum wage increases awarded by the Australian Fair Work Commission.

UK OPERATIONS

In the UK, our focus has been on actively campaigning for the Government to lift the moratorium on hydraulic fracturing that has halted our ability to commercialise our assets. Our UK team has also been assessing alternative uses for existing shale gas exploration sites, including repurposing wells for geothermal and using existing sites to site electricity battery storage and/or solar generation installations.

There are encouraging signs that the Government is belatedly recognising that domestic gas production in general, and onshore shale gas in particular, should be key elements of any strategy to secure cost-effective, secure and clean energy for the UK.

We continued to tightly manage our costs whilst maintaining our Licences and sites.

SAFETY COMMITMENT

Throughout the year, the Group continued to prioritise the health, safety, and wellbeing of our people, including our ongoing response to the COVID pandemic.

Our response included a comprehensive program of health measures, policies, and procedures to protect our workforce, minimise risks in the fly-in-fly-out workforce, limit the spread, and ensure continued operations. A dedicated team continue to analyse the changing pandemic and its impacts and update the Group's response as appropriate. These actions have ensured the effects of the pandemic have been minimised to date, and a continuing program or actions will ensure the business is able to continue to adapt to future impacts.

As well as managing COVID, Lucas has continued its proud history of maintaining safe and healthy workplaces. As a result, the total recordable injury frequency rate ("TRIFR") remained at industry-leading levels of 4.07 at 30 June 2022.

OUTLOOK

I do not believe the performance of the Group during the year accurately reflects our people's commitment, our ability to deliver innovative drilling solutions for clients or the quality of our assets. However, the fundamentals of our business remain strong, and we are optimistic about the future and a return to growth.

As a business, most of our earnings will continue to come from the metallurgical coal mining sector. Australian underground coal mines currently produce approximately 20% of the world's shipborne metallurgical coal , and the Group's Australian operations provide drilling services to most of these mines. Australia will continue to produce high-quality metallurgical coal, fulfilling a significant portion of the world's demand for the commodity, with other mines planned to commence operations in the future.

With the disruptions of the second half now largely behind us and a buoyant coal price, we are well positioned to benefit from a ramp-up in production.

Brett Tredinnick,
Group Chief Executive Officer

CUADRILLA CEO LETTER

FRANCIS EGAN

Chief Executive Officer of Oil and Gas Investment

If ever the criticality to energy markets of secure, long-term, cost-effective supplies of natural gas was in question, this past year has seen that question well and truly answered.

Furthermore, the economic and geopolitical risks have been dramatically highlighted for those countries that reduce or withdraw support for domestic gas production, under the assumption that renewable energy can rapidly replace gas and/or that gas imports can be largely relied upon to bridge any gap.

The UK and Europe have been textbook examples of the above. In November 2018 Greg Clark, the then UK Secretary of State for Business, Energy & Industrial Strategy (BEIS), gave a speech at the Institute of Directors in London in which he declared the end of the energy trilemma (i.e., the long-standing challenge of securing (i) affordable, (ii) secure and (iii) clean energy). He stated with confidence that "by the mid-2020s, green power will be the cheapest power. Cheapest full stop. Trilemma well and truly over. Shout it from the rooftops."

The Policy direction was clear, fossil fuels (including gas) were to be rapidly phased out and cheap, green energy would very quickly take their place. Several key political decisions followed, including the legally binding requirement to decarbonise all sectors of the UK economy by 2050 ("Net Zero"), legislated by Parliament in June 2019 and the Moratorium on exploring for onshore shale gas in England, introduced in November 2019. The UK Oil and Gas Regulator was subsequently rebranded as the "North Sea Transition Authority", underscoring the accelerating transition away from and declining political support for domestic oil and gas production.

Fast forward four years to 2022 and the implications of these policy measures are hitting home. The UK Digest of Energy Statistics released in July 2022 and covering Calendar Year 2021 shows that wind and solar power contributed just 4% of total UK 2021 energy consumption. Fossil fuel share of primary energy consumption was 78%. Domestic natural gas production had meanwhile fallen to a record low, down some 70% from peak UK gas production in 2000, while UK gas demand has continued to increase resulting inevitably in gas import dependency increasing to 57% of demand.

> "By the mid-2020s, green power will be the cheapest power. Cheapest full stop. Trilemma well and truly over. Shout it from the rooftops."

In summary, well before the Russian invasion of Ukraine, the UK's Energy Policy had resulted in rapidly growing demand for imported

gas, increasingly in the form of liquified natural gas from the Middle East, USA, and Russia, while domestic gas supplies, where investment has been discouraged and development entangled in red tape, have plummeted. As global LNG markets predictably tightened in the face of increasing global gas demand, UK wholesale gas prices rose rapidly. Prices peaked at 450 pence per therm in December 2021, up from 50 to 60 pence /therm in Q1 2021. The same scenario was playing out in Continental Europe, except with an increasing reliance on Russian gas instead of imported LNG. The price in August 2022 has since risen to 490p per therm. In Europe gas prices are at €240 per megawatt hour, equivalent in energy terms to nearly $400 per barrel of oil equivalent.

The Russian invasion of Ukraine in February 2022 and the subsequent reduction in Russian gas supplies to Europe exacerbated the gas price increase. However, the underlying causes and consequences, driven by policy decisions and a consequent lack of historic investment, were already very evident. UK consumers (domestic and business) are bearing the brunt with the Government price cap on electricity and gas bills rising for the average household from £1,042 per year in March 2021 to a forecast £5,000 per year as of January 2023 and £5,500 per year by April 2023, an increase of approximatley 428% (Bloomberg 16/8/22).

Against the above backdrop Cuadrilla has been actively seeking to persuade the UK Government and the Oil and Gas Regulator to lift the Moratorium on shale exploration and to properly support onshore domestic gas production. Our starting point was challenging, with the Regulator advising that not only was the bar to lift the Moratorium being set high but that Cuadrilla must also, by the end of June 2022, plug and abandon the UK's only two successful horizontal exploration wells drilled at our Preston New Road (PNR) site in Lancashire.

We have, through concerted efforts amplified by significant media and political engagement and support, successfully argued that filling the UK's only two productive shale gas wells with concrete, at a time of looming energy crises made absolutely no sense. In April 2022 the NSTA wrote to Cuadrilla formally withdrawing the plug and abandonment Notices for the two PNR wells, agreeing that the wells could be maintained in their current condition until at least the end of June 2023.

In parallel we have had ongoing discussions with Spirit Energy (a subsidiary of Centrica) and a 25% partner in the Lancashire shale exploration Licence, with Lucas holding the remaining 75% (directly or through its Cuadrilla subsidiary). In July 2021 Spirit had formally submitted a Notice to exit the Lancashire shale Licence and had been in the process of securing the required Regulatory approvals to do so. However, in light of the developments in the energy markets, the arguments in favour of shale gas being made by Cuadrilla and others, and the resulting change in tone from the Government on the prospects for UK shale, Spirit decided in April 2022 to withdraw that exit Notice and remain as a 25% participating member. Spirit retains the right to exit before the end of June 2023 or such later date as the Regulator may agree to extend well suspension notices for the Lancashire wells.

Throughout this last year we have also repeatedly made the case to Government that restarting and accelerating shale gas exploration and development in the UK should be a matter of national urgency. It is widely agreed, including by the Govt's own Climate Change Advisors, that natural gas will be required in significant quantities in the UK out to 2050 and beyond. Yet on current projections we will import approximately 80% of our gas by 2030 and virtually 100% by 2050. Increasingly imported gas will be in the form of LNG transported by ship from the US, Middle East and elsewhere.

The carbon footprint of importing LNG (through the process of liquification, long distance transportation by tanker and regassification in the UK) will be significantly higher than domestically produced gas. Expert analysis has demonstrated that the pre-combustion carbon footprint of UK shale gas would be around one quarter of that of imported liquified natural gas. Importing ever increasing quantities of shale gas from the US rather than extracting it from beneath our feet in the UK contributes more carbon to the atmosphere, making a mockery

CUADRILLA CEO (CONTINUED)

of the planned reduction in 'global' carbon emissions. To make matters even worse, under emissions accounting rules, liquified natural gas imported to the UK is accounted on arrival as zero emissions in UK carbon budgets, as the upstream emissions occur outside of the UK. This means that in the Alice in Wonderland world of carbon accounting our emissions decline even as our carbon footprint grows substantially.

It also snatches billions of pounds out of the UK economy, with the money paid instead to overseas gas suppliers, negatively impacting the UK's balance of payments. Indeed according to the IMF, energy rich Middle EAst states are set to reap up to $1.3 trillion in additional oil revenues over the next four years.It provides no source of tax revenue to the Treasury, deprives local communities of millions of pounds in community benefits, eliminates the potential to create tens of thousands of well-paid jobs in the North of England and means local councils are missing out on crucial tax revenues. This makes no sense given the unfolding energy crisis and with the UK is at the cusp of a severe economic downturn.

The above arguments have been listened to, to some degree, with an announcement by BEIS in April 2022 that it had commissioned the British Geologic Survey (BGS) to advise on the latest scientific evidence around shale gas extraction in order "*to allow ministers to consider next steps*" The BGS completed its scientific report in early July 2022 and submitted it to BEIS. However, neither that BGS report, nor any consequent changes in Government.

Policy or decisions have yet been made public. The expectation is that this will not happen until a new Prime Minister has been appointed in early September 2022. Both contenders for Prime Minister have signalled that they would favour lifting the Moratorium but what this means in practical terms remains to be seen.

In Lancashire, despite having had to contend with an enormous amount of red tape which greatly extended the time to complete operations and increased costs, Cuadrilla has successfully drilled the UK's only two horizontal shale gas wells. We were only able to partially fracture the shale contacted by each well due to the exceedingly low regulatory limits imposed on induced seismicity and we subsequently conducted a very limited flow test on each well. Nonetheless each of the two flow tests confirmed the presence of high quality natural gas which flowed to surface. Further work remains to be done but if just 10% of the estimated 1,300 trillion cubic feet of gas in UK shale could be commercially recovered, UK gas demand would be satisfied for many decades to come. It is a prize worth fighting for.

In summary, we have strongly made the case for the urgent need for resuming exploration, appraisal and development of the UK's shale gas resource. There are signs that the political listening may have begun, we trust that action will very shortly follow.

> "It is widely agreed, that natural gas will be required in significant quantities in the UK out to 2050 and beyond."

Francis Egan
Chief Executive Officer
of Oil and Gas Investment

SENIOR MANAGEMENT

AJL SENIOR MANAGEMENT POSSESS DEEP INDUSTRY EXPERIENCE WITH BROAD RELATIONSHIPS ACROSS KEY CUSTOMER DECISION MAKERS.

BRETT TREDINNICK

Group Chief Executive Officer

- Over 30 years industry experience, including 3 years with Rio Tinto Coal and 9 years with BHP
- Qualified metallurgist with an MBA degree from the University of Queensland
- Membership of the Australian Institute of Company Directors
- Over 20 years at Lucas

DAVID EKSTER

Group Chief Financial Officer

- Over 17 years experience across public practice, commerce and corporate restructuring in Australian and UK businesses which include Virgin Australia, Shell, Yahoo, EDF Energy, MFI and Talbot Hughes McKillop, as a qualified chartered accountant
- Previously Head of Finance in 2012, making him responsible for statutory financial and management reporting, working capital and treasury, financial systems, taxation, procurement and commercial
- 11 years at Lucas

GREG RUNGE

General Manager – Directional Drilling

- Over 20 years experience within engineering services, providing extensive technical, operational and field experience as an oilfield directional driller as well as a consulting engineer
- Holds a Bachelor of Petroleum from UNSW, a Master of Commerce and an MBA from UQ
- 17 years at Lucas

DANIEL SWEETING

General Manager – Large Diameter Drilling

- Over 30 years experience in the mining and infrastructure sectors, including time at Coffey Engineering Group and BAC systems
- Experienced project manager and has successfully delivered significant Pipeline and Drilling projects
- 19 years at Lucas

ANDREW McCORMACK

General Manager – Plant and Equipment

- Over 31 years experience in the offshore and onshore resource industry, over 17 years with Global Santa Fe Drilling in management roles for offshore rig projects in Australian top tier companies
- Qualified Electrical Engineer with additional tertiary qualifications in business, technology and management
- 2 years at Lucas

SIMON ARCHIBALD

General Manager – Exploration and HSEQ

- Over 10 years experience in the resources and energy sector and 8 years experience in workplace health and safety, Simon has held senior positions in drilling, pipelines and civil construction
- A qualified HSE professional with a focus on fostering a zero harm culture, implementing change and risk management
- 14 years at Lucas

NICOLE McDONALD

General Manager – People and Performance

- Over 20 years experience in Human Resources and Industrial Relations across a diverse range of mining, energy and heavy industries
- Holds a Masters of Employment Relations and is highly experienced across a broad range of HR and IR functions
- 14 years at Lucas

DOUG HENDERSON

General Manager – Business Development

- Over 10 years industry experience, including senior executive roles in directional drilling, asset services, drilling operations and consultancy. Broad sector experience in Oil, Gas and Mineral resources
- Holds qualifications in leadership, instruments and downhole surveying
- 8 years at Lucas

MARCIN SWIERKOWSKI

Company Secretary and Commercial Manager

- Over 10 years experience in Senior Finance and governance positions in listed companies across mining, mining services, property investments and facilities management. Previous to this he worked as a Chartered Accountant at Deloitte
- Chartered Accountant with a Masters of Business Administration (exec) from UNSW, a Bachelor of Commerce from Flinders University of SA and a graduate member of Australian Institute of Company Directors
- 9 years at Lucas

FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

for the year ended 30 June 2022

DIRECTORS

The Directors of AJ Lucas Group Limited (the "Company", the "Group" or "AJL") at any time during the financial year and up to the date of this report and their terms of office are as follows.

Current Directors

Name	Appointments
Andrew Purcell	Independent Non-Executive Chairman since 31 August 2020
	Independent Non-Executive Director since 3 June 2014 to 31 August 2020
Julian Ball	Non-Executive Director since 2 August 2013
Francis Egan	Executive Director since 13 May 2020
Austen Perrin	Non-Executive Director since 31 August 2020
	Executive Director since 1 January 2020 to 31 August 2021
Brett Tredinnick	Executive Director since 1 January 2020

Details of the current members of the Board, including their experience, qualifications, special responsibilities and directorships of other listed companies held in the past 3 years are set out below.

ANDREW PURCELL B Eng; MBA

Mr Purcell is an engineer by background and has had a distinguished career in investment banking working with Macquarie Bank and Credit Suisse, the latter both in Australia and Hong Kong. In 2005 he founded Teknix Capital in Hong Kong, a company specialising in the development and management of projects in emerging markets across the heavy engineering, petrochemical, resources and infrastructure sectors. Mr Purcell also has considerable experience as a public company director, both in Australia and in a number of other countries in the region, currently being the Chairman of Melbana Energy Limited (ASX: MAY).

Mr Purcell was a member of the Audit and Risk Committee up to 1 January 2020 and has previously served as Chairman of the Human Resources and Nominations Committee from 1 January 2020 to 31 August 2020. On 31 August 2020 Mr Purcell was appointed Chairman of the Board, and became a member of both the Audit and Risk and the Human Resources and Nominations Committees.

JULIAN BALL BA; FCA

Mr Ball is an independent consultant representing Kerogen Capital ("Kerogen"), based in Hong Kong, and has more than 30 years of experience in investment banking and private equity. Mr Ball trained as a chartered accountant at Ernst & Young (EY) in London before transferring to EY Corporate Finance team and then relocating to Hong Kong. He worked for many years as an investment banker at JP Morgan primarily covering the energy and natural resources sectors prior to working in private equity, first at JP Morgan and then Kerogen, where he was Head of Investment and Asset Management.

Mr Ball is a member of the Audit and Risk and was appointed the Chairman of the Human Resources and Nominations Committee, on 31 August 2020, having been a member of that committee since January 2014.

FRANCIS EGAN M Eng. MBA

Francis has over 36 years of diverse international experience in the upstream oil and gas industry, working in engineering and senior management roles. Prior to joining Cuadrilla as CEO in July 2012, Francis worked in Houston, Texas as President of Production for BHP Billiton Petroleum. He also held senior management roles at BHP in Algeria, Pakistan, UK and Australia over the course of a 20-year career. Prior to joining BHP Billiton, Francis spent eight years with Marathon Oil in a variety of engineering and commercial roles. He was educated in Ireland, obtaining a BE Civil Degree with First Class Honours and a Master of Engineering Science Degree. He spent time as a PhD student and research assistant at the California Institute of Technology (Caltech) in Los Angeles and also holds a MBA from the University of Warwick.

AUSTEN PERRIN B Econ. CA, GAICD

Mr Perrin was the Group Chief Financial Officer since December 2014 to 31 August 2020 when he retired from that position, but he continues to serve as a Director. He is also a Non-executive Director of Andromeda (ASX: AND). Prior to joining AJL, he was the Chief Financial Officer for Whitehaven Coal Limited for nearly 6 years. He also previously held the group CFO roles with Asciano Limited and Pacific National Limited and was an Executive Director and divisional CFO of the listed Toll NZ Limited as well as holding various senior finance roles within the Toll Holdings group and TNT. Mr Perrin has considerable knowledge of transport, infrastructure, coal mining and oil and gas industries and has in depth experience across commercial, accounting and the finance spectrums. Prior to that he started his career with KPMG.

Mr Perrin was appointed as a member of the Audit and Risk Committee on 31 August 2020 and was appointed the Chairman of that Committee on 15 November 2020.

BRETT TREDINNICK MBA

Mr Tredinnick was appointed as the Group CEO in January 2020 having previously being the CEO of the Drilling Division and COO for the group. He has presided over the significant growth, restructuring and strategic initiatives for the Australian operations part of the business in recent years. Mr Tredinnick has been with the Group for over 20 years and during this time has seen multiple mining cycles. He has lead and implemented initiatives that have kept AJL's Australian business safe, profitable, innovative and a leader in its field of execution while highly regarded by its peers and customers in Coal, Oil and Gas. Prior to joining AJL, Mr Tredinnick held various operational and project management roles with Rio Tinto Coal and BHP. Mr Tredinnick holds qualifications in Metallurgy and an MBA from the University of Queensland, and is a member of the Australian Institute of Company Directors.

COMPANY SECRETARY

Mr Swierkowski B Com, CA, MBA (Exec) joined the company in June 2013, and was appointed to the position of Company Secretary on 23 June 2015. Prior to this he has held both senior finance and company secretarial positions in listed companies across mining, investments and facilities management.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of directors) held during the financial year, during the period of each Director's tenure, and number of such meetings attended by each Director are:

	Board of Directors		Audit and Risk Committee		Human Resources and Nominations Committee	
	Held	Attended	Held	Attended	Held	Attended
Andrew Purcell	10	10	9	9	2	2
Julian Ball	10	10	9	9	2	2
Austen Perrin	10	10	9	9	2	2
Brett Tredinnick	10	10	-	-	-	-
Francis Egan	10	10	-	-	-	-

PRINCIPAL ACTIVITIES

The Group is a leading provider of drilling services primarily to the Australian coal industry, and an operator, through its UK subsidiary Cuadrilla Resources Holdings Limited, of exploration and appraisal of conventional and unconventional oil and gas prospects in the United Kingdom ("UK").

The Group is structured with two principal operating segments:

Drilling: A leading provider of drilling services to the energy and resources sectors, but primarily focused on delivering a suite of degasification and exploration drilling and related services to Australian metallurgical coal mines. The division has superior capabilities in the provision of specialised Directional and Large Diameter drilling for degasification of coal mines.

Oil & Gas Operations: Exploration of unconventional and conventional hydrocarbons in the United Kingdom.

OPERATING & FINANCIAL REVIEW

GROUP PERFORMANCE

	2022 $'000	2021 $'000	Change %
Total revenue from continuing operations	**123,231**	111,086	10.9%
Reported EBITDA – Australian operations	**19,064**	21,913	(13.0%)
Reported EBITDA – UK investments operations	**(1,107)**	(1,057)	(4.7%)
Total Reported EBITDA	**17,957**	20,856	(13.9%)
Depreciation and amortisation	**(7,334)**	(6,290)	(16.6%)
EBIT	**10,623**	14,566	(27.1%)
Net finance costs	**(21,950)**	(14,188)	(54.7%)
Income tax benefit (UK R&D Incentive)	**–**	2,977	(100.0%)
Net profit / (loss) for the year	**(11,327)**	3,355	437.6%
Basic profit / (loss) per share (cents)	**(0.9)**	0.3	(400.0%)
Total assets	**220,698**	232,001	(4.9%)
Net assets	**76,816**	94,443	(18.7%)

The non-IFRS financial information *presented in this document has not been audited or reviewed in accordance with Australian Auditing Standards.*

OVERVIEW OF THE GROUP

The Group's main operating business, from which it derives all its revenue, provides a range of drilling services to the Australian metallurgical coal industry. Australian underground coal mines currently produce approximately 20% of the world's shipborne metallurgical coal, and the Group's Australian operations provide drilling services to most of these mines.

The Group's Australian Operations delivered an EBITDA of $19.0m during the year (2021: $21.9) on revenue of $123.2m (2021: $111.1m). While the EBITDA result was below expectations, it was a reasonable achievement given the business's challenges. The year was impacted by various factors, the most significant being client operational delays in the first half, the shutdown of operations at a key customer site due to events outside of the Group control in March 2022, and major wet weather events, particularly those in May 2022. The result also includes one-off, non-recurring costs of approximately $1.2m associated with exploring new market and acquisition opportunities. The Group is in the final stages of evaluating a number of opportunities, and further information will be provided if, and when appropriate.

The Group's UK gas exploration business has seen limited progress due to the UK Government's moratorium on shale gas exploration. However, against the backdrop of high energy prices in April 2022, the UK Government announced an independent technical review of shale gas by the British Geological Survey ("BGS"). The review was handed to the UK Government in July 2022. In its announcement, the UK Government noted it remained open-minded about onshore gas reserves and would consider any further scientific evidence on seismicity that the review notes. The report has not been made public and is currently with the UK Government for review and consideration. We await the results of the BGS review and the UK government's response. The UK operations incurred administration and other expenses of $1.1m (2021: $1.1m), primarily to support the maintenance of the Group's licences and to pursue strategies to overturn the moratorium.

Together these operations achieved a Group total reported EBITDA of $18.0m (2021:$21.0m). Further details on the results of the Australian operations and the UK gas exploration operations are provided below.

Following depreciation, amortisation and net finance costs, the Group recorded a loss of $11.3m during the year, compared to a profit of $3.4m in the prior period. Net finance costs incurred totalled $22.0m during the year, compared to $14.2m in the prior year, an increase of $7.8m. Finance costs included a $4.1m unrealised foreign exchange loss on US dollar, related-party debt, compared to a $3.3m foreign exchange gain in the prior year, resulting in a $7.4m turnaround.

The Group recognises climate change and acknowledges the potential risks and opportunities posed to our business and the community. The Group's ability to continue to operate and execute its business strategies may be impacted by the physical effects of climate change. The most likely such event is increased wet weather, which has, during the period, caused client operations to be intermittently suspended. In such instances, the Group has certain protection under its customer contracts to cover only its variable labour costs for an initial period of time.

Other impacts may include regulations and stakeholder expectations stemming from a transition to a lower carbon economy. The magnitude and timing of such impacts are difficult to predict. However, as a response, the Group is continually exploring ways it can do its part in positively impacting the environment. Further disclosure of climate change risk is described in the Group's Corporate Governance Statement.

The Group's response to climate change and the decarbonisation challenge is a major aspect of the Group's broader commitment to being a sustainable and responsible corporate entity. Further information on the Groups actions in this area is detailed in the annual report.

Australian Operations

Australian Business

	2022 Year $'000	2022 2nd Half $'000	2022 1st Half $'000	2021 Year $'000	Change %
Revenue	**123,231**	62,589	60,642	111,086	10.9%
Reported EBITDA – Australian Operations	**19,064**	7,315	11,749	21,913	(13.0%)
EBITDA margin	**15.5%**	11.7%	19.4%	19.7%	

Lucas' main operating business performed well during the year, despite facing a range of external challenges. The first half was impacted by a continuation of the previously reported operational and regulatory issues at key customer mines. As reported in the first half, these were largely resolved, and the second half started with full utilisation of the Group's higher earning rigs and an increased monthly EBITDA run rate. Based on customer mine plans at the time, this higher EBITDA run rate was expected to continue and result in a stronger second half.

On 26 March 2022, a serious safety incident, which did not involve AJL, its employees or its operations, resulted in operations being suspended at a key customer mine site. A restart of operations, which was subject to adequate completion of investigations with relevant authorities, took longer than initially anticipated and resulted in revenue losses. Management responded by reducing the business' variable costs. However, given the sudden nature of the event, the cost-cutting was not sufficient to fully offset the loss in revenue.

Additionally, significant wet weather events in the Illawarra and central Queensland regions in the last quarter meant several operating rigs had to be suspended. As a result, the number of operating shifts lost to wet weather in May 2022 was significantly higher than expectations. While customer contracts provide cover for variable labour costs for a period of wet weather, profit margins were adversely impacted in May and June.

On a positive note, the Group has been awarded new contracts following two successful tender processes with existing customers with whom existing contracts were coming to an end. These agreements, with the Group's largest customers, cover directional drilling, vertical drilling and ancillary services. The Group was also successful in winning 4 new smaller exploration contracts increasing its working rig count by 5 in the exploration business unit.

The COVID19 pandemic and government policy reactions also continued to pose challenges to operations, impacting labour availability and supply chain lead times which eventuate in additional business costs. This is reflected in the recent spike in inflation and minimum wage increases awarded by the Australian Fair Work Commission.

Early in the pandemic, the Group moved quickly to implement several initiatives to limit the impact and ensure continuous operations. Management initiated a program of health measures, policies and procedures to protect its workforce and minimise risks in the fly-in-fly-out workforce, limit the spread and ensure continued operations. A dedicated team continue to analyse the changing pandemic and its impacts and update the Group's response as appropriate. These actions have ensured the effects of the pandemic have been minimised to date, and a continuing program or actions will ensure the business is able to continue to adapt to future impacts.

As well as managing COVID, Lucas has continued its proud history of maintaining safe and healthy workplaces. As a result, the total recordable injury frequency rate ("TRIFR") remained at industry-leading levels of 4.07 at 30 June 2022.

The Group is optimistic about the contracting and tendering environment in its market. Australia produces high quality, low costs metallurgical coal fulfilling a significant portion of the world's demand for the commodity, with further mines planned to commence operations in the future. Metallurgical coal prices remain elevated, coupled with increasing expectations, albeit unofficial at this stage, that China will resume importing Australian Metallurgical coal.

OIL AND GAS

In FY22, the Oil and Gas segment focused on three key priorities as follows

1) Maintaining active dialogue with Government, Regulators, industry peers, media, politicians, and the public on the pressing need for, and potential benefits of, exploration, appraisal and production of the extensive shale gas resource stretching across the North of England and for the urgent requirement to lift the Moratorium on hydraulic fracturing.
2) Assessing alternative uses for existing shale gas exploration sites, including repurposing wells for geothermal and using existing sites to site electricity battery storage and/or solar generation installations
3) Maintaining existing exploration licences and facilities in good working order whilst keeping overhead and operating costs to a minimum.

The results to date of our ongoing efforts on point (1) are documented in the Cuadrilla CEO Letter section of this report. While it remains very much a work in progress there are encouraging signs that the Government is belatedly recognising that domestic gas production in general, and onshore shale gas in particular, should be key elements of any well thought through strategy to secure cost effective, secure and clean energy for the UK.

Our assessment of alternative technologies and uses for existing shale exploration sites demonstrated that these approaches are indeed technically feasible. The primary issue with electricity storage and generation proved to be the ability to connect sites to the electricity grid in a timely and cost-effective manner. This is an issue that all new UK generation and storage facilities are facing as the transition to new forms of electricity generation and the planned electrification of transport and hearting puts enormous stain on the existing system. It certainly accentuates the requirement for very significant investment in, and an integrated approach to, new transmission and distribution infrastructure.

Our view is that existing sites remain best suited to the appraisal and development of the shale gas resource discovered beneath them. We also consider that the development of multiple wells from a single site, each with a number of horizontal wells each stacked to target different shale horizons would be the best possible use of land. Producing the same amount of energy that a single 10- acre shale gas site with 40 or more wells could produce, would require a solar park nearly 1,000 acres i.e. 100 times greater land use. We consider that solar panels and/or battery storage installations could indeed be a good fit for shale gas sites at the end of their production lives, by which point the current inaccessibility of timely, cost-effective electricity grid connections will hopefully have been addressed.

Our work further demonstrated that existing wells could also be potentially repurposed for closed loop geothermal projects and/or for CO_2 injection and sequestration in shale. Again, we assess that either of these uses is best pursued at the end of, and not instead of, a productive shale gas well life.

We continued to tightly manage our costs whilst maintaining our Licences and sites. We were also pleased that Spirit Energy took the decision to remain on the Lancashire shale exploration licences as a 25% working interest partner. Spirit's technical, financial and public relations capabilities have in the past, and will no doubt continue in the future, to prove invaluable as we seek to unlock the value of UK shale gas for all our shareholders and stakeholders.

REVIEW OF FINANCIAL CONDITION

Cash flow from operating activities fell by $7.0m from $19.6 million in the previous year to $12.6 million in the current year. Cash flow from operating activities in the previous year included a one off $4.3 million research and development incentives, with the slightly softer EBITDA also impacting cash flows from operating activities.

The majority of the $12.6 million in cash generated from operating activities was utilised to reduce debt but was largely offset by unrealised foreign exchange loss and capitalised interest on the Kerogen facility. The senior syndicated facility maturity has been extended to be inline with the Junior Loan notes, which become due in April 2023. The related party facility becomes due in October 2023. The Group has engaged a debt arranger and commenced a program to re-finance or roll over the facilities and following initial consultations with the external debt arranger and the existing lenders the Board is confident that the Group will be able to refinance or roll over the facilities well in advance of April 2023.

Cash flows used in investing activities remained low for the year as the company focussed on deleveraging and managing the volatile external environment created by COVID-19 and customer issues. $3.3 million was spent on investment in plant and equipment.

OUTLOOK & LIKELY DEVELOPMENTS

Lucas has a sizeable order book and is confident that the elevated metallurgical coal price will filter through to increasing operations as well as new opportunities to grow revenue. Meanwhile a program to mitigated impacts of the continuing Covid-19 pandemic and more recent inflationary pressure.

We will continue to pursue available options to extract value from our UK operations, and look forward to the results of the Governments review of the BGS report it commissioned on shale gas. We have began a process of re-negotiating and, if required, re-structure our debt profile, while applying surplus cash to paying down debt.

IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

There were no changes in environmental or other legislative requirements during the year that significantly impacted the results or operations of the Group.

DIVIDENDS

No dividends have been declared by the Company since the end of the previous year (2021: Nil).

ENVIRONMENTAL REGULATIONS & NATIVE TITLE

AJL is committed to meeting stringent environmental and land use regulations, including native title issues. The Group is committed to identifying environmental risks and engineering solutions to avoid, minimise or mitigate such risks. The Group works closely with its clients predominantly, as well a government, landholders, and other bodies when appropriate to ensure its activities have minimal or no effect on land use and areas of environmental and cultural importance. Group policy requires all operations to be conducted in a manner that will preserve and protect the environment.

The Directors are not aware of any significant environmental incidents, or breaches of environmental regulations during or since the end of the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Group both during the financial year and subsequent to the balance sheet date are as described in this report and the financial statements and notes thereto.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

The relevant interest of each person who held the position of Director during the year, and their Director-related entities, in the shares and options over shares issued by the Company, as notified by the Directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report are:

	Ordinary shares	Options
Andrew Purcell	527,105	-
Austen Perrin	300,062	-
Brett Tredinnick	345,722	-

Kerogen Investment No 1 (HK) Limited ("Kerogen") holds 779,888,166 ordinary shares in the Company (equivalent to 65.19% of issued shares). Julian Ball is a representative of Kerogen and is also a Director of AJL.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

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, except where the liability arises out of conduct involving a lack of good faith.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst and Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year end.

Insurance premiums

Since the end of the previous financial year, the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ending 31 May 2023.

NON-AUDIT SERVICES

During the year, EY, the Company's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with advice of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants', as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company,

acting as an advocate for the Company or jointly sharing risks and rewards.

Payments due to the auditor of the Company and its related practices for non-audit services provided during the year, as set out in Note 9 of the financial statements, amounted to $74,300 (2021: $60,200).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 36 and forms part of the Directors' Report for the financial year ended 30 June 2022.

ROUNDING OFF

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) issued by the Australian Securities and Investments Commission. Unless otherwise expressly stated, amounts in the financial report and the Directors' report have been rounded off to the nearest thousand dollars in accordance with that Corporate Instrument.

REMUNERATION REPORT – AUDITED

The Directors present the Remuneration Report ("the Report") for the Company and its controlled entities for the year ended 30 June 2022. The Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report outlines the remuneration policy for key management personnel ("KMP") comprising

1. The Non-executive Directors (NEDs)
2. Senior executives (the Executives)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Board's policy for setting fees for Non-executive Directors is to position them within 15% of the 50th percentile of market practice for comparable non-executive director roles in companies listed on the Australian Securities Exchange ("ASX"). Non-executive Directors do not receive performance related remuneration and are not provided with retirement benefits apart from statutory superannuation. Options and other forms of equity are not provided to Non-executive Directors.

Total remuneration for all Non-executive Directors, last voted upon at the 2018 Annual General Meeting, is not to exceed $900,000 per annum. The remuneration for each Non-executive Director during the year was $100,000 per annum, with an additional $10,000 per annum for each Director serving as Chairman of a committee of the Board. The Chairman of the Board, who is also a member of each Board Committee, receives $225,000 per annum. The current arrangements have been unchanged since FY20.

The Group may, from time to time, in the ordinary course of business receive or provide services to entities that are related parties of the Directors on normal commercial terms. Such amounts are not included in the table of remuneration following, but are disclosed in Note 31 of the financial statements.

The following table presents details of the remuneration of each Non-executive Director.

Non-executive Director	Year	Board fees including superannuation $	Committee fees including superannuation $	Total $
Andrew Purcell	2022	225,000	–	225,000
Andrew Purcell[1]	2021	204,166	1,667	205,833
Julian Ball	2022	100,000	10,000	110,000
Julian Ball[2]	2021	100,000	8,333	108,333
Austen Perrin	2022	100,000	10,000	110,000
Austen Perrin[3]	2021	83,333	5,833	89,166
John O'Neill	2022	N/A	N/A	N/A
John O'Neill[4]	2021	37,500	3,750	41,250
Phillip Arnall	2022	N/A	N/A	N/A
Phillip Arnall[5]	2021	37,500	–	37,500

1. Andrew Purcell was appointed Chairman of the Board from 31 August 2020 and a member of the Human Resources and Nominations Committee from August 31 2020. He was previously the Chairman of the Human Resources and Nominations Committee and he continues to be a member of the Audit & Risk Committee.
2. Julian Ball was appointed the Chairman of the Human Resources and Nominations Committee from 31 August 2020, having previously served as a member of the committee. He continues to be a member of the Audit & Risk Committee
3. Austen Perrin retired from the office of Chief Financial Officer and Executive Director on 31 August 2020 and became a Non-executive Director on that date. On 15 November 2020 he was appointed Chairman of the Audit and Risk Committee. Remuneration related to serving as an executive up to 31 August 2020 is not included in the table above, and instead is disclosed in the Executive and Officers Remuneration table on the following pages.
4. John O'Neill resigned as Director and Chairman of the Audit and Risk Committee effective 15 November 2020.
5. Phillip Arnall resigned as chairman of the Board effective 31 August 2020.

EXECUTIVE REMUNERATION

Policy

The key principle of the Group's remuneration policy for key management personnel ("KMP") is to set remuneration at a level that will attract and retain appropriately skilled and motivated executives, including executive directors, and motivate and reward them to achieve strategic objectives and improve business results. The Human Resources and Nominations Committee may obtain independent advice from time to time on the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Group's remuneration strategy.

The overriding philosophy of the remuneration structure is to reward employees for increasing shareholder value. This is achieved by providing a fixed remuneration component, together with performance-based incentives.

AJL aims to set fixed annual remuneration at market median levels for jobs of comparable size and responsibility using established job evaluation methods and to provide incentives to enable top performers to be remunerated at the upper end of the market range, subject always to the performance of the Group. The aim of the incentive plans is to drive performance to successfully implement annual business plans and increase shareholder value.

Fixed remuneration

Fixed remuneration consists of base remuneration which is calculated on a total cost basis and includes any allowances and fringe benefit tax charges related to employee benefits including motor vehicles as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers individual and segment performance of the Group. This process includes consultation with external consultants and review of external databases to benchmark remuneration levels with comparable companies.

Performance linked compensation

Performance linked remuneration may include short-term incentives that are designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

The short-term incentive ("STI") is an 'at risk' bonus generally provided in the form of cash. Executives have the ability to earn an STI of up to a maximum of 63.75% of their fixed annual remuneration, based on achievement of certain criteria. Any portion of an STI over a hold point, being between 21% and 25.5% of remuneration in the case of KMP, will be held over and paid in 12 months provided the KMP continues to be employed by the Group. The criteria include a mix of:

1. Corporate performance targets, measured in reference to Drilling Divisions underlying EBITDA performance weighted commensurate with the employee's role;
2. Corporate sustainability and safety performance; and
3. Individual key performance indicators agreed annually between the Company and the individual.

Any STI payment is subject to review by the Board and it may on a case by case basis decide to award additional discretionary incentives to reward exceptional performance, or to adjust outcomes for significant factors that are considered outside the control of management that contribute positively or negatively to results.

Relationship of remuneration to Company performance

In considering the Group's performance and benefits for shareholder value, the Human Resources and Nominations Committee has had regard to the following indices in respect of the current financial year and the previous four financial years.

Year ended 30 June	2022	2021	2020	2019	2018
Total revenue ($'000)(1)	**123,231**	111,086	146,746	143,442	124,702
Reported EBITDA Australian operations(1)	**19,064**	21,913	23,681	9,086	21,127
Net profit / (loss) after tax attributable to members ($'000)	**(11,321)**	3,339	(8,867)	(39,390)	(16,271)
Loss per share (cents)	**(0.9)**	0.3	(0.9)	(5.3)	(2.5)
Dividend per share (cents)	**-**	1	-	-	-
Share price at balance date	**$0.054**	$0.026	$0.035	$0.08	$0.33
Share price appreciation/(depreciation)	**108%**	(26%)	(56%)	(76%)	50%
STI program payable to KMP in relation to the year's performance ($'000)	**0**	0	416	569	331
Discretionary bonus approved for KMP	**135**	-	-	-	-

(1) Reported EBITDA Australian Operations in 2018 and 2019 excludes amounts reported as discontinued operations and corporate costs disclosed as a separate reportable segment in these years.

The Group's EBITDA did not exceed its targets in either the 2021 or the 2022 financial year, no short-term incentive bonus was incurred. In both years EBITDA was impacted by a combination of factors including the impacts of the Covid-19 pandemic, significant unplanned client project delays and a serious safety incident at a key customer that did not involve the Group, its employees or its operations but nevertheless lead to a shutdown of operations at the customer site. These factors were largely outside of management's control and, having regards to managements achievement of other criteria and the speed of which management reacted to address the unexpected risks that transpired, the Board approved discretionary bonuses totaling $135,318 to KMP in respects of performance during both financial years which was recognized as an expense during FY22. These discretionary bonuses comprise a payment of $67,514 in April 2022 and an accrual of a further $70,385 payable in December 2022 subject to claw back if the employee voluntarily leaves the Group.

Executive Director's and officers' remuneration

Details of the nature and amount of each element of remuneration of each Executive Director of the Company and other key management personnel ("KMP") of the Group are:

		Short-Term				Post Employment		Other long term		
		Salary/ fees[1] $	Incentives paid[2] $	Incentives accrued[2] $	Total $	Super-annuation benefits $	Term-ination benefit $	Long term benefits (long service leave) $	Total $	Proportion of remuneration performance related %
Executive officers										
Brett Tredinnick	2022	528,416	44,035	44,193	616,644	23,568	-	7,058	647,270	6.80%
Group CEO and Executive Director	2021	509,441	-	-	509,441	21,694	-	23,565	554,700	0.00%
Francis Egan	2022	493,564	-	-	493,564	-	-	-	493,564	0.00%
CEO of Cuadrilla and Executive Director	2021	445,018	-	-	445,018	-	-	-	445,018	0.00%
David Ekster[3]	2022	377,579	23,479	26,912	427,970	23,568	-	5,845	457,383	5.17%
CFO	2021	299,265	-	-	299,265	16,271	-	6,659	322,195	0.00%
Austen Perrin[5]	2022	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CFO and executive Director	2021	86,042		-	86,042	4,167	-	1,249	91,458	0.00%

(1) Salary and wages earned including any allowances and accrued annual leave where the annual leave is cumulative and payable on termination by either party.

(2) Discretionary incentives in respect of the 2021 and 2022 financial years were approved and recognised as an expense in FY22, with $67,514 paid in April 2022 and %67,804 being accrued in FY22 and is payable in December 2022.

(3) On 31 August 2021 Austen Perrin retired from the office of CFO and moved into a non-executive Director role, and David Ekster was appointed CFO from that date. Remuneration in the table above represents remuneration payable for the period the relevant person was a KMP.

Service agreements

All key management personnel are employed under contract which outlines components of remuneration but does not prescribe how remunerations levels are modified year to year. The Board can provide discretionary benefits which may fall outside existing incentive programs under the terms of these contracts, for example, in relation to major projects. Remuneration levels are reviewed every year to take into account cost of living changes, any change in the scope of the role performed, any changes required to meet the principles of the remuneration policy and the Group's performance.

The service contracts are unlimited in term. All contracts with executive officers can be terminated with up to 9 months' notice by the Company. The Company can choose to forfeit the notice period with an equivalent amount of compensation payable to the employee.

External remuneration consultant advice

The Group's KMP remuneration is reviewed annually by the Chairman of the Human Resources and Nominations Committee. The review determined no adjustment should be made in FY22 and as such KMP salaries were not adjusted during the year. In June 2022 the committee undertook a review, in consultation with a remuneration consultant, Korn Ferry for which the Group was charged $5,000. The review considered changes in market remuneration levels for similar KMP roles, with a final determination to be made in FY23.

Options over equity instruments granted as compensation

No options over ordinary shares in the Company were granted as compensation to key management personnel during the reporting period. There were no outstanding options at the beginning of the financial year.

Analysis of movements in shares

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

2020	Held at 30 June 2021	Net changes	Held at 30 June 2022
Director			
Andrew Purcell	527,105	-	527,105
Austen Perrin	300,062	-	300,062
Executives			
Brett Tredinnick	345,722	-	345,722

Kerogen Investment No. 1 (HK) ("Kerogen") holds 779,888,166 ordinary shares in the Company (equivalent to 65.19% of issued shares). Julian Ball is a representative of Kerogen and is also a Director of AJL.

Signed in accordance with a resolution of the Directors pursuant to s.298 (2) of the Corporations Act 2001.

Andrew Purcell,
Chairman

Dated at Sydney, this 30th day of August 2022

CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2022

The Board of Directors ("The Board") is responsible for the corporate governance of the Group. The Board considers strong Corporate Governance to be core to ensuring the creation, the enhancement and protection of shareholder value. Accordingly, the Group has adopted the 4th Edition of the ASX Corporate Governance Principles and Recommendations from 1 July 2020.

The Board believes that a company's corporate governance policies should be tailored to account for the size, complexity and structure of the company and the risks associated with the company's operations. The ASX Corporate Governance Council allows companies to explain deviations from the Council's recommendations. Areas where the Group has deviated from the Council's recommendations at any time during the financial year are discussed below, however the Board believes the areas of non-conformance do not impact on the Group's ability to operate with the highest standards of Corporate Governance.

This statement outlines the main corporate governance practices of the Group. Unless otherwise stated, these practices were in place for the entire year.

FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Roles and responsibilities

The Directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The key responsibilities of the Board include the following:

- contributing to and approving the corporate strategy for the Group;
- monitoring the organisation's performance and achievement of its corporate strategy;
- approving and monitoring the progress of significant corporate projects, including acquisitions or divestments;
- reviewing and approving the annual business plan and financial budget;
- monitoring financial performance, including preparation of financial reports and liaison with the auditors;
- appointment and performance assessment of the Executive Directors;
- ensuring that significant risks have been identified and appropriate controls put in place;
- overseeing legal compliance and reporting requirements of the law; and
- monitoring capital requirements and initiating capital raisings.

The Board's responsibilities are documented in a written Board Charter which is available in the shareholder information section of the Company's website. The Board Charter details the functions reserved to the Board, the roles and responsibilities of the Chairman and the responsibilities delegated to management. Generally, the day-to-day management of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the Group Chief Executive Officer and Senior executives, and in respects of UK investment activities the CEO of Cuadrilla Resources Holdings Limited, all of whom operate in accordance with Board approved policies, values and delegated limits of authority. The Board Charter also gives the Directors the right to seek independent professional advice, at the Group's expense, on matters relevant to carrying out their duties.

The Company Secretary is appointed by the Board and is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each Director can communicate directly with the Company Secretary and vice versa.

All Senior executives are employed under employment service agreement, while Non-executive Directors are appointed under a letter of appointment, that details their role and key terms of their engagement.

Appointment and Re-Election of Executives and Directors

Through periodic reviews of the Board composition and succession planning, the Board seeks to ensure that the skills, knowledge, experience, independence and diversity of the Board are appropriate for the present and future requirements of the Group. The Human Resources and Nominations Committee seeks to identify, and recommends to the Board for appointment, directors whose skills and attributes complement and enhance the effective operation of the Board.

Background checks are conducted prior to appointing any new Executive and / or Director, with each Non-executive Director being required to specifically acknowledge that they have and will continue to have the time to discharge their responsibilities to the Company. There were no new Executives or Directors appointed during the year.

The constitution requires one third of all Directors, to retire from office at each Annual General Meeting ("AGM") and can present themselves for re-election at which time the Board will provide direction to shareholders of support or otherwise. No Director can hold office for more than 3 years, except for that of Managing Director, a role currently filled by the Group CEO, without presenting for re-election. Any Director appointed by the Directors during the year to fill a casual vacancy is required to also present for election at the first AGM following their initial appointment. All information relevant to a decision on whether or not to elect or re-elect a Director is included in the Notice of AGM.

Review of Performance

The Board continually assesses its performance, the performance of its committees and individual Directors through a structured annual review process. The last review took place during the year and in accordance with a continuous improvement mindset identified a number of areas for improvements which have been considered by the Board and actions have been agreed. The evaluation encompasses a review of the structure and operation of the Board and its Committees, the skills and characteristics required by the Board to maximise its effectiveness, the performance of its Committees and Directors, and the appropriateness of the Board's practices.

The performance of the CEO is reviewed annually by the Chairman of the Board, and in turn the CEO reviews annually the performance of all senior executives. These reviews happen in consultation with the Human Resources and Nominations Committee, with the last such review having taken place in August and September 2021.

Diversity

AJL is committed to a diverse and inclusive workplace which supports business objectives, delivers competitive advantages and benefits shareholders and customers. The Group is committed to ensuring all employees are treated fairly, equally and with respect no matter what their race, ethnicity, gender, sexual orientation, socio-economic status, culture, age, physical ability, education, skill levels, family status, religious, political and other beliefs and work styles. A copy of the Group's Diversity Policy is available in the shareholder information section of the Company's website.

While the Board is committed to achieving gender diversity it is of the view that imposed targets would not be of benefit and could result in hiring decisions that are contrary to the ultimate goal of "best fit" for purpose. As such, the Group's Diversity Policy does not at this time require the Company to set measurable objectives for achieving gender diversity.

The number of men and women on the Board, in senior management and other positions as reported in the Group's 2022 and 2021 Gender Equality Report is shown below:

	2022			2021		
Level	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Non-executive Directors	3	–	3	3	–	3
Executive leadership personnel	3	1	4	3	1	4
Other employees	326	23	349	271	20	291
TOTAL	**332**	**24**	**356**	**277**	**21**	**298**

The Company has a parental leave scheme where a permanent employee who has been with the company for over 24 months can access paid parental leave following the birth or adoption of a child. Unpaid leave of up to 12 months is also available to certain employees. The Group has in place various other programs to foster career development including training sessions for line managers, sponsoring attendance at executive management training courses, implementation of flexible work place practices, and development and implementation of HR policies and practices to drive workforce participation rates of key diversity segments.

STRUCTURING THE BOARD TO ADD VALUE

Composition of the Board

The constitution of the Company requires between three and ten Directors, ideally comprising majority independent Directors. The Board considers and assess the independence of each Directors regularly, and at least annually. Any changes in a Directors interest, positions or relationships needs to be reported by the Director. While the current composition is not majority independent, the Board considers it provides relevant continuity of experience and is appropriate under the current circumstances. Currently there are five Directors, two of whom are executives and three of whom are non-executive, with one of the Non-executive Directors being independent.

The table below sets out the independence status of each Director as at the date of this annual report

Director	Status
Andrew Purcell	Chairman and Independent Non-Executive Director
Julian Ball	Non-Executive Director
Austen Perrin	Non-Executive Director
Francis Egan	Executive Director
Brett Tredinnick	Executive Director

The Directors' skills and experience, and the period of their appointments with the Company is set out in the Directors' Report.

Skills Matrix

The Board seeks to ensure that its membership includes an appropriate mix of skills and experience. A summary of the Directors' skills and experience relevant to the Group as at the end of the Reporting Period is set out below:

	Andrew Purcell	Julian Ball	Francis Egan	Austen Perrin	Brett Tredinnick
Executive leadership	✔	✔	✔	✔	✔
Strategy and risk management	✔	✔	✔	✔	✔
Financial acumen	✔	✔	✔	✔	✔
Health and safety	–	–	✔	–	✔
Former CEO	✔	–	✔	–	–
Mining services	✔	✔	✔	✔	✔
Oil and gas	✔	✔	✔	–	–

Induction Program

The Company has induction procedures to allow new Directors to participate fully and actively in Board decision making at the earliest opportunity which may involves briefings by the Chairman, the Group CEO, and Senior Executives as appropriate regarding the Group's strategy, culture and key areas of risk. Where possible new Directors are given the opportunity to attend Board meeting before becoming a Director. Where the Director is not an existing executive a checklist of information is prepared for the incoming Directors, while Board members are also provided comprehensive information on a regular basis by Senior Executives so that they can discharge their director responsibilities effectively. The Company Secretary coordinates the timely completion and dispatch of such material to the Board.

Directors are encouraged, and are given the opportunity, to broaden their knowledge of the Group's business by visiting offices in different locations and engaging with management, although this has been difficult in the recent period as a result of border closures due to the Covid-19 pandemic. They are encouraged to remain abreast of developments impacting their duties and offered external training opportunities on an as required basis.

CULTURE OF ETHICAL AND RESPONSIBLE DECISION MAKING

The Company's values are disclosed on the Group's website and are the guiding principles that define the standards and behaviors expected of Directors, executives and employees. The Company has a code of conduct to guide the directors and key executives. It includes disclosure of conflicts of interest and use of information not otherwise publicly known or available. Any director with an interest in matters being considered by the Board must take no part in decisions relating to those matters.

The Directors' Code of Conduct is available in the shareholder information section of the Company's website as is the employee Code of Conduct. These codes address the practices necessary to maintain confidence in the Company's integrity, to take account of legal obligations and expectations of stakeholders and the responsibility and accountability for reporting and investigating unethical practices. Any material breaches of the employee Code of Conduct must be reported to the Board, while concerns and / or breaches of the Directors Code of Conduct should be reported to the Chairman who, after investigating the concern or breach will report it to the Board. No such Breaches have taken place during the reporting period.

The Group does not tolerate unlawful behavior. This includes a zero-tolerance approach to all forms of modern slavery, bribery and corruption, whether direct or indirect. As such the Group has policies covering anti-bribery and corruption, and whistleblowing, and reports in an Annual Modern Slavery statement its approach, all of which are also available in the shareholder information section of the Company's website. The Anti-Bribery and Corruption policy prevents:

- making or acceptance of facilitation payments or kickbacks of any kind;
- payments to trade unions or their officials;
- Any donations to political parties or charitable donations, for the purpose of gaining commercial advantage; and
- the giving or receipt of any gifts or hospitality if it could in anyway be intended, or reasonably interpreted, as a reward or encouragement for a favour or preferential treatment.

Any concerns that cannot be raised with the immediate manager can be raised to the Board Chairman or the Audit and Risk Committee Chairman, who will ensure whistleblowers do not suffer detrimental treatment as a result of raising a genuine concern.

The Group has during the year released a Supplier Code of Conduct detailing conduct that the Group does not tolerate within its supply chain. All new suppliers are required to agree to abide by the Supplier Code of Conduct.

Any material breaches of the Anti-Bribery and Corruption policy, and any concerns raised under the whistleblower policy are reported to the Audit and Risk Committee.

INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit and Risk Committee which provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control systems, risk management systems, regulatory compliance and external audit. The Audit and Risk Committee is governed by the Audit and Risk Committee Charter which is available in the shareholder information section of the Company's website.

The Committee must have at least three members, all of whom are Non-executive Directors and the majority of whom are independent. The Committee must be chaired by a non-executive, who is not chair of the board. At least one member must have financial expertise and some members shall have an understanding of the industry in which the Company operates.

Members of the Audit and Risk Committee as at the date of this report are set out in the following table. Their qualifications and experience are set out in the Directors' Report.

Committee Member	Status
Austen Perrin	Committee Chairman and Non-Executive Director
Andrew Purcell	Independent Non-Executive Director
Julian Ball	Non-Executive Director

While the Committee Chairman and the majority of Committee members are not independent, they are all non-executive. The Board has formed the opinion that, given the extensive finance experience of its member and their knowledge of the Company and industry that it operates in, the current composition of the committee is the most qualified and appropriate during this time.

The principal roles of the Committee are to:

- assess whether the accounting methods and statutory reporting applied by management are consistent and comply with accounting standards and applicable laws and regulations;
- make recommendations on the appointment of the external auditors, assess their performance and independence and ensure that management responds to audit findings and recommendations;
- discuss the adequacy and effectiveness of the Company's internal control systems and policies to assess and manage business risks, its legal and regulatory compliance programmes; and
- ensure effective monitoring of the Company's compliance with its codes of conduct and Board policy statements.

The Audit and Risk Committee meets with the external auditors at least twice a year. The Committee is authorised to seek information from any employee or external party and obtain legal or other professional advice.

The Committee co-operates with its external auditors in the selection, appointment and 5 yearly rotation of external audit engagement partners.

The Company discloses in the shareholder information section of the Company's website the process it uses to verify any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

TIMELY AND BALANCED DISCLOSURE

The Company has established policies and procedures designed to ensure compliance with ASX listing rules, continuous disclosure requirements and accountability for compliance at a senior level so that investors have equal and timely access to material information that in the opinion of the Board is likely to have an impact on an investment decision in the Company or impact on the Company's share price.

The Company has a Continuous Disclosure and Communications Policy, a copy of which is in the shareholder information section of its website. All material market announcements are provided to all Directors by the Company Secretary, who reviews all announcements. Where a new and substantive investor or analyst presentation is given, such a presentation is first released to the ASX.

COMMUNICATION WITH SECURITY HOLDERS

The Board keeps shareholders informed of all material information relating to the Company by communicating to shareholders through:

- continuous disclosure reporting to the ASX;
- its annual reports;
- media releases and other investor relations publications on the Group's website; and
- general information about the Group, its corporate governance practices and its Directors and Executives.

All company announcements lodged with the ASX are available in the shareholder information section of the Company's website. Shareholders have the option to receive communications from, and send communications to, the Company's Share Registry electronically, including the annual report and the notice of annual general meeting. Additionally, shareholders and potential investors are able to post questions to the company through the Company's website or by telephone. The Board and senior management endeavor to respond to queries from shareholders and analysts for information in relation to the Group provided the information requested is not price sensitive or is already publicly available.

The Company has a website which provides useful and easy to find information about the Company, its directors and management, its operations and investments.

The Company provides the Notice of AGM to all shareholders and makes it available on the Company's website. The AGM is the key forum for two-way communication between the Company and its shareholders. At the meeting, the Chairman encourages questions and comments from shareholders and seeks to ensure that shareholders are given ample opportunity to participate. Further, the Company's external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Due to the geographically dispersed shareholder base the Company held the 2021 AGM virtually for the second year in a row, with all shareholders able to access the meeting via online means. The Company intends to hold a physical AGM in 2022. All substantive resolutions at meetings of shareholders are decided by poll rather than show of hands.

RISK IDENTIFICATION AND MANAGEMENT

AJ Lucas recognises that the management of risk is a critical component in achieving its purpose of delivering growth in shareholder value. The Company has a framework to identify, understand, manage and report risks. As specified in its Board Charter, the Board has responsibility for overseeing AJ Lucas' risk management framework and monitoring its material business risks. The Board continues to be committed to embedding risk management practices to support the achievement of business objectives. As such the Board has established the Audit and Risk Committee which is responsibility for reviewing and overseeing the risk management strategy of the Group and for ensuring it has an appropriate corporate governance structure. The Audit and Risk Committee discusses with management and the external auditors, at least bi-annually:

- Internal controls systems;
- Policies and procedures to assess, monitor, and manage business, economic, environmental and social sustainability risks;
- Insurance program having regard to the insurable risks and the cost of this cover; and
- Legal and regulatory compliance programs.

As part of the AJ Lucas risk management structure, risk registers are maintained and reported to the Audit and Risk Committee periodically and at least annually, detailing likelihood and severity of risks occurring, with this years review taking place in February 2022. Management undertakes a review of its insurable risks each year in order to fully consider potential impacts and how they are financed in terms of limits and scope under the Group's insurance program.

Further details of the structure, membership and responsibilities of the Audit and Risk Committee are provided under the "Integrity in Financial Reporting" heading in this Corporate Governance Statement.

Within this framework, management has designed and implemented a risk management and internal control system to manage material business risks. Both the Group Chief Executive Officer and Chief Financial Officer provide representation to the Audit and Risk Committee and the Board that the risk management system is operating effectively in all material respects in relation to financial reporting risks.

The Company has, in accordance with the Australian Standard on risk management AS/NZS ISO 31000:2009, developed a risk statement and underlying procedures for the key risk areas of People, Environment, Business and Reputation. The Company has in the past undertaken external audits or reviews engagements of particular types of risk as deemed appropriate. A copy of the risk statement and the risk management policy are available in the shareholder information section of the Company's website.

The Group does not currently have an independent internal audit function, the Board being of the view that the size and complexity of the Company does not warrant such a function. The Group's operations and facilities are however subjected to regular audits, performed by a mix of internal safety and auditing experts, and external consultants, under an annual program of Health, Safety, Environment and Quality audits. In addition, the Audit and Risk Committee engages external consultants to review areas of the business as it sees fit, with a number of these performed during the year.

Given the nature of AJ Lucas' operations, there are many factors that could impact the Groups operations and results. The material business risks that could have an adverse impact on AJ Lucas' financial prospects or performance include economic risks, health, safety and environmental risks, community and social licence risks and legal risks. These may be further categorised as external risks, operational risks, UK business and licencing risks, sustainability risks and financial risks. A description of the nature of the risk and how such risks are managed is set out below. This list is neither exhaustive nor in order of importance.

The Group's material exposures to risk, and how the Group responds and manages these risks is detailed below.

Material Risks	Risk Management Approach
External Risks Risks may arise from the flow through of commodity demand or pricing from major markets into our customer base as well as foreign exchange, regulatory and political events that may impact the long-term sustainability of our customers' business model.	Client focused organisational design, with a focus on regular communication with key clients addressing various matters including safety, contract performance and clients future work programs. Continual repositioning of the business, and a relentless focus on efficiency and cost reduction to meet current client expectations on existing work programs, whilst anticipating upcoming changes in customer demand. Where appropriate the broadening of our portfolio of service offerings, commodity and geographical exposure is considered to reduce the effect of volatility introduced by these external risks where it makes sense to do so.
UK Business Risks Risks include the risk of funding the identification and proving reserves relating to our unconventional assets.	The Company will seek to raise additional capital to support ongoing needs for the exploration and development of these unconventional assets as needed.
Financial Risks Volatility in commodity markets may adversely impact future cash flows and, as such, our credit rating and ability to source capital from financial markets. In addition, our commercial counterparties may as a result of adverse market conditions fail to meet their commercial obligations.	The Company will raise equity as required to fund exploration and development activities of its unconventional assets in the UK. The Company has agreed with its senior lenders to extend the maturity of the current Senior Syndicated Finance facility to April 2023. It has engaged external advisors to assist with arranging the most appropriate and competitive terms for re-financing or extending further its existing finance facilities that fall due in April and October 2023. We seek to continuously improve our credit rating and key financial ratio analysis to monitor potential volatility in this area. Similarly, all customers and key suppliers credit limits are reviewed before services are established.
Operational Risks Cost pressures and reduced productivity could negatively impact both operating margins and our market competitiveness. Similarly, a significant adverse and unexpected natural or operational event could impact operations in a materially negative manner, as could a breach in IT and other security processes.	We seek to maintain adequate operating margins across our business by monitoring in absolute and relative terms the performance of all assets against both internal and external commercial benchmarks. Our concentrated effort to reduce costs and hence maintain competitiveness and margin has yielded tangible results in reducing our controllable costs. This includes initiatives to standardise processes and control systems across the Group. The Lucas Management System ("LMS") is an integrated process by which we manage this standardised approach. Through the regular application of our risk management procedures we identify the potential for significant and or unexpected risks and implement the controls appropriate to remove or mitigate them. Business continuity plans are developed for all our IT systems such that the integrity of our systems allows us to recover from a "disaster event" with little impact on the daily operations.

Material Risks	Risk Management Approach
Sustainability Risks Injuring employees, damaging the environment or having material regulatory or governance failures may put at risk our social licence to operate or significantly impact our reputation such that customers and / or capital markets may shun us.	The LMS puts in place a significant set of requirements to ensure the safe work environment of our employees, and the operation of our assets and equipment. Inclusive in this are the control and governance requirements required of good finance and accounting procedures. A broad range of policies and procedures outline both expected and required actions and behaviours of management and staff to achieve these objectives. Maintenance of a safe working environment is a principal accountability of all levels of management. The Board holds itself to account against the standards outlined in the ASX Corporate Governance Principles and Recommendations 4th edition as an example of good governance and reporting procedures and requirements.
UK Licence Risk The risk of loss of Government support for the development of shale gas in the UK.	Cuadrilla, the Operator of the UK shale gas exploration licences works closely with the various Government Departments to ensure legal and regulatory compliance and maintains strong working relationships with local and national authorities. The UK Government implemented a moratorium on onshore shale gas fracturing in England in 2019. It is seeking technical assurances from explorers that drilling and fracturing in England is safe, sustainable and of minimal disturbance to those living and working nearby. The UK Government engaged the British Geological Society to undertake a technical review of shale gas, which was completed and is currently under review and consideration by the UK Government.
Cyber Risk	The integrity, availability and confidentiality of data within the Groups information and operational technology systems may be subject to intentional or unintentional disruption (for example, from a cyber security attack). A cyber event may lead to adverse disruption to the Group's critical business processes, potential breaches of privacy and theft of commercially sensitive information impacting the Group's profitability and reputation. Cyber security risk management is incorporated into the Group's risk management and assurance processes and practices across the Company's business and operational information management systems. The Group has and continues to invest in robust processes and technology, supported by specialist cyber security skills to prevent, detect, respond and recover from such attacks should one occur. In addition the Group continues to expanded validation of existing controls through periodic penetration testing, phishing simulations and cyber exercises.
Pandemic Risk	Large scale pandemic outbreak of a communicable disease such as COVID-19 has the potential to affect personnel, production, and delivery of projects. The Company employs its crisis and emergency management plans, health emergency plans and business continuity plans to manage this risk including ongoing monitoring and response to government directions and advice. This enables the Company to take active steps to manage risks to the Company's staff and stakeholders and to mitigate risks to production and progress of growth projects.
Climate Change	AJ Lucas is likely to be subject to increasing regulations and costs associated with climate change and management of carbon emissions. Strategic, regulatory and operational risks and opportunities associated with climate change are incorporated into the Company's policy, strategy and risk management processes and practices. The Group actively monitors current and potential areas of climate change risk and takes actions to prevent and/or mitigate any impacts on its objectives and activities and as such the Group is considering setting targets to reduce carbon emissions. Reduction of waste and emissions is an integral part of delivery of cost efficiencies and forms part of the Group's operations. AJ Lucas is aware of the recent developments of the newly created International Sustainability Standards Board (ISSB), which has issued on 31 March 2022 an exposure draft with general sustainability-related disclosure requirements and another exposure draft for other specific climate-related disclosure requirements. The Company is considering the contents of these exposure drafts and will use their contents, and subsequent policies, to help determine future direction.

REMUNERATION

The Human Resources and Nominations Committee reviews the remuneration of the Non-executive Directors, and key executives. The Human Resources and Nominations Committee is responsibilities are documented in the Human Resources and Nominations Committee Charter which is available in the shareholder information section on the Company's website. The number of meetings and who attended those meeting throughout the year is disclosed in the Directors' report.

The Human Resources and Nominations Committee currently consists of following membership:

Committee member	Status
Julian Ball	Committee Chairman and Non-Executive Director
Andrew Purcell	Independent Non-Executive Director
Austen Perrin	Non-Executive Director

While the Committee Chairman and the majority of Committee members are not independent, they are all Non-executive. The Board has formed the opinion that, given the experience and skills of each member, the current composition of the committee is the most qualified and appropriate during this time.

The remuneration of Non-executive Directors is based on a benchmark of a selection of comparable peer companies as well as the average and medium remuneration paid by the top 300 ASX listed companies. The level of Non-executive Director remuneration was altered with effect from 1 July 2018 to be more in line with the average level of ASX 300 companies. Remuneration of Directors is disclosed in the Remuneration Report.

The Company's non-executive directors receive fees for acting as a Director of the Company. Additional fees were payable for being a member of a Board Committee, however from January 2020 the additional fee was only provided for being a Chairman of a Board Committee as this was considered a better recognition of additional time and effort required. Additional fees may in certain circumstances be payable for representing the Group in specific matters from time to time. Senior executives are remunerated based on a fixed wage plus incentive payments. The policies and practices for remuneration of Key Management Personnel is disclosed in the Remuneration Report. There is currently no minimum shareholding requirement to be a Director, and there a no equity based incentive schemes in place.

Trading in Company securities

The Company has in place a Securities Trading Policy which restricts the times and circumstances in which Directors, senior executives and certain employees may buy or sell shares in the Company. These persons are required to seek approval from the Company Secretary prior to trading.

Directors must also advise the Company, which advises the ASX on their behalf, of any transactions conducted by them in the Company's securities within five business days after the transaction occurs. The Securities Trading Policy is available in the shareholder information section of the Company's website.

AUDITOR'S INDEPENDENCE DECLARATION

for the year ended 30 June 2022

Building a better working world

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Auditor's Independence Declaration to the Directors of AJ Lucas Group Limited

As lead auditor for the audit of the financial report of AJ Lucas Group Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of AJ Lucas Group Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Matthew Taylor
Partner
30 August 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Continuing operations			
Revenue from contracts with customers	6	**123,231**	111,086
Total revenue		**123,231**	111,086
Other income		**161**	64
Operating costs of Australian operations		**(102,809)**	(88,665)
Depreciation and amortisation	8	**(7,334)**	(6,290)
Other expenses	8	**(2,626)**	(1,629)
Results from operations		**10,623**	14,566
Finance costs	7	**(21,950)**	(14,188)
Profit / (loss) before income tax		**(11,327)**	378
Income tax benefit	10	**-**	2,977
Net profit /(loss) for the period		**(11,327)**	3,355
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(6,300)**	4,139
Total items that may be reclassified subsequently to profit and loss		**(6,300)**	4,139
Other comprehensive income / (loss) for the period		**(6,300)**	4,139
Total comprehensive income / (loss) for the period		**(17,627)**	7,494
Net profit / (loss) for the period attributable to:			
Shareholders of AJL		**(11,321)**	3,339
Non-controlling interest		**(6)**	16
		(11,327)	3,355
Total comprehensive income / (loss) attributable to:			
Shareholders of AJL		**(17,603)**	7,452
Non-controlling interest		**(24)**	42
		(17,627)	7,494
Earnings per share:			
Basic and diluted (loss)/earnings per share (cents)	11	**(0.9)**	0.3

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Comprehensive Income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents	12	**2,345**	5,142
Cash in trust	12	**720**	1,510
Trade and other receivables	13	**11,652**	14,481
Contract assets	15	**10,600**	4,941
Inventories	14	**5,304**	6,540
Other assets		**1,318**	1,379
Total current assets		**31,939**	33,993
Non-current assets			
Plant and equipment	16	**29,410**	31,129
Right-of-use assets	17	**3,237**	4,488
Exploration assets	18	**156,112**	162,391
Total non-current assets		**188,759**	198,008
Total assets		**220,698**	232,001
Current liabilities			
Trade and other payables	20	**19,282**	16,148
Contract liabilities	15	**370**	370
Interest-bearing loans and borrowings	21	**54,549**	31,969
Decommissioning provision	23	**2,998**	5,690
Employee benefits	24	**5,811**	5,050
Total current liabilities		**83,010**	59,227
Non-current liabilities			
Interest-bearing loans and borrowings	21	**55,574**	75,422
Decommissioning provision	23	**4,661**	2,107
Employee benefits	24	**637**	802
Total non-current liabilities		**60,872**	78,331
Total liabilities		**143,882**	137,558
Net assets		**76,816**	94,443
Equity			
Share capital	25	**495,986**	495,986
Reserves	25	**87**	6,369
Accumulated losses		**(420,409)**	(409,088)
Total equity attributable to equity holders of the Company		**75,664**	93,267
Non-controlling interest	25	**1,152**	1,176
Total equity		**76,816**	94,443

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Financial Position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

	Share capital $'000	Translation reserve $'000	Option reserve $'000	Employee equity benefits reserve $'000	Non-controlling interest $'000	Accumulated losses $'000	Total equity $'000
Note	25	25	25	25	25	25	
Balance 1 July 2021	495,986	1,699	637	4,033	1,176	(409,088)	94,443
Total comprehensive income							
Loss for the period	–	–	–	–	(6)	(11,321)	(11,327)
Other comprehensive income							–
Foreign currency translation differences	–	(6,282)	–	–	(18)	–	(6,300)
Total comprehensive income	**–**	**(6,282)**	**–**	**–**	**(24)**	**(11,321)**	**(17,627)**
Transactions with owners recorded directly in equity							
Issue of ordinary shares, net of transaction costs	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	–
Balance 30 June 2022	**495,986**	**(4,583)**	**637**	**4,033**	**1,152**	**(420,409)**	**76,816**
Balance 1 July 2020	495,986	(2,414)	637	4,033	1,134	(412,427)	86,949
Total comprehensive income							
Profit for the period	–	–	–	–	16	3,339	3,355
Other comprehensive income							
Foreign currency translation differences	–	4,113	–	–	26	–	4,139
Total comprehensive income/(loss)	–	4,113	–	–	42	3,339	7,494
Transactions with owners recorded directly in equity							
Issue of ordinary shares, net of transaction costs	–	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–	–
Balance 30 June 2021	**495,986**	**1,699**	**637**	**4,033**	**1,176**	**(409,088)**	**94,443**

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Changes in Equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Cash receipts from customers		**131,699**	130,043
Cash paid to suppliers and employees		**(111,454)**	(108,505)
Cash from operations		**20,245**	21,538
UK Research and Development incentive		**–**	4,258
Interest and other costs of finance paid		**(7,681)**	(6,174)
Net cash from operating activities	30	**12,564**	19,622
Cash flows from investing activities			
Acquisition of plant and equipment	16	**(3,280)**	(1,731)
Proceeds from sale of plant and equipment		**13**	77
Net cash used in investing activities		**(3,267)**	(1,654)
Cash flows from financing activities			
Proceeds from borrowings		**127,264**	126,304
Repayment of borrowings		**(137,746)**	(140,262)
Repayment of leases		**(2,356)**	(1,922)
Net cash used in financing activities		**(12,838)**	(15,880)
Net increase/(decrease) in cash and cash equivalents		**(3,541)**	2,088
Net foreign exchange difference		**(46)**	86
Cash and cash equivalents at beginning of the period		**6,652**	4,478
Cash and cash equivalents and cash in trust at end of the period	30	**3,065**	6,652

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Cash Flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

1. REPORTING ENTITY

AJ Lucas Group Limited ("AJL" or "the Company") is a company domiciled in Australia. The address of the Company's registered office is level 22, 167 Eagle Street Brisbane, QLD 4000. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as 'Group entities').

AJL is a for-profit leading drilling services provider, primarily to the Australian coal industry. The Company is limited by shares, publicly listed on the Australian Securities Exchange. It is also involved in the exploration and appraisal of conventional and unconventional oil and gas prospects in the UK.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance, and complies with Australian Accounting Standards ("AASBs") including Australian interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorised for issue by the Board of Directors on 30 August 2022.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis.

(C) GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business, for a period of at least 12 months from the date that these financial statements are approved.

The Directors note the following events and conditions which raise doubt about the entities ability to continue as a going concern:

- The Group is in a net current liability position of $51.1 million (2021: $25.2 million). $52.6 million is due to the Senior syndicated facility and the Junior loan notes maturing in April 2023;
- The Group generated a loss before tax for the year of $11.3 million (2021: $0.4 million profit) and generated net cash flows from operating activities of $12.6 million (2021: $19.6 million);
- The Group's Senior Syndicated facility and Junior Loan notes, as disclosed in Note 21, have quarterly cash management, security and covenant requirements attached to financial metrics associated with Australian operations. The Group expects to continue to meet relevant covenant requirements and debt servicing obligations as may be amended from time to time by agreement of the Lenders.
- The Group's Senior Syndicated facility and Junior Loan notes mature in April 2023, and the loans from related party mature in October 2023. The Group has engaged an external consultant to assist the Group with identifying a refinancing package that is the most appropriate for the Groups circumstances. In consultation with the consultant and existing financiers, the Board is in the process of assessing its financial options, and has confidence it will either roll over or refinance the existing debt obligation well before April 2023.
- The COVID-19 pandemic has impacted our customers mine plans, leading to changes in demand for our drilling services. However, to date the Lucas Drilling Business has continued to operate profitably throughout the pandemic and is well placed to capitalise on continued strong demand for its services. Continued strong performance is dependent on extension or renewal of existing contracts, and, as with all businesses the future impact of the pandemic is unknown and cannot be reasonably predicted; and
- At balance date the Group held interests in a number of UK exploration licences which remain valid and current. On 2 November 2019 the UK Government imposed a moratorium on hydraulic fracturing. The Government has stated that lifting of the moratorium would require technical assurances that hydraulic fracturing would meet Government policy aims of ensuring it is safe, sustainable and of minimal disturbance to those living and working nearby. Cuadrilla and other UK shale gas operators are working together and with the UK regulator to address these technical issues, so that the moratorium can be lifted;
- In April 2022, in the context of energy supply shortages and significantly increasing energy costs in the UK, and Europe more generally, the UK Government commissioned the British Geological Survey to undertake an impartial technical review on shale gas to consider any further updates on seismicity that the Government ought to consider in assessing the current moratorium. The review was completed and is currently with the Minister to consider next steps regarding the moratorium. No public announcement about the review, or Government decision has been made to date; and
- The Group will be required to continue to fund UK operations, including maintaining of licence interests, as well as meeting any rehabilitation liabilities. During the period the North Sea Transition Authority (previously the Oil and Gas Authority), the UK Regulator, withdrew notices it had previously issued requiring plug and abandonment of the two most recently drilled exploration wells which were drilled at the Preston New Road site. Under its current Senior syndicated and Junior loan notes facilities as disclosed in Note 21, the Group is unable to use excess funds from operations of its Australian drilling business to fund its UK operations. As such, any additional funds that may be required by the UK operations would require additional debt or equity funding.

In assessing the appropriateness of using the going concern assumption and above uncertainties, the Directors have had regard to the following matters:

- The strong financial performance of the Drilling Division, noting that continued strong financial performance is dependent on extension or renewal of existing customer contracts;
- The ability of the Group to successfully re-finance its current debt, and raise additional debt and / or equity with the support of its financiers and shareholders and in light of its history of successful debt and equity raisings;

2. BASIS OF PREPARATION (continued)

- The Group's focus on managing the cash flows associated with exploration and rehabilitation activities in the UK, and its ability to fund future UK cash flows through raising of additional debt or equity.
- The UN's Intergovernmental Panel on Climate Change, and the UK's own Climate Change Committee acknowledge Natural gas having a role to play in the transition to a decarbonised world. Drilling to date has confirmed presence of high quality gas and the Directors believe this has the potential to be a significant contributor to UK's future energy supply.

In considering the uncertainties outlined above and the factors available to the Board to manage those uncertainties, the Directors of the Company are satisfied it remains appropriate to prepare the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Australian dollars which is the Company's functional currency. The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) issued by the Australian Securities and Investments Commission. Unless otherwise expressly stated, amounts in these financial statements have been rounded off to the nearest thousand dollars in accordance with that Corporations Instrument.

(E) USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 3 (e) – Decommissioning provision;
- Note 18 – Carrying value of exploration assets; and
- Note 19 – Recognition of deferred tax asset.

(F) CHANGES IN ACCOUNTING POLICIES

All accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities. There have not been any amendments and interpretations that apply for the first time during the financial year that have a material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Comparative information has been reclassified where relevant for consistency with current period presentation.

(A) BASIS OF CONSOLIDATION

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of consideration transferred over the fair value of net assets acquired is recognised as goodwill and is tested annually for impairment. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Step acquisition

When acquisitions are achieved in stages in a transaction considered to be an asset acquisition rather than a business combination, the group utilises a cumulative cost approach. Under this approach, the transaction is viewed as if the entity is purchasing the additional interest while retaining the initial interest (non-exchange view). As a result, the purchase consideration (to allocate to the assets acquired) will be determined as the consideration paid for the initial interest (original consideration), plus the consideration paid for the additional interest (over time). This treatment results in previous equity accounted profits being reversed.

In asset acquisitions with contingent consideration, the cost of the asset does not initially include any amount relating to the contingent element. Any subsequent payments made in relation to the contingent element are either adjusted against the cost of the asset (once paid) or recognised in profit or loss as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is determined in relation to rights that give the Group the current ability to direct the activities that significantly affect returns from the Group's investment. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in equity accounted investees

The Group's interest in equity accounted investees comprised interests in joint ventures and an associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Jointly ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. A partial redemption of equity interests is accounted for as a reduction in the investment value equal to the cash redemption.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint operations

A joint operation is an arrangement whereby the parties that jointly control the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated financial statements include the Group's share of assets and liabilities held jointly and the Group's share of expenses incurred and income earned jointly.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(B) FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are not retranslated. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of financial instruments held at fair value through comprehensive income or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented in the translation reserve in equity.

(C) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as a liability in the period in which they are declared.

(D) LEASES

At inception of an arrangement, the Group determined whether the arrangement is or contains a lease. Under the Group's accounting policy a right-of-use asset and a corresponding lease liability is recognized for all leases with a term of more than 12 months, unless the underlying asset is of low value. The right-of-use assets are recognised based on the amount equal to the lease liabilities, adjusted

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

for previously recognised prepaid and accrued lease payments. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term, calculated using the Group's incremental borrowing rate at the commencement of the lease if the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments less any lease incentives receivables. The lease payments would also include the exercise price of any purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term would reflect the Group exercising the option to terminate. Variable lease payments that do not depend on an index or rate, where present, would be recognised as an expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases of plant and machinery to terminate the lease providing 30 days' notice for no penalty. Where there will be significant negative effect on operations if a replacement is not readily available the Group applies judgement in evaluating the likely lease term (between 1 and three years). That is, it considers all relevant factors that create an economic incentive for it to continue the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) any option to terminate or renew (e.g., a change in business strategy).

(E) DECOMMISSIONING

Where a material liability for the future removal of facilities an site restoration at the end of operations exists, a provision for decommissioning is recognised. The amount recognised is the estimated future expenditure, determined in accordance with local conditions and requirements. Discounting is used to the extent it is material. An asset, of an amount equivalent to the provision is also added to the applicable exploration asset. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and associated asset. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate future liability. The estimates are regularly reviewed to take account of any material changes in assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time.

(F) REVENUE

Sales revenue related to the transfer of promised goods or services is recognised when control of the goods or services is transferred to the customer. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods or services.

Sales revenue for services is recognised on individual sales when control transfers to the customer. In most instances the title, risks and rewards transfer to the customer when the service is provided to the customer, as evidenced by a survey of work performed.

The Group provides the majority of its services and associated consumables and materials on an as required basis, where the Group provides drilling services based on a total hourly rate as defined for each project, or on a meter drilled basis, as defined for each drill hole (dependant on the contract terms). Under these methods, services rendered are consistent with performance of those services and confirmed by a survey of work performed and agreed with its customer. Under these terms, revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs.

The Group's services are sold to customers under contracts which vary in tenure and pricing mechanisms, primarily being hourly or meter rates specific to each contract.

Contract balances are explained below.

Contract assets

A contract asset is initially recognised for revenue earned from the provision of drilling services in accordance with contractual arrangements and represents all revenue recognised that remain unbilled at balance date. Such revenue is normally invoiced to the customer and reclassified into Trade Receivables in the month following completion of performance obligations. t

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer for which the relevant performance obligation has not been fulfilled. Contract liabilities are recognised as revenue when the Group performs or otherwise extinguishes the relevant performance obligation.

(G) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings including leases, unwinding of the discount on provisions, amortisation of pre-paid fees, foreign currency losses and losses on financial instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(H) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax unpaid at the end of the year is recognised as an income tax liability. Also included in income tax liability is outstanding current tax liabilities in relation to prior periods where contractually agreed payment plans have been put in place.

Deferred tax

Deferred tax is recognised in respect of deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, except for transaction that, on initial recognition, give rise to equal taxable and deductible temporary differences such as recognition of an ROU asset and a lease liability or restoration obligations;
- relating to investments in subsidiaries and associates and joint arrangements to the extent that it is probable that they will not reverse in the foreseeable future; and
- arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation – wholly owned Australian entities

The Company and its wholly owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is AJ Lucas Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements – wholly owned Australian entities

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivables/(payables)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

(I) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares where applicable. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(J) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment operating results are regularly reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Board is the primary decision-making body responsible for the day to day management of the business.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly certain corporate borrowings and income tax assets and liabilities.

(K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(L) FINANCIAL INSTRUMENTS

Financial assets

At initial recognition, financial assets are measured at fair value. Subsequent to initial recognition, financial assets are classified into one of two categories consistent the business model for managing the financial assets and the contractual terms of the related cash flows. The two categories comprise those subsequently measured at fair value (either through OCI, or profit or loss) and those to be held at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the asset either expire or are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest created or retained by the Group in such a transfer, is recognised as a separate asset or liability.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated Expected Credit Losses ("ECLs") based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

The Group's financial liabilities currently include trade and other payables and interest-bearing loans and borrowings. At initial recognition, financial liabilities are measured at fair value and classified as financial liabilities at fair value through profit or loss or financial liabilities at amortised costs (loans and borrowings). Financial liabilities at fair value through profit and loss include are remeasured at each reporting date, with gains or losses recognised in the statement of profit and loss. Interest bearing loans and liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

The Group derecognises its financial liabilities when its contractual obligations are discharged, cancelled or expire.

(M) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition are included in the cost of inventory. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

(N) PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes cost of materials and direct labour, the costs of dismantling and removing the items and restoring the site on which they are located and any other costs attributable to bringing the assets to a working condition for their intended use. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Sale of non-current assets

The net gain or loss on disposal is included in profit or loss at the date control of the asset passes to the buyer, usually when an unconditional contract for sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is capitalised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation and amortisation

Depreciation and amortisation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, using the straight-line method over the estimated useful life from the time the asset is first available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation and amortisation is recognised in the profit and loss.

Estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings	10-40
Plant and equipment	3-15
Enterprise development	6
Right of use of plant and equipment	1-5
Right of use of office space	1-10

The residual value, useful life and depreciation and amortisation method applied to an asset are adjusted if appropriate at least annually.

(O) INTANGIBLE ASSETS

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(P) EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

In applying the exploration and evaluation asset recognition policy, and in determining recoverable amount management are required to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

Where the Group is party to a farm-in arrangement any proceeds or non-cancellable expenditure funded by the purchaser is recognised as disposal proceeds. The non-cancellable expenditure to be funded by the purchaser is recognised as a receivable carry asset within exploration assets in accordance with the Group's interest percentage.

The assets disposed per the terms of the farm-in arrangement are treated as costs of disposal, alongside any other costs incurred, with the net profit or loss recognised in the income statement as incurred.

The cancellable portion of deferred consideration, and consideration contingent on a future event is disclosed as a contingent asset and is not recognised by the Group until it has actually been incurred or becomes non-cancellable, at which point, additional profit will be recognised in the profit and loss for these amounts.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(Q) IMPAIRMENT

Non-financial assets

The carrying amounts of the Group's non-financial assets (other than inventories, construction work in progress and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Groups of assets ("the cash generating unit" or "CGU"). The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(R) EMPLOYEE BENEFITS

Superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. The Group does not participate in any defined benefit funds.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods and related on costs. Benefits are discounted to determine their present value, using the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(S) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There have been a number of amendments and revisions to accounting standards that have recently been issued or amended but are not yet effective and have not been early adopted by the Group for the period ended 30 June 2022. The following amendments and revisions have been identified that may have an impact on the Group's financial performance or financial position.

Amendments to AASB 3: Reference to Conceptual Framework

In June 2020, the Australian Accounting Standards Board ("AASB") issued Amendments to AASB 3 Business Combinations. The amendments, among other things, add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets or Interpretation 21 Levies, if incurred separately. The exception requires entities to apply the criteria in AASB 137 or Interpretation 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to AASB 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments become effective for the Group for the period beginning 1 July 2022, and are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to AASB 137: Onerous Contracts – Costs of Fulfilling a Contract

In June 2020, the AASB issued amendments to AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments become effective for the Group for the period beginning 1 July 2022 and are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to AASB 101: Classification of Liabilities as Current or Non-current

In March 2020, the AASB issued amendments to AASB 101 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

These amendments are effective for the Group for the reporting period beginning on 1 July 2023 and are not currently expected to have a significant impact on the Group's consolidated financial statements.

Amendments to AASB 108: Definition of Accounting Estimates

In March 2021 the AASB issued amendments to AASB108 Accounting Policies, Changes in Accounting Estimates and Errors introducing a new definition of accounting estimates. The amendments clarify that the effect on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from correction or prior period errors. The current definition of a change in accounting estimate specifies that changes in accounting estimates may result from new information or new development. The amendments are effective for the Group for the reporting period beginning 1 July 2023 and while they provide clarity as to the definition of accounting estimates they are not expected to have a material impact on the Group's consolidated financial statements.

5. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes as described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Current replacement cost estimates reflect adjustment for physical deterioration as well as functional and economic obsolescence.

5. DETERMINATION OF FAIR VALUES (continued)

INVENTORIES

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Board reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Drilling: This business segment encompasses the Australian Drilling business and the Group's head office and corporate costs. The Australian Drilling business provides integrated professional drilling services, predominantly for exploration and degasification of coal mines but may also include the recovery and commercialisation of coal seam gas, and associated services

UK oil & gas: Exploration and development of unconventional and conventional hydrocarbons in the United Kingdom.

Costs associated with related party loans, including foreign exchange gain or losses recognised on translating US dollar balances outstanding to Australian Dollars are not recognised within reportable segments and are disclosed as unallocated.

The Australian Operations have two Customers that each contributed over 10% of the Groups revenue and in total contributed 84% (2021: 89%) of the Groups total revenue.

The accounting policies of the reportable segments are the same as described in Note 3.

Information regarding the results of each reportable segment is included below. Performance is assessed based on segment earnings before interest, income tax, depreciation and amortisation ("EBITDA") and segment profit before interest and income tax and segment net profit or loss. Inter-segment pricing is determined on an arm's length basis.

	Lucas Drilling $'000	UK Oil & Gas Investments $'000	Reportable Segments $'000	Unallocated $'000	Total $'000
2022					
Reportable segment revenue					
Services rendered	123,231	-	123,231	-	123,231
Total consolidated revenue	**123,231**	**-**	**123,231**	**-**	**123,231**
EBITDA continuing operations	**19,064**	**(1,107)**	**17,957**	**-**	**17,957**
Depreciation and amortisation	(7,334)	-	(7,334)	-	(7,334)
Net finance cost	(8,330)	-	(8,330)	(13,620)	(21,950)
Income tax benefit	-	-	-	-	-
Reportable segment profit / (loss)	**3,400**	**(1,107)**	**2,293**	**(13,620)**	**(11,327)**

	Lucas Drilling $'000	UK Oil & Gas Investments $'000	Reportable Segments $'000	Unallocated $'000	Total $'000
2021					
Reportable segment revenue					
Services rendered	111,086	-	111,086	-	111,086
Total consolidated revenue	**111,086**	**-**	**111,086**	**-**	**111,086**
EBITDA continuing operations	**21,913**	**(1,057)**	**20,856**	**-**	**20,856**
Depreciation and amortisation	(6,290)	-	(6,290)	-	(6,290)
Net finance cost	(9,807)	-	(9,807)	(4,381)	(14,188)
Income tax benefit	-	2,977	2,977	-	2,977
Reportable segment profit / (loss)	**5,816**	**1,920**	**7,736**	**(4,381)**	**3,355**

	Lucas Drilling $'000	UK Oil & Gas Investments $'000	Reportable Segments $'000	Unallocated $'000	Total $'000
2022					
Segment assets	62,810	157,888	220,698	-	220,698
Segment liabilities	(81,949)	(8,125)	(90,074)	(53,808)	(143,882)
Capital expenditure	3,280	-	3,280	-	3,280
2021					
Segment assets	66,424	165,577	232,001	-	232,001
Segment liabilities	(88,260)	(8,411)	(96,671)	(40,887)	(137,558)
Share of profit of equity accounted investees	-	-	-	-	-
Capital expenditure	1,731	-	1,731	-	1,731

GEOGRAPHICAL INFORMATION

	Revenues		Non-current assets	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Australia	**123,231**	111,086	**32,647**	35,617
United Kingdom	**-**	-	**156,112**	162,391
	123,231	111,086	**188,759**	198,008

7. FINANCE INCOME AND FINANCE COSTS

	2022 $'000	2021 $'000
Interest expense	**15,604**	15,132
Finance costs charged on lease liability	**190**	275
Amortisation of prepaid fees on debt facilities	**2,022**	2,042
Net foreign exchange loss / (gain)	**4,134**	(3,261)
Finance costs recognised in profit and loss	**21,950**	14,188

8. OTHER EXPENSES

	2022 $'000	2021 $'000
Depreciation of plant and equipment	**4,926**	4,434
Amortisation of right-of-use asset	**2,408**	1,856
Total depreciation and amortisation	**7,334**	6,290
UK overhead costs	**1,259**	1,170
Net (profit) / loss on sales of assets	**60**	(72)
Costs of evaluating M&A and restructuring opportunities	**1,209**	-
Other	**98**	531
Total other expenses	**2,626**	1,629

9. AUDITOR'S REMUNERATION

The auditor of AJ Lucas Group Limited and its controlled entities is Ernst and Young (Australia). Amounts received or due are set our below:

	2022 $'000	2021 $'000
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	**246,335**	319,520
Fees for assurance services that are required by legislation to be provided by the auditor	**-**	-
Fees for other assurance and agreed-upon procedure services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	**-**	-
Fees for other services		
- Sustainability	**23,300**	-
- Tax compliance	**51,000**	60,200
Total fees to Ernst & Young (Australia) (A)	**320,635**	379,720
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of any controlled entities	**-**	140,910
Total fees to overseas member firms of Ernst & Young (Australia) (B)	**-**	140,910
Total auditor's remuneration (A)+(B)	**320,635**	520,630

10. INCOME TAX

	2022 $'000	2021 $'000
Recognised in profit or loss		
Current tax expense/ (benefit)		
Current year	2,344	965
Tax losses not recognised and temporary differences derecognised in current year	713	-
Prior year tax losses utilised	(1,678)	(4,332)
UK Research and Development incentive	-	(2,977)
Prior year adjustments	484	406
Prior year tax losses not recognised	(484)	(406)
	1,379	**(6,344)**
Deferred tax expense recognised in profit or loss		
Origination and reversal of temporary differences	(1,379)	3,367
Prior year adjustment	(1,962)	1,288
Prior year tax losses not recognised	1,962	(1,288)
Total income tax expense / (benefit) in profit or loss	**-**	**(2,977)**
Current tax benefit recognised in the statement of changes in equity		
Current year	-	-
Prior year adjustments	-	-
Total income tax benefit in equity	**-**	**-**
Numerical reconciliation between tax benefit and pre-tax net profit/(loss)		
Accounting profit/ (loss) before income tax	(11,329)	378
Prima facie income tax benefit calculated at 30%	(3,399)	113
Adjustment for:		
Non-deductible expenses	68	324
UK Research and Development incentive	-	(2,977)
Effect of tax rate in foreign jurisdictions	(112)	-
Non-deductible finance cost	4,702	3,895
Current year tax losses not recognised	125	-
Prior year tax losses utilised	(2,763)	(965)
Current year temporary differences not recognised	1,379	(3,367)
Income tax (benefit) attributable to operating loss	**-**	**(2,977)**

An income tax benefit of $2.9 million recognised in the Statement of Comprehensive Income in FY21 relates to UK research and development credits.

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic loss per share at 30 June 2022 was based on the loss after tax attributable to ordinary shareholders of $11,321,000 (2021: profit after tax of $3,339,000) divided by a weighted average number of ordinary shares outstanding, calculated as follows.

	2022 Number	2021 Number
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**1,196,286,636**	1,196,286,636
Weighted average number of ordinary shares (basic) at 30 June	**1,196,286,636**	1,196,286,636

Diluted earnings per share

There were no dilutive potential ordinary shares outstanding at 30 June 2022 or 30 June 2021, therefore no adjustments have been made to basic earnings per share to arrive at diluted earnings per share.

12. CASH, CASH EQUIVALENTS AND CASH IN TRUST

	2022 $'000	2021 $'000
Cash at bank and cash equivalents	**2,345**	5,141
Share of joint operations cash	**–**	1
Total cash and cash equivalents	**2,345**	5,142
Cash in trust	**720**	1,510
Total cash in trust	**720**	1,510

Share of Joint Operations cash

Represents the Group's share of joint operation cash balances. These cash balances are available to be utilised within the joint operation until such time as the partners resolve to distribute the cash.

Cash in trust

Represents restricted cash allocated as security under the Junior loan notes disclosed in Note 21. These cash balances can only be utilised in accordance with the senior loan note facility and primarily comprise future interest obligations to be debited by the lenders' agent.

13. TRADE AND OTHER RECEIVABLES

	2022 $'000	2021 $'000
Current		
Trade receivables (not subject to provisional pricing)	**11,388**	13,735
Deposits supporting bank guarantees	**264**	746
	11,652	14,481

Trade receivables are non-interest bearing and generally on terms of 30 to 90 days. Estimated credit losses have been assessed as being immaterial (<0.5%) in 2022 and 2021. No credit losses related to trade receivables have been or are expected to be recognised at balance date. Further information on credit risk shown in Note 26.

14. INVENTORIES

	2022 $'000	2021 $'000
Materials and consumables	**5,304**	6,540
Total inventories	**5,304**	6,540

15. CONTRACT BALANCES

	2022 $'000	2021 $'000
Contract assets	**10,600**	4,941
Contract liabilities	**370**	370

Contract assets represent revenue recognised as earned but which remains unbilled at balance date. Such revenue is normally invoiced to the customer and reclassified into Trade Receivables in the month following completion of performance obligations. No expected credit losses related to contract assets have been recognised at balance date as it is considered immaterial (<0.5%). Further information on credit risk shown in Note 26.

Contract liabilities represent amounts invoiced to customers for which the relevant performance obligation has not been fulfilled. The full amount of the Contract liability balance in 2021 remains outstanding and was not recognised as revenue in FY 2022.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment $'000	Enterprise development $'000	Total $'000
30 June 2022			
At cost	110,634	12,578	123,212
Accumulated depreciation/amortisation/impairment	(81,514)	(12,288)	(93,802)
Carrying amount at 30 June 2022	**29,120**	**290**	**29,410**
30 June 2021			
At cost	107,556	12,578	120,134
Accumulated depreciation/amortisation/impairment	(76,929)	(12,076)	(89,005)
Carrying amount at 30 June 2021	**30,627**	**502**	**31,129**

RECONCILIATIONS

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2021	30,627	502	31,129
Additions	3,280	–	3,280
Disposals	(73)	–	(73)
Depreciation and amortisation	(4,714)	(212)	(4,926)
Carrying amount at 30 June 2022	**29,120**	**290**	**29,410**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2020	33,124	714	33,838
Additions	1,731	–	1,731
Disposals	(6)	–	(6)
Depreciation and amortisation	(4,222)	(212)	(4,434)
Carrying amount at 30 June 2021	**30,627**	**502**	**31,129**

An independent expert was engaged to perform an independent valuation of the Group's plant and equipment as at 30 June 2021. No impairment charge was recognised as a result of this process.

17. RIGHT-OF-USE ASSETS

	Plant & equipment $'000	Property $'000	Total $'000
30 June 2022			
At cost	4,359	2,846	7,205
Accumulated depreciation/amortisation/impairment	(2,523)	(1,445)	(3,968)
Carrying amount at 30 June 2022	**1,836**	**1,401**	**3,237**
30 June 2021			
At cost	4,485	2,794	7,279
Accumulated depreciation/amortisation/impairment	(1,837)	(954)	(2,791)
Carrying amount at 30 June 2021	**2,648**	**1,840**	**4,488**

A reconciliation of the carrying amount of each class of right-of-use assets is set out below.

	Plant & equipment $'000	Property $'000	Total $'000
Carrying amount at 1 July 2021	2,648	1,840	4,488
Additions	1,096	61	1,157
Amortisation	(1,908)	(500)	(2,408)
Carrying amount at 30 June 2022	**1,836**	**1,401**	**3,237**

	Plant & equipment $'000	Property $'000	Total $'000
Carrying amount at 1 July 2020	3,207	2,310	5,517
Additions	1,179	–	1,179
Amortisation	(1,386)	(470)	(1,856)
Remeasurement	(352)	–	(352)
Carrying amount at 30 June 2021	**2,648**	**1,840**	**4,488**

18. EXPLORATION ASSETS

	2022 $'000	2021 $'000
Opening carrying amount	**162,391**	158,977
Remeasurement of decommissioning provision	**193**	(790)
Foreign Exchange movement	**(6,472)**	4,204
Closing value	**156,112**	162,391

The exploration assets represent exploration expenditure incurred in relation to the Group's equity interest in UK exploration licences as follows:

Description	Licence	Partners	Interest 2022	Interest 2021
Bowland	PEDL165	Spirit Energy 25%	**75.00%**	75.00%
Elswick	EXL269	Spirit Energy 22.75%	**77.25%**	77.25%
Balcombe (Bolney)	PEDL244	Angus Energy 25%	**75.00%**	75.00%
Weald	EXL189	Altwood Petroleum 4%	**96.00%**	96.00%
14th round – Gainsborough	PEDL276	N/A	**100.00%**	100.00%
14th round – Yorkshire	PEDL288	INEOS 30%	**70.00%**	70.00%
14th round – Yorkshire	PEDL346	INEOS 30%	**70.00%**	70.00%
14th round – Yorkshire	PEDL287	INEOS 30%	**70.00%**	70.00%
14th round – Yorkshire	PEDL342	INEOS 30%	**70.00%**	70.00%
14th round – Yorkshire	PEDL347	N/A	**100.00%**	100.00%
14th round – Yorkshire	PEDL290	N/A	**100.00%**	100.00%
14th round – Yorkshire	PEDL333	N/A	**100.00%**	100.00%

In December 2021 Spirit Energy and Lucas agreed terms to allow Spirit Energy to exit from the Bowland and Elswick exploration licenses, which required Spirit Energy to provide funding to cover substantial part of the expected cost of plugging and abandoning the wells recently drilled at Preston New Road and the nearby suspended Elswick conventional gas production well (shut in 2013). In June 2022, Spirit Energy and Lucas reached agreement to allow Spirit Energy to revoke its previous election to exit the licenses, and its interest remains unchanged as a result.

Licence requirements

Exploration licences contain conditions relating to achieving certain milestones on agreed deadlines. Where milestones are not achieved within agreed deadlines, the terms of the licence may require partial relinquishment of the licence area or be withdrawn. Applications can be made to alter or extend exploration licence conditions. The Group's licences remain current at balance date.

Significant judgement

Recoverability of exploration and evaluation expenditure and UK Moratorium on Hydraulic Fracturing

The recoverability of the capitalised exploration and evaluation expenditure recognised as a non-current asset is dependent upon the successful exploration, development, or alternatively sale, of the respective tenements which comprise the assets.

On 2 November 2019, the UK Government imposed a moratorium on hydraulic fracturing in England, stating that lifting of the moratorium would require technical assurances that hydraulic fracturing would meet Government policy aims of ensuring it is safe, sustainable and of minimal disturbance to those living and working nearby. In April 2022, in the context of energy supply shortages, a focus on energy security and significantly increasing energy costs in the UK and Europe more generally, the UK Government commissioned the British Geological Survey to undertake an impartial technical review on shale gas to consider any further updates on seismicity that the Government ought to consider. The review was completed and is currently with the Minister to consider next steps regarding the moratorium. No public announcement about the review, or government decision has been made to date.

As a result of the current moratorium, exploration activities have been impacted, and significantly reduced until such time that the moratorium is lifted and further exploration allowed. The Directors and management continue to engage with appropriate government bodies to push for lifting of the moratorium to allow the Group to continue assessing the licence areas in a safe way.

The recoverability of exploration and evaluation assets has been assessed on the basis that the moratorium would be lifted in the future and further exploration and evaluation activities will recommence. It remains the Group's view that, subject to lifting the moratorium and undertaking further exploration and evaluation activities, Groups licences have potential to be a significant contributor to UK energy needs and provide greater energy security for the UK. In the event the moratorium is not lifted, and hydraulic fracturing is not allowed to recommence the recoverable amount of exploration assets significantly differ to the amounts stated in the statement of financial position.

19. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Tax Assets		Tax Liabilities		Net	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Consolidated						
Inventories	–	–	–	(1,962)	–	(1,962)
Equity accounted investments	–	–	–	–	–	–
Property, plant and equipment	11,233	11,974	–	–	11,233	11,974
Exploration asset	–	–	(2,811)	(2,857)	(2,811)	(2,857)
Provisions for employee benefits	2,065	1,891	–	–	2,065	1,891
Provisions for restructuring	–	–	–	–	–	–
AASB16 Leases	121	91	–	–	121	91
Trade creditors	12	12	–	–	12	12
Share raising costs	92	226	–	–	92	226
Blackhole expenditure	322	106	–	–	322	106
Borrowing costs	70	94	–	–	70	94
Other creditors and accruals	2,335	2,242	–	–	2,335	2,242
Unrealised foreign exchange differences	714	–	–	(503)	714	(503)
Decommissioning provision	3,064	3,121	–	–	3,064	3,121
Deferred tax asset write down	(17,217)	(14,435)	–	–	(17,217)	(14,435)
Tax assets/(liabilities)	**2,811**	**5,322**	**(2,811)**	**(5,322)**	**–**	**–**
Set off of tax	(2,811)	(5,322)	2,811	5,322	–	–
Net assets/(liabilities)	**–**	**–**	**–**	**–**	**–**	**–**

Movement in temporary differences during the year:

	Balance 01 Jul 21 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Balance 30 June 22 $'000
2022				
Inventories	(1,962)	-	1,962	-
Property, plant and equipment	11,974	-	(741)	11,233
Exploration asset	(2,857)	-	46	(2,811)
Provisions for employee benefits	1,891	-	174	2,065
AASB16 Leases	91	-	30	121
Trade creditors	12	-	-	12
Share raising costs	226	134	(268)	92
Blackhole expenditure	106	-	216	322
Borrowing costs	94	-	(24)	70
Other creditors and accruals	2,242	-	93	2,335
Unrealised foreign exchange differences	(503)	-	1,217	714
Decommissioning provision	3,121	-	(57)	3,064
Deferred tax asset written off	(14,435)	(134)	(2,648)	(17,217)
	-	-	-	-

	Balance 01 Jul 20 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Recognised on acquisition	Balance 30 June 21 $'000
2021					
Inventories	(1,674)	-	(288)	-	(1,962)
Property, plant and equipment	5,765	-	(840)	7,049	11,974
Exploration asset	-	-	-	(2,857)	(2,857)
Provisions for employee benefits	2,250	-	(359)	-	1,891
Provisions for restructuring	43	-	(43)	-	-
AASB16 Leases	111	-	(20)	-	91
Trade creditors	12	-	-	-	12
Share raising costs	422	134	(330)	-	226
Blackhole expenditure	158	-	(52)	-	106
Borrowing costs	130	-	(36)	-	94
Other creditors and accruals	2,894	-	(694)	42	2,242
Unrealised foreign exchange differences	723	-	(1,226)	-	(503)
Decommissioning provision	-	-	-	3,121	3,121
Deferred tax asset written off	(10,834)	(134)	3,888	(7,355)	(14,435)
	-	-	-		-

19. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Unrecognised deferred tax assets

As at 30 June 2022, the Group had not recognised deferred tax assets of $51,240,000 (2021: $60,846,013) in relation to income tax losses in Australia, $61,131,190 (2021: $63,856,140) in relation to accumulated income tax losses. Additionally, pre trading expenditure incurred in certain UK subsidiaries is able to be offset against future taxable profits for a period of 7 years from the year in which the expenditure is incurred, contingent on the respective entities commencing trading. At balance date $38,852,970 (2021: $40,584,825) of accumulated pre trading expenditure has not been recognised and will be incrementally forfeited over the period of 7 years from balance date.

20. TRADE AND OTHER PAYABLES

	2022 $'000	2021 $'000
Current		
Trade payables	**8,766**	6,822
Other payables and accruals	**10,516**	9,326
	19,282	16,148

Trade payables are non-interest bearing and are generally settled on 30-60 days terms. Other payables and accruals represent costs incurred but not yet invoiced from suppliers, accrued payroll and taxation expenses.

21. INTEREST-BEARING LOANS AND BORROWINGS

	2022 $'000	2021 $'000
Current		
Senior syndicated facility	**19,094**	20,609
Junior loan notes	**33,510**	9,084
Lease liabilities	**1,925**	2,276
Other	**20**	-
	54,549	31,969
Non-current		
Junior loan notes	**–**	31,929
Lease liabilities	**1,716**	2,515
Loans from related party	**53,808**	40,887
Other	**50**	91
	55,574	75,422

(a) Loans and borrowing terms and maturities

Senior syndicated facility

The Senior syndicated facility is a senior ranking revolving asset-based loan which is secured by the Drilling Division's plant and equipment, billed receivables, and unbilled receivables represented by contract assets in the Statement of Financial Position (together the "Security Assets"). The Senior syndicated facility can be drawn at any time up to an upper limit of $30 million, or $35 million if Junior lender consent is firstly obtained, but in all cases subject to a sufficient level of Security Assets. Interest is calculated on the daily balance outstanding at the bank bill swap rate plus a margin, and is payable monthly in arrears. The current interest rate is approximately 6.74% (2021: 5.58%).

In July 2022 the Senior syndicated facility maturity date was extended to April 2023 from October 2022. Accordingly, balances outstanding under the Senior Syndicated facility are classified as current liabilities in 2022 given they are repayable within 12 months of balance date. In accordance with accounting standards balances outstanding under the Senior syndicated facility were also shown as current liabilities in the comparative period, because of the facilities revolving nature. In the Each repayment and subsequent draw down is separately disclosed in the Cash Flow Statement as Repayment of Borrowings and Proceeds from Borrowings, respectively.

The facility is subject to financial covenants which, may be amended from time to time by mutual agreement, and have been complied with during the period. Subsequent to balance date, Lucas Drilling has agreed with the senior lender to temporarily revise a financial covenant and the Group expects to continue to meet the covenant obligations for the foreseeable future.

Junior Loan notes-HSBC

The Junior loan notes are secured by a second ranking charge over the Security Assets and a first ranking charge over the Group's remaining assets. Under this agreement scheduled principal repayments of $8m per annum are required, payable in quarterly instalments over the 3.5-year life of the loan notes, with the balance repayable at maturity. The Junior Loan notes mature in April 2023. Interest is charged at the bank bill swap rate plus a margin and is payable quarterly in arrears. The current interest rate is approximately 14.08% (2021: 13.64%).

The facility is subject to financial covenants which have been complied with.

Lease liability

Further information regarding lease liability is available in Note 22.

Loans from related party-Kerogen

The Loans from related party is provided by Kerogen, which at 30 June 2022 holds 65.4% of the shares of the Company. Kerogen's facility is subordinated and ranks behind the Senior syndicated facility and Junior loan notes, and matures 6 months after the Junior loan notes, in October 2023.

Interest is charged at 18% of the balance outstanding, and compounds quarterly if unpaid.

22. LEASES

Group as lessee

The Group has lease contracts for various items of plant, machinery, vehicles and office space used in its operations. Leases of plant and machinery generally have lease terms between 1 and 3 years, while motor vehicles have lease terms between 1 and 5 years. The Group's obligations under lease terms on office space are up to 10 years in respect of the Brisbane head office.

The carrying amounts and the movements during the period of right of use assets is set out in Note 17. The maturity analysis of lease liabilities is disclosed in Note 26. Expenses relating to short term leases of $6.2 million (2021: $5.2 million) have been included in operating costs of Australian operations. These relate predominantly to short term hire of plant and equipment.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2022 $'000	2021 $'000
Opening balance 1 July	**4,791**	5,887
Additions during the year	**1,157**	1,179
Accretion of interest	**190**	275
Remeasurement	**–**	(352)
Payments	**(2,497)**	(2,198)
As at 30 June	**3,641**	4,791
Current	**1,925**	2,276
Non-Current	**1,716**	2,515

23. DECOMMISSIONING PROVISION

	2022 $'000	2021 $'000
Current	**2,998**	5,690
Non-current	**4,661**	2,107
Closing value	**7,659**	7,797

Current decommissioning provision relates to rehabilitation of wells, whereby the Company does not have an unconditional right to defer costs outside the 12 month period post period end.

A reconciliation of the carrying amount of decommissioning liability is set out below.

	2022 $'000	2021 $'000
Carrying amount at 1 July	**7,797**	8,455
Remeasurement of decommissioning asset	**193**	(790)
Foreign Exchange movement	**(331)**	132
Closing value	**7,659**	7,797

24. EMPLOYEE BENEFITS

	2022 $'000	2021 $'000
Provision for employee benefits, including on-costs:		
Current	**5,811**	5,050
Non-current	**637**	802
	6,448	5,852

The amount of employee benefits recognised as an expense during the financial year was $45,683,000 (2021: $41,553,000).

SUPERANNUATION PLANS

Benefits provided under the superannuation funds to which the Group contributes are based on accumulated contributions and earnings for each employee in accordance with the Superannuation Guarantee Charge legislation. The amount recognised as an expense for the financial year was $3,538,000 (2021: $3,279,000).

25. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders of the parent is detailed below.

SHARE CAPITAL – ORDINARY SHARES

Details of the share placements, entitlements, exercise of options and associated costs recognised directly in equity are as follows:

	No. of Shares	$'000
2022		
On issue at 1 July 2021	1,196,286,635	495,986
On issue at 30 June 2022	**1,196,286,635**	495,986

	No. of Shares	$'000
2021		
On issue at 1 July 2020	1,196,286,635	495,986
On issue at 30 June 2021	**1,196,286,635**	495,986

Holders of ordinary shares are entitled to receive dividends and, in the event of a winding up of the Company, to any proceeds of liquidation after all creditors and other stockholders have been paid in full.

On a show of hands, every holder of ordinary shares present at a shareholder meeting in person or by proxy is entitled to one vote and upon a poll, each share is entitled to one vote.

NATURE AND PURPOSE OF RESERVES

Non-Controlling interest

	2022 $'000	2021 $'000
Carrying amount at 1 July	**1,152**	1,176

In February 2020 Company's subsidiary AJ Lucas Cuadrilla Pty Ltd acquired Riverstone's interest in Cuadrilla Resources Holdings Limited, increasing its voting interest from approximately 48% to 96% and thereby gaining control. The remaining 4% is owned by a number of private individuals.

Employee equity benefits reserve

The employee equity benefits reserve represents the expense associated with equity-settled compensation under historic employee management rights incentive plans. There are no equity-settled compensation plans currently in operation, and no rights outstanding under previous plans.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into Australian dollars.

OPTIONS

There are no options over ordinary shares outstanding at the balance sheet date.

DIVIDENDS

No dividends in respect of the 2022 or 2021 financial years have been declared or paid.

DIVIDEND FRANKING ACCOUNT

The balance of franking credits available to shareholders of the Company as at 30 June 2022 $60,852,374 (2021: $60,852,374).

26. FINANCIAL INSTRUMENTS

OVERVIEW

The Group's activities expose it to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk (including currency and interest rate risks); and
- Operational risk.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and contract assets, as well as cash at bank.

Trade and other receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base consists of principally major blue-chip corporations. The demographics of the Group's customer base, including the default risk of the industry and location in which the customers operate, has less of an influence on credit risk.

New customers are analysed individually for creditworthiness, taking into account credit ratings where available, financial position, past experience and other factors. This includes all major contracts and tenders approved by the Audit and Risk Committee. The Group has assessed historical loss experience and adjusts it for forward looking factors specific to each debtor and the economic environment. An allowance for expected credit losses is recorded on initial recognition of a trade receivable and re-evaluated at each reporting period.

In monitoring customer credit risk, customers are grouped by their receivable ageing profile. Ongoing monitoring of receivable balances minimises exposure to bad debts.

Cash at bank

Credit risk from balances with financial institutions is managed by holding deposits with top tier financial institutions. Investment of surplus funds are made only with counterparties which are considered as reputable institutions with the markets the Group operates. The consideration of centration of risk is performed to mitigate financial loss through a counterparty's potential failure to make payments or funds available to the Group.

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2022 $'000	2021 $'000
Trade and other receivables	**11,652**	14,481
Contract assets	**10,600**	4,941
Bank balances	**3,065**	6,652
	25,317	26,074

Impairment

Maximum exposure to credit risk for trade and other receivables at the reporting date by business segment was:

	2022 $'000	2021 $'000
Drilling	**11,056**	13,308
Oil and gas	**546**	640
Corporate / unallocated	**50**	533
	11,652	14,481

The ageing of the Group's trade and other receivables at the reporting date was:

	Gross 2022 $'000	Impairment 2021 $'000	Gross 2021 $'000	Impairment 2020 $'000
Not past due	**11,652**	-	12,356	-
Past due up to 30 days	**-**	-	2,125	-
Past due 31 to 120 days	**-**	-	-	-
Past due 121 days to one year	**-**	-	-	-
Past due more than one year	**-**	-	-	-
	11,652	-	14,481	-

An allowance for expected credit losses ("ECL") is recognised after considering historic experience adjusted for forward looking factors specific to each counterparty and the economic environment. The allowance does not include debts past due relating to customers with a good credit history where future credit losses are not expected to eventuate. When the Group is satisfied that no recovery of the amount owing is possible, the amounts considered irrecoverable are written off directly against the financial asset.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity is managed to ensure, that sufficient funds are available to meet liabilities when they fall due, under both normal and stressed

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2022							
Non-derivative financial liabilities							
Trade and other payables	19,282	(19,282)	(19,282)	-	-	-	-
Senior syndicated facility	19,094	(19,430)	(19,430)	-	-	-	-
Junior loan notes	33,510	(37,275)	(6,286)	(30,989)	-	-	-
Lease liabilities	3,641	(4,030)	(1,188)	(909)	(726)	(1,207)	-
Loans from related party	53,808	(68,734)	-	(632)	(68,102)	-	-
Other loans	50	(73)	(9)	(9)	(19)	(36)	-
	129,385	(148,824)	(46,195)	(32,539)	(68,847)	(1,243)	-

26. FINANCIAL INSTRUMENTS (continued)

	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2021							
Non-derivative financial liabilities							
Trade and other payables	16,148	(16,148)	(16,148)	-	-	-	-
Senior syndicated facility	20,609	(21,463)	(21,463)	-	-	-	-
Junior loan notes	41,013	(50,177)	(6,841)	(6,450)	(36,886)	-	-
Lease liabilities	4,791	(5,161)	(1,260)	(1,257)	(930)	(1,251)	(463)
Loans from related party	40,887	(62,765)	-	(481)	(573)	(61,711)	-
Other loans	91	(97)	(10)	(10)	(20)	(57)	-
	123,539	(155,811)	(45,722)	(8,198)	(38,409)	(63,019)	(463)

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

CURRENCY RISK

The Group operates internationally and is exposed to currency risk on receivables, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily with respect to the US dollar ("USD"), Great British Pounds ("GBP").

The Group's financial instruments exposed to movements in foreign currency primarily relates to borrowings. Exchange gains or losses on borrowings are accounted for through the profit and loss account.

The Group's exposure to foreign currency risk at the balance sheet date was as follows, based on notional amounts in Australian dollars (in thousands):

	2022 Exposure to GBP $'000	2021 Exposure to GBP $'000	2022 Exposure to USD $'000	2021 Exposure to USD $'000
Cash balances	**1,147**	2,476	**-**	-
Trade and other receivables	**546**	640	**-**	-
Trade payables	**(398)**	(523)	**-**	-
Interest-bearing liabilities	**(51)**	(91)	**(53,820)**	(40,917)
Net Financial Instrument exposure	**1,244**	2,502	**(53,820)**	(40,917)
Value of Exploration assets	**156,112**	162,391	**-**	-
Decommissioning liability	**(7,659)**	(7,797)	**-**	-
Net balance sheet exposure	**149,697**	157,096	**(53,820)**	(40,917)

The table above includes items that are not Financial Instruments but have been included due to their material nature to provide a more complete analysis of the Group's exposure to foreign exchange movements.

At 30 June, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies with all other variables held constant, the impact on Group's post-tax loss and equity would have been:

	10% strengthened		10% weakened	
	2022	**2021**	**2022**	**2021**
AUD/USD	**0.7578**	0.8498	**0.6200**	0.6953
AUD/GBP	**0.6238**	0.5972	**0.5104**	0.4886
Post-tax loss (higher) / lower	**4,780**	3,492	**(5,842)**	(4,268)
Net equity higher / (lower)	**(8,716)**	(10,562)	**10,653**	12,909

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2022	**2021**	**2022**	**2021**
USD	**0.7258**	0.7440	**0.6889**	0.7725
GBP	**0.5455**	0.5547	**0.5671**	0.5429

INTEREST RATE RISK

The Group's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The Group currently has a mix of borrowings at fixed and variable rates. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss for the Group.

Interest rate exposure is detailed as follows:

At reporting date, the Group was predominantly exposed to variable interest rate borrowings.

	2022 $'000	2021 $'000
Fixed rate instruments		
Financial assets	**264**	747
Financial liabilities	**(57,499)**	(45,769)
	(57,235)	(45,022)
Variable rate instruments		
Financial assets	**2,345**	5,142
Financial liabilities	**(52,604)**	(61,622)
	(50,259)	(56,480)

During the year, had the variable interest rate weakened/strengthened by 100 basis points with all other variables held constant, the impact on Group's post-tax loss would have been:

	Strenthened 100 basis points		Weakened 100 basis points	
	2022	**2021**	**2022**	**2021**
Financial liabilities	**(614)**	(656)	**614**	656

26. FINANCIAL INSTRUMENTS (continued)

FAIR VALUES

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

Jun-22	Carrying amount $'000	Fair value $'000
Bank balances	2,345	2,345
Trade and other receivables	11,652	11,652
Trade and other payables	(19,282)	(19,282)
Senior syndicated facility	(19,094)	(19,293)
Junior loan notes	(33,510)	(33,834)
Loans from related party	(53,808)	(53,808)
Other	(70)	(70)
	(112,767)	**(112,290)**

Jun-21	Carrying amount $'000	Fair value $'000
Bank balances	5,142	5,142
Trade and other receivables	14,481	14,481
Trade and other payables	(16,148)	(16,148)
Senior syndicated facility	(20,609)	(21,439)
Junior loan notes	(41,013)	(41,842)
Loans from related party	(40,887)	(40,887)
Other	(91)	(91)
	(99,125)	**(100,784)**

Management have assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these assets and liabilities. The fair value of the financial assets and liabilities is included at the amount which could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of assets and liabilities are derived with reference to Note 5.

Fair value hierarchy

Management have analysed the financial instruments carried at fair value, by valuation method (as discussed in Note 5). The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions were used in estimating the fair values of financial instruments:

- Loans and borrowings – Level2 – present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date; and
- Trade and other receivables and payables – carrying amount approximates fair value.

Capital management

The Board policy is to maintain a capital base so as to provide sufficient financial strength and flexibility to conduct its business and maintain its investments in UK shale gas whilst maximising shareholder returns. The Board therefore seeks to have a level of indebtedness to leverage return on capital having regard to the Company's cash flow and the ability to service these borrowings.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2022 $'000	2021 $'000
Total liabilities	**143,882**	137,558
Less: cash and cash equivalents	**(2,345)**	(5,142)
Less: cash in trust	**(720)**	(1,510)
Net debt	**140,817**	130,906
Total equity	**76,816**	94,443
Net debt to equity ratio at 30 June	**1.83**	1.39

27. CONSOLIDATED ENTITIES

The financial statements at 30 June 2021 include the following controlled entities. The financial years of all the controlled entities are the same as that of the parent entity.

		Ownership interest	
Name of entity	**Country of incorporation**	**2022 %**	**2021 %**
Parent entity – AJ Lucas Group Limited			
Controlled entities			
AJ Lucas Operations Pty Limited	Australia	**100**	100
Lucas Shared Services Pty Limited	Australia	**100**	100
Lucas Engineering and Construction Pty Limited	Australia	**100**	100
AJ Lucas (Hong Kong) Limited*	Hong Kong	**100**	100
Lucas Drilling Pty Limited	Australia	**100**	100
Mitchell Drilling Corporation Pty Limited	Australia	**100**	100
Lucas Contract Drilling Pty Limited	Australia	**100**	100
McDermott Drilling Pty Limited	Australia	**100**	100
Jaceco Drilling Pty Limited	Australia	**100**	100
Geosearch Drilling Service Pty Limited	Australia	**100**	100
Lucas Cuadrilla Pty Limited	Australia	**100**	100
Lucas Holdings (Bowland) Limited	England	**100**	100
Lucas Bowland (UK) Limited	England	**100**	100
Lucas Bowland (No. 2) Limited	England	**100**	100
Elswick Power Limited	England	**100**	100
Lucas Holdings (Bolney) Limited	England	**100**	100
Lucas Bolney Limited	England	**100**	100

27. CONSOLIDATED ENTITIES (continued)

Name of entity	Country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %
Cuadrilla Resources Holdings Limited	England	**96**	96
Cuadrilla Resources Limited	England	**96**	96
Cuadrilla Bowland Limited	England	**96**	96
Cuadrilla Elswick Limited	England	**96**	96
Cuadrilla Balcombe Limited	England	**96**	96
Cuadrilla Weald Limited	England	**96**	96
Cuadrilla Services Limited	England	**96**	96
Cuadrilla Well Services Limited	England	**96**	96
Cuadrilla Elswick (No 2) Limited	England	**96**	96
Cuadrilla South Cleveland Limited	England	**96**	96
Cuadrilla North Cleveland Limited	England	**96**	96
Cuadrilla Gainsborough Limited	England	**96**	96

In the case of AJ Lucas (Hong Kong) Limited the deregistration process has commenced and is ongoing.

28. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

The Directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

(i) Under the terms of the Class Order described in Note 32, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

(ii) Under the terms of the Groups purchase in February 2020 of an additional equity interest in Cuadrilla Resources Holdings Limited (the “Riverstone interest”), the Group agreed to pay to the seller an additional amount of between $5 million and $10 million if the Group sells 25% or more of its interest in its UK exploration assets within 3 years for the equivalent of at least US $100 million of the Company’s 100% interest. The Company does not have a plan in place to sell those assets and as such no liability has been recognised.

COMMITMENTS

At 30 June 2022, the Group had no commitments contracted but not provided (2021: nil) for the purchase of new plant and equipment.

29. PARENT ENTITY DISCLOSURES

As at 30 June 2022 and 2021, and throughout the financial years then ended, the parent entity of the Group was AJ Lucas Group Limited.

	2022 $'000	2021 $'000
Results of the parent entity		
Loss for the year	**(13,629)**	(4,380)
Total loss for the year	**(13,629)**	(4,380)
Financial position of the parent entity at year end		
Current assets	**537**	402
Total assets	**39,966**	40,655
Current liabilities	**80**	61
Total liabilities	**53,888**	40,948
Total equity of the parent entity comprises:		
Share capital	**495,992**	495,992
Employee equity benefit reserve	**4,670**	4,670
Accumulated losses	**(514,584)**	(500,955)
Total equity	**(13,922)**	(293)

Parent entity commitments and contingencies

The parent entity has guaranteed, to various unrelated parties, the performance of various subsidiaries in relation to various contracts. In the event of default, the parent entity undertakes to meet the contractual obligations of the relevant subsidiary.

PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The Company has entered into a Deed of Cross Guarantee, as disclosed in Note 32, with the effect that the Company guarantees debts in respect of its subsidiaries, and the subsidiaries may provide financial assistance to the Company.

30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2022 $'000	2021 $'000
(a) Reconciliation of cash		
For the purposes of the consolidated statement of cash flows, cash includes cash at bank, cash on hand and bank overdrafts.		
Cash and cash equivalents	**2,345**	5,142
Cash in trust	**720**	1,510
Total cash	**3,065**	6,652
(b) Reconciliation of cash flows from operating activities		
Profit / (Loss) for the year	**(11,327)**	3,355
Adjustments for:		
Amortisation of borrowing costs	**2,022**	2,042
Increase / (decrease) in accrued and capitalised interest	**8,144**	9,109
(Profit) / loss on sale of non-current assets	**60**	(72)
(Gain)/Loss on foreign currency loans	**4,134**	(3,261)
Exchange rate changes on the balance of cash held in foreign currencies	**(46)**	86
Depreciation and amortisation	**7,334**	6,290
Operating loss before changes in working capital and provisions	**10,321**	17,549
Change in receivables	**2,829**	6,040
Change in other current assets	**61**	(198)
Change in inventories	**1,236**	(963)
Change in contract assets and liabilities	**(5,659)**	2,884
Change in payables related to operating activities	**3,180**	(4,564)
Change in provisions for employee benefits	**596**	(1,126)
Net cash generated by operating activities	**12,564**	19,622

(c) Non-cash financing and investment activities

There were no non-financing and investing activities other than those disclosed in Notes 21 and 31.

(d) Financing arrangements

Refer to Note 21.

(e) Reconciliation of liabilities arising from financing activities

	As at 1 July 2021 $'000	Cash Flow(1) $'000	Non-Cash Finance costs(2)	Non-Cash Other $'000	As at 30 June 2022
Interest bearing liabilities	107,391	(20,519)	21,950	1,301	**110,123**

(1) Comprises proceeds from borrowings of $126.3 million less repayments of borrowings of $140.3 million, $1.9 million repayment of leases and $6.2 million in interest and other costs of finance paid.

(2) Comprise interest costs disclosed in Note 7.

	As at 1 July 2021 $'000	Cash Flow(1) $'000	Non-Cash Finance costs(2)	Non-Cash Other $'000	As at 30 June 2022
Interest bearing liabilities	114,558	(22,054)	14,188	699	107,391

(1) Comprises proceeds from borrowings of $126.3 million less repayments of borrowings of $140.3 million, $1.9 million repayment of leases and $6.2 million in interest and other costs of finance paid.

(2) Comprise interest costs disclosed in Note 7.

31. RELATED PARTIES

ENTITY WITH CONTROL

Kerogen has provided financing facilities throughout the year as described in Note 21. Interest and borrowing costs incurred and recognised as an expense during the period totaled $9,084,100 (2021: $7,287,461), with balances outstanding at the balance sheet date disclosed in Note 21.

Julian Ball is a representative of Kerogen and a Director of the Company.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

	2022 $	2021 $
Short-term employee benefits	**1,982,458**	1,821,848
Other long-term benefits	**12,903**	31,473
Post-employment benefits	**47,136**	42,132
Termination benefits	**–**	-
	2,042,497	1,895,453

Information regarding individual Director and executives' compensation disclosures, as required by the Corporations Act chapter 2M, is provided in the Remuneration Report section of the Director's Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year end.

KEY MANAGEMENT PERSONNEL TRANSACTIONS WITH THE COMPANY OR ITS CONTROLLED ENTITIES

A number of key management persons, or their related parties, hold or held positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis. The amount payable for these services is included in the amounts disclosed in the Remuneration Report.

31. RELATED PARTIES (continued)

The aggregate amounts recognised during the year relating to key management personnel and their related parties, were as follows:

Key management

Key management person	Contracting entity	Transaction	2022 $	2021 $
Phillip Arnall	Felix Ventures Pty Ltd	Non-Executive Director services	-	37,500
Julian Ball	HR Services Limited	Non-Executive Director services	**110,000**	108,333
Andrew Purcell	Lawndale Group Pty Ltd	Non-Executive Director services	**225,000**	205,833

During the year a subsidiary of the Company provided engineering advisory services on a day rate / hourly rate basis to Melbana Energy Limited. Andrew Purcell is an Executive Director of Melbana Energy Limited and a Non-executive Director of AJ Lucas Group Limited. The amount charged are these services was based on market rates and amounted to $16,000 during the year.

Francis Egan, is a Director of AJ Lucas Group Limited, and a CEO of Cuadrilla Resources Holdings Limited. Francis retains an interest in Cuadrilla Resourcing Holdings Limited, which was obtained prior to becoming a Key management personnel of the Group, owning 173,354 Class A Ordinary shares (representing 0.22% of that Class) and 163,257 Class A Preference Shares (representing 0.25% of that Class) at 30 June 2022.

OTHER RELATED PARTIES

The Group has a related party relationship with its subsidiaries (see Note 27). These entities trade with each other from time to time on normal commercial terms. No interest is payable on inter-company balances.

32. DEED OF CROSS GUARANTEE

On 16 June 2008, several of the entities in the Group entered into a Deed of Cross Guarantee. In May 2020 these Group entities entered a deed which released certain dormant Group entities from the obligations under the Deed of Cross Guarantee allowing those entities to be subsequently closed down and undergo a voluntary deregistration as disclosed in Note 29. Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the Group's wholly owned subsidiaries entering into the Deed are relieved from the Corporations Act 2001 requirements to prepare, have audited and lodge financial reports, and Directors' reports.

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed at 30 June 2022 are:

Name of entity	
AJ Lucas Group Limited	McDermott Drilling Pty Limited
Lucas Drilling Pty Limited	Lucas Contract Drilling Pty Limited
Jaceco Drilling Pty Limited	Lucas Shared Services Pty Limited
Geosearch Drilling Service Pty Limited	AJ Lucas Operations Pty Limited
Mitchell Drilling Corporation Pty Limited	Lucas Engineering & Construction Pty Limited

A consolidated summarised statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2022 are set out below:

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2022 $'000	2021 $'000
Loss before income tax	**(10,221)**	1,430
Income tax expense	**-**	-
Loss after tax	**(10,221)**	1,430
Accumulated losses at the beginning of the year	**(414,038)**	(415,468)
Accumulated losses at the end of the year	**(424,259)**	(414,038)

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2022 $'000	2021 $'000
Current assets		
Cash and cash equivalents	**1,198**	2,666
Cash in trust	**720**	1,510
Trade and other receivables	**11,106**	13,841
Contract assets	**10,600**	4,941
Inventories	**5,304**	6,540
Other assets	**1,235**	1,309
Total current assets	**30,163**	30,807
Non-current assets		
Trade and Other Receivables	**149,353**	149,344
Property, plant and equipment	**29,410**	31,129
Right-of-use assets	**3,237**	4,488
Total Non-Current Assets	**182,000**	184,961
Total Assets	**212,163**	215,768
Current liabilities		
CURRENT LIABILITIES	**18,889**	15,622
Trade and other payables	**370**	370
Contract liability	**54,530**	31,969
Interest bearing loans and borrowings	**5,811**	5,050
Employee benefits	**79,600**	53,011
Non-current Liabilities		
Interest-bearing loans and borrowings	**55,523**	75,311
Employee benefits	**637**	802
Total non-current liabilities	**56,160**	76,133
Total liabilities	**135,760**	129,144
Net assets	**76,403**	86,624

32. DEED OF CROSS GUARANTEE (continued)

	2022 $'000	2021 $'000
Equity		
Share capital	**495,983**	495,983
Reserves	**4,679**	4,679
Retained earnings	**(424,259)**	(414,038)
Total equity	**76,403**	86,624

33. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS' DECLARATION

for the year ended 30 June 2022

1 In the opinion of the Directors of AJ Lucas Group Limited (the Company):

(a) the consolidated financial statements and notes, that are contained in pages 37 to 76 and the Remuneration Report included in the Directors' Report, set out on pages 23 to 27, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) subject to the matters disclosed in Note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the group entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3 The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chairman and Chief Financial Officer, for the financial year ended 30 June 2022.

4 The Directors draw attention to note 2(A) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Andrew Purcell,
Chairman

30 August 2022

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2022

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Independent Auditor's Report to the members of AJ Lucas Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AJ Lucas Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2c in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions along with other matters set forth in Note 2c, indicate that material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Carrying value of exploration assets

Refer to Note 18 Exploration Assets

Why significant	How our audit addressed the key audit matter
The Group's exploration assets of $156.1m as at 30 June 2022 represent 71%of total assets of the Group. Exploration assets are initially recognised at cost and any additional expenditure is capitalised to the exploration asset in accordance with the Group's accounting policy as outlined in Note 3(P). There were no additional costs capitalised to Exploration Assets in the year to 30 June 2022. At each reporting date the Directors assess the Group's exploration assets for indicators of impairment. The decision as to whether there are indicators that require the Group's exploration assets to be assessed for impairment in accordance with AASB 6 involve judgment, including whether; the rights to tenure for the areas of interest are current; the Group's ability and intention to continue to evaluate and develop the area of interest; and whether the results of the Group's exploration and evaluation work to date are sufficiently progressed for a decision to be made as to the commercial viability or otherwise of the area of interest. The Directors have performed this assessment with the expectation that the moratorium on hydraulic fracturing in the United Kingdom (the	Our procedures to address the Group's assessment of impairment indicators for exploration assets included: ▶ Understanding the current exploration program and any associated risks through discussions with management in Australia and the United Kingdom ("UK"); ▶ The lead audit partner performing a site visit to the UK to discuss current updates on exploration activities, understand current considerations with respect to the moratorium on fracking and observe the current state of the exploration sites at Preston New Road and Elswick; ▶ Considering the Group's right to explore in the relevant exploration area, which included obtaining and assessing supporting documentation such as license agreements; ▶ Considering the Group's intention to carry out significant exploration and evaluation activity in the relevant areas of interest, which included discussions with senior management and Directors as to the intentions and strategy of the Group;

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Why significant	How our audit addressed the key audit matter
"moratorium") will be lifted and have outlined in Note 18 the reasons for this conclusion. Should the moratorium not be lifted, and further exploration not be permitted, this may significantly impact the future use and therefore carrying value of the exploration assets. We have therefore considered this a Key Audit Matter due to the value of the exploration assets relative to total assets; the judgment involved in the assessment of indicators of impairment and the significant uncertainty as to whether the moratorium will be lifted. For the same reasons we consider it important that attention is drawn to the information in Note 18 in assessing the recoverability of the exploration assets at 30 June 2022.	► Assessing whether the methodology used by the Group to identify indicators of impairment met the requirements of Australian Accounting Standards; ► Considering announcements made by the UK Government and UK North Sea Transition Authority (previously UK Oil and Gas Authority) regarding the current moratorium on hydraulic fracturing in the UK and any changes to the current moratorium position; and ► Evaluating the adequacy of the related disclosures in the financial report including those made with respect to judgments and estimates.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 23 to 27 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of AJ Lucas Group Limited for the year ended 30 June 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst + Young

Ernst & Young

Matthew Taylor
Partner
Brisbane
30 August 2022

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION

for the year ended 30 June 2022

DISTRIBUTION OF ORDINARY SHAREHOLDERS (AS AT 29 JULY 2022)

Securities held	Number of shareholders	Number of shares
1 – 1,000	526	237,778
1,001 – 5,000	575	1,567,400
5,001 – 10,000	267	2,103,293
10,001 – 100,000	647	23,879,121
100,001 and over	302	1,168,499,043
Total	**2,317**	**1,196,286,635**

1,168 shareholders held less than a marketable parcel of 6,025 shares at 29 July 2021.

TOP 20 SHAREHOLDERS (AS AT 29 JULY 2022)

Name	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1 (HK) Limited	779,888,166	65.19
Mr Paul Fudge	54,101,840	4.52
Citicorp Nominees Pty Limited	50,833,529	4.25
Amalgamated Dairies Limited	41,636,217	3.48
HSBC Custody Nominees (Australia) Limited	17,906,495	1.50
HSBC Custody Nominees (Australia) Limited – A/C 2	15,274,471	1.28
BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	14,163,122	1.18
National Nominees Limited	11,388,009	0.95
Mr Robert Alexander Hoad + Ms Jacquelyn Maria Hoad <SUNSHINE INVESTMENTS A/C>	9,100,000	0.76
ADEMSA PTY LTD	8,500,367	0.71
Inkese Pty Ltd	6,475,000	0.54
BNP Paribas Nominees Pty Ltd <DRP>	6,020,344	0.50
Mr Michael Jefferies + Mrs Julie Jefferies <THE JEFFERIES SUPER FUND A/C>	5,085,708	0.43
Mr Jay Hughes + Mrs Linda Hughes <INKESE SUPER A/C>	5,000,000	0.42
Neweconomy Com AU Nominees Pty Limited <900 ACCOUNT>	4,987,981	0.42
Mr Raymond Francis Frew + Mrs Gillian Margaret Frew	4,320,000	0.36
Mrs Lenore Ann Hanks + Mr Micheal David Hanks <BROADWILL FAMILY A/C>	4,000,000	0.33
Kaufman Blair & Associates Limited	3,981,924	0.33
Avenue 8 Pty Limited <Gan Super Fund A/C>	3,750,000	0.31
Mr Tue Gia Nguyen	3,700,000	0.31
	1,050,113,173	**87.77**

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION (CONTINUED)

for the year ended 30 June 2022

SUBSTANTIAL SHAREHOLDERS

Name	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1(HK) Limited	779,888,166	65.19

VOTING RIGHTS

Ordinary shares – Refer to note 25 of the financial statements.

Options – There are no options outstanding.

CORPORATE DIRECTORY

for the year ended 30 June 2022

COMPANY SECRETARY

Marcin Swierkowski – BA Com, CA, MBA (exec)

Registered office

Level 22, 167 Eagle Street
BRISBANE QLD 4000
Tel +61 2 3363 7333

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
ADELAIDE SA 5000
GPO Box 1903
ADELAIDE SA 5001

Enquiries within Australia: 1300 556 161

Enquiries outside Australia: +61 3 9615 5970

Email: web.queries@computershare.com.au

Website: www.computershare.com

STOCK EXCHANGE

The Company is listed on the Australian Securities Exchange with the code 'AJL'. The Home Exchange is Sydney.

AUDITORS

Ernst & Young
111 Eagle Street
BRISBANE QLD 4000

QUALITY CERTIFIERS (AS/NZS ISO 9001:2015)

Compass Assurance Services

AUSTRALIAN BUSINESS NUMBER

12 060 309 104

OTHER INFORMATION

AJ Lucas Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.


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LUCAS
DANGER
NO ENTRY