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**GROWTH IN REVENUE AND EARNINGS SUPPORT IMPLEMENTATION OF STRATEGIC INITIATIVES**

Drilling services and gas exploration group AJ Lucas Group Limited (ASX: AJL, the "Company") announces that it will leverage earnings from its strong first half results to advance several initiatives to further deliver greater shareholder value.

Brett Tredinnick, the Company's Group CEO, said:

*For the first half we delivered $82.7m in revenue and $15.6m in EBITDA (up 36.4% and 32.5%, respectively, on FY22 H1 performance) from our Australian operations. This strong performance in our operating business gives us the means to help address several legacy issues that continue to impact shareholder returns. There is significant activity within our top tier mining customers, supported by continued strong metallurgical coal prices and a positive market outlook for the commodity. This has translated to increased rig utilisation, particularly of our higher yielding technical rigs, where we are the market leader.*

*It is essential that we capitalise on the opportunities in front of us to continue to grow our Australian business and address those legacy issues.*

## GROWING THE AUSTRALIAN DRILLING BUSINESS

The improvement in second quarter results recently reported by the Company were as a result of increased asset utilisation as the mine operations of several of our key clients have returned to normal operational levels following unscheduled interruptions in FY22.

The Company's key clients produce some of the highest quality metallurgical coal at the lowest cost globally. Metallurgical (or coking) coal is essential for making steel. The Company believes that the outlook for the demand for this commodity remains very strong, particularly given expectations that the Chinese economy is reopening and that its relationship with Australia is normalising. In addition, the metallurgical coal sector is not directly impacted by Government intervention as seen elsewhere in the wider coal market, and especially thermal coal.

Given this outlook, and the demand from our clients for more and broader services, the Company continues to look for opportunities to grow and diversify its drilling business in a capital efficient manner.

## FINANCE REVIEW

In conjunction with an improved financial performance and strong cash flows for the half, the Company will continue to pay down its debt and so seek to reduce the associated interest costs. These loans accumulated over many years have been a burden on the Company, and the Company is pleased to note that its cash interest paying loans, which were refinanced in 2019, have now been reduced by more than $20 million, from approximately $80 million to $60 million. At the same time the Company at the end of December 2022, had approximately $20 million in cash on its balance sheet.

## UK SHALE GAS

The UK Government's reimposition on 26 October 2022 of unrealistic and unfair requirements on our UK operations have had the practical consequence of impeding the timely development of our UK assets. That the UK Government can justify incurring both the higher cost as well as higher carbon footprint (approximately ten times higher according to one estimate[1]) by liquifying then transporting natural gas from one side of the planet to the other, particularly, when in the case of gas sourced from the United States, it is often liberated using hydraulic fracturing, makes no economic or environmental sense. Demand for natural gas is forecast to be required in significantly greater quantities to meet 2050 net zero targets[2]. To be discouraging new sources of domestic supply is inconsistent with this forecast and introduces security of supply considerations given the increasing competition globally for seaborne LNG driven, in part, by the conflict taking place in Ukraine.

We have demonstrated, at great expense, that clean natural gas can be recovered from the extensive shale deposits that exist in England and believe that the short sighted policy decisions restricting their development will eventually need to be reconsidered if the United Kingdom is to hope to try and reduce the cost of electricity and heating for its citizens and to provide its industry with a more competitive cost base.

We are evaluating the full range of options available to us to protect the substantial investment we have made in the United Kingdom, in good faith, over many years and intend to maintain an appropriately scaled and cost-effective presence there until these forecast developments occur. The Company is also investigating the potential to generate organic cashflow from its existing assets in the UK which, if successful, would provide our UK operations with its own revenues.

Finally, the Board of Directors of the Company has reviewed the carrying value of its UK shale gas exploration business and concluded it is appropriate to recognise an impairment to comply with relevant applicable accounting standards. Given the challenges and other circumstances existing at this point in time, the Board has determined that a total impairment charge of $157.3m against the full carrying value of exploration assets should be recognised and disclosed separately as a significant item in the Company's FY2023 half year financial statements. This impairment is non-cash in nature and has no impact on the Company's debt facilities, banking covenants, compliance with ASX Listing Rules or the pursuit of the growth and deleveraging initiatives discussed above.

**ENDS**

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[1] "Climate change: Hidden emissions in liquid gas imports threaten targets", BBC News, 3 November 2022
[2] "Net Zero by 2050 – A Roadmap for the Global Energy Sector", International Energy Agency, 4th edition, October 2021