AJ Lucas Group LimitedABN: 12 060 309 104
Level 22, 167 Eagle Sreet
Brisbane QLD 4001
GPO Box 144
Brisbane QLD 4001
T (07) 3363 7333
F (07) 3363 7399
www.lucas.com.au

Media Release
28 February 2023

AJ LUCAS DELIVERS STRONG FIRST HALF AS DRILLING BUSINESS SOARS ON GLOBAL DEMAND FOR AUSTRALIAN COKING COAL

Drilling services and gas exploration group AJ Lucas Group Limited (ASX: AJL) ("Lucas") will continue to seek opportunities to grow revenue on the back of continued strong demand for Australian metallurgical coal and a much improved first-half result.

Lucas today reported its results for the six months to December 31, 2022, with solid improvements across a range of key performance indicators. Highlights for the half include:

- Revenue up 36.4% to $82.74 million (Dec 2021: 60.64 million)
- Reported EBITDA[1] up 37.3% to $14.83 million (Dec 2021: $10.8 million)
- Profit before interest and tax[2] up 60.9% to $11.39 million (Dec 2021: $7.08 million).
- Profit / (Loss) for the period attributable to members[2] up 103.5% to $119,000 (Dec 2021: $3.36 million) before impairment of exploration assets
- Loss for the period attributable to members after impairment of exploration assets was $156.0 million

Lucas operates two separate businesses. In Australia, the company provides a suite of drilling services, including exploration, production and directional drilling, focussing on the highly specialised metallurgical underground mining sector. In the UK, Lucas owns 96% of the British shale gas exploration and production company Cuadrilla Resources Limited. Lucas holds, directly and via Cuadrilla, shale gas exploration licences covering >600,000 acres (>2,500sqkm) or ~2% of Britain.

Australian Operations

In the first half, Lucas' main operating business performed strongly, delivering $82.7 million of revenue (Dec 2021: $60.6 million) and EBITDA of $15.6 million (Dec 2021: $11.7 million). The increase in revenue was driven by increased asset utilisation as the mine operations of key clients returned to normal operations after weather and other disruptions throughout FY22.

The Group is leveraging the strong earnings from its first-half operating results to advance initiatives and deliver shareholder value. In particular, the Board is evaluating conditional proposals and terms, allowing the Company to either refinance or extend the maturity dates of the existing loans falling due in April 2023 and October 2023.

The Group has $56.4 million in debt, which currently matures in April 2023; these are held under two facilities; a Senior syndicated facility and a Junior loan notes facility. In addition, a further $59.8 million of loans was owed to a related party under a subordinated facility that matures in October 2023.

[1] Reported EBITDA from continuing operations refers to earnings before net financing costs, depreciation, amortisation, impairment and tax expense.
[2] Excludes impact of impairment on UK exploration assets of $157.32 million

Of the $56.4 million senior and junior facilities, the Group has repaid more than $20 million on these cash interest-paying loans, which had been taken out or refinanced in 2019. The Group will make further announcements regarding these facilities as appropriate in due course.

Lucas Chief Executive Officer Brett Tredinnick said:

> *"Our drilling business continues to go from strength to strength, with the first half results reflecting the operation's ability to grow revenue and earnings when we have the opportunity to do so. Our fleet, our people, our brand and our expertise are second to none in the industry.*
>
> *The demand for metallurgical (or coking) coal, which is a crucial driver of demand for the Group's drilling services, remains high by historical standards and the outlook remains strong.*
>
> *Given this outlook, and the demand from our clients for more and broader services, the Group continues to look for opportunities to grow and diversify its drilling business in a capital-efficient manner.*
>
> *We are moving into the second half with a high level of confidence that we have the underlying performance and cash flows to resolve a range of legacy issues, including our high debt load and the future of our UK assets."*

UK Operations

The Group's UK operations incurred administration and other expenses of $0.7 million (Dec 2021: $0.9 million) during the first half and continue to be impacted by the ongoing political circumstances with the governing Conservative Party having three Prime Ministers and multiple positions on onshore gas exploration over the last six months.

Following the resignation of Boris Johnson, Liz Truss was appointed the UK's Prime Minister in early September. Two weeks after her appointment, Ms Truss lifted the moratorium on hydraulic fracturing, noting that the government would review shale gas policy as part of a broader strategy to better support industry.

Following the lifting of the moratorium, the Group undertook a share placement to institutional, sophisticated and professional investors at a price of $0.11 per share, raised a total of $18.4 million net of fees. The placement, which was well supported, was settled on 5 October 2022.

On 20 October 2022, Ms Truss resigned and was replaced by Rishi Sunak. Within days of his appointment, despite having declared his conditional support for lifting the moratorium whilst running for PM, Mr Sunak reimposed the moratorium on hydraulic fracturing.

In light of the volatile environment, the Group reviewed the carrying value of its investment in exploration assets and recorded a non-cash impairment expense for the full $157.3 million value of its UK onshore exploration assets.

The impairment, which is considered to reflect an extraordinary event, 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 any growth and deleveraging initiatives being pursued.

Lucas Chief Executive Officer Brett Tredinnick said:

> *"In the UK, we will continue to pursue strategies to encourage the removal of the moratorium on shale gas exploration and thus allow us the opportunity to develop our licences. We remain*

resolute in our view that shale gas has an important role to play as a potential transition fuel as the United Kingdom moves towards its Net Zero target by 2050."

Authorised for lodgement by Andrew Purcell, Chairman on behalf of the Board

ENDS

Media enquiries to:

Ben Ready
RGC Media & Mktng
0415 743 838
ben@rgcmm.com.au