

31 July 2023

## QUARTERLY ACTIVITY REPORT – PERIOD ENDED 30 JUNE 2023

### GROUP HIGHLIGHTS

- Revenue during the quarter was \$38.7 million. Revenue for the 12 months to 30 June 2023 of \$157.6 million represents a 27.9% increase of that reported for the full year result to 30 June 2022 of \$123.2 million.
- Australian Operations EBITDA for the quarter was \$4.9 million. Australian Operations EBITDA for the 12 months to 30 June 2023 was \$26.0 million which represents an increase of 36% to that reported for the full year to 30 June 2022 of \$19.1 million.
- Group EBITDA for the quarter was \$3.5 million. Group EBITDA for the 12 months to 30 June 2023 was \$23.6 million which represents an increase of 31% to that reported for the full year to 30 June 2022 of \$18.0 million.
- The Group completed an exhaustive competitive refinancing process which resulted in an extension of its existing loan arrangements with certain amendments, as were announced to the ASX on 21 April 2023.

AJ Lucas Group Limited, (ASX: AJL) is pleased to release its unaudited quarterly business update for the period ended 30 June 2023 (Q4 FY23).

### Australian Operations

Lucas Drilling continued its strong performance in the fourth quarter of the financial year, exceeding the prior year's results for revenue and EBITDA. The business has a strong orderbook and has been experiencing a high level of tender activity in its key markets of large diameter and directional drilling for the metallurgical coal industry, which is likely to drive further growth and customer diversification.

### UK Operations

The company successfully negotiated a one-year extension to the initial term of five of its eight onshore exploration licences located in Yorkshire and the Midlands. The regulator has now extended the initial exploration term for those licenses out to July 2024. A total of three exploration licenses, all located in Yorkshire, considered to have lower prospectivity, were relinquished. Note that the Bowland Shale licenses, located in Lancashire is not affected and its License Term remains valid out to June 2039.

The company secured an eighteen-month extension to the planning consent issued by Lancashire County Council for the Preston New Road (PNR) Lancashire shale gas exploration site. The site planning consent is extended out to December 2024.

The moratorium on shale exploration remains in force and the company continues to progress a number of conventional gas opportunities on its onshore Licenses, which are unaffected by this moratorium.

### REVIEW OF FINANCIAL CONDITION

Refer Appendix 4C attached.

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

### **RELATED PARTY PAYMENTS**

Item 6 of the Appendix 4C cash flow report for the quarter includes payments to related parties of approximately \$470,000 which represents amounts paid to executive and non-executive directors and other key management personnel, including payments to tax authorities and superannuation for the financial period. The amount does not include non-cash remuneration expenses such as leave accrued in accordance with employment laws.

### **SUBSEQUENT EVENTS, OUTLOOK & LIKELY DEVELOPMENTS**

The elevated metallurgical coal price is driving strong demand for degasification and exploration drilling services and creating new opportunities that the company will continue to pursue to expand and / or diversify its services where it makes sense to.

This announcement has been authorised for lodgment by the Board.

**ENDS**

**For further information, please contact:**

**AJ Lucas Group Limited** +61 (0)7 3363 7333

Andrew Purcell      Chairman

Marcin Swierkowski    Company Secretary

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

AJ Lucas Group Limited

**ABN**

12 060 309 104

**Quarter ended ("current quarter")**

30 June 2023

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	37,804	160,356
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(22,887)	(95,979)
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(12,481)	(54,081)
(f) administration and corporate costs		
1.3 Dividends received (see note 3)		
1.4 Interest received	136	347
1.5 Interest and other costs of finance paid	(2,369)	(9,255)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>203</b>	<b>1,388</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(3,728)	(5,843)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(3,728)</b>	<b>(5,843)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	19,739
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	156	(1,135)
3.5	Proceeds from borrowings	37,473	167,875
3.6	Repayment of borrowings including leases	(40,546)	(168,944)
3.7	Transaction costs related to loans and borrowings	(2,184)	(2,184)
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(5,101)</b>	<b>15,351</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	22,635	3,065
4.2	Net cash from / (used in) operating activities (item 1.9 above)	203	1,388
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(3,728)	(5,843)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(5,101)	15,351
4.5	Effect of movement in exchange rates on cash held	36	84
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>14,045</b>	<b>14,045</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	12,792	21,382
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Cash in trust)	1,253	1,252
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>14,045</b>	<b>22,635</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	470
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	125,400	120,749
7.2 Credit standby arrangements		
7.3 Other (Leases)	6,161	6,161
7.4 <b>Total financing facilities</b>	131,561	126,910
7.5 <b>Unused financing facilities available at quarter end</b>		4,651
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

A breakdown of the Groups Interest Bearing loans and borrowings follows:

	<b>Jun 2023</b>
	<b>\$'000</b>
Senior syndicated facility	29,536
Junior loan notes	26,766
Lease liabilities	6,161
Loans from related party	64,390
Other	57
	<b>126,910</b>

Note: The Group's Interest bearing liabilities are measured at amortised cost using the effective interest rate ("EIR"). 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.

#### **Senior syndicated facility**

The Senior syndicated facility is a senior ranking revolving asset-based loan secured over 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 \$35 million, subject to certain prescribed levels of Security Assets, and matures in April 2025. As at 30 June 2023 Security Assets existed to support a further \$4.7 million in drawings.

Interest on the facility is calculated on the daily balance outstanding at the bank bill swap rate ("BBSY") plus a margin and is payable monthly in arrears. In line with increases in the BBSY, the applicable interest rate on the facility has increased to 10.56% at 30 June 2023 (30 June 2022: 6.74%). The facility is subject to financial covenants which have been complied with.

#### **Junior Loan notes**

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. The Junior Loan notes mature in April.

Interest is charged at the bank bill swap rate plus a margin and is payable quarterly in arrears. The applicable interest rate on the facility at 30 June 2023 was approximately 17.23% (30 June 2022: 14.08%). The facility is subject to financial covenants which have been complied with.

At 30 June 2023 the amount of Junior Loan notes outstanding including interest was \$26.8 million (30 June 2022: \$33.5 million). The reduction in the amount outstanding under the Junior Loan notes reflects the scheduled amortization built into the Junior Loan notes, which is amortized at a rate of \$2 million per quarter. During the 4 quarters beginning 1 April 2023 the Group will be entitled at its election to reduce the quarterly amortization to a minimum of \$1m in those quarters.

#### **Lease liability**

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.

#### **Loans from related party-Kerogen**

The Loans from related party is provided by Kerogen, which at 30 June 2023 held a 56.7% shareholding in the Company (30 June 2022: 65.4%). Kerogen's facility is subordinated to and ranks

behind both the Senior syndicated facility and Junior loan notes, and matures in October 2025, or 9 months after full repayment of the Junior Loan notes if earlier.

The loan is a US Dollar denominated debt. Interest is charged at 18% of the principal outstanding and is payable only to the extent the Group is able to pay the interest from available funds at its disposal. Various interest relief is provided by Kerogen if certain hurdles are met. Firstly, Interest charged will be reduced where the principal outstanding is reduced below certain hurdles. Secondly, in the event the Group is able to pay any interest, the interest rate applicable to the interest paid in cash will be reduced by a further 4%.

At 30 June 2023, the amount outstanding under the Kerogen loan facility was \$64.4 million (30 June 2022: \$53.8 million). The increase in the amount outstanding under the Kerogen loan facility reflects two components: the first, that no cash interest was paid in the period; and the second, an unrealised foreign exchange loss of \$2.3 million was recorded in the period as the AUD:USD FX rate reduced to 0.6630 at 30 June 2023 from 0.6889 at 30 June 2022.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	203
8.2 Cash and cash equivalents at quarter end (item 4.6)	14,045
8.3 Unused finance facilities available at quarter end (item 7.5)	4,651
8.4 Total available funding (item 8.2 + item 8.3)	18,696
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	N/A
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	N/A
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	N/A
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: . 31 July 2023.....

Authorised by: By the Board.....  
(Name of body or officer authorising release – see note 4)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.