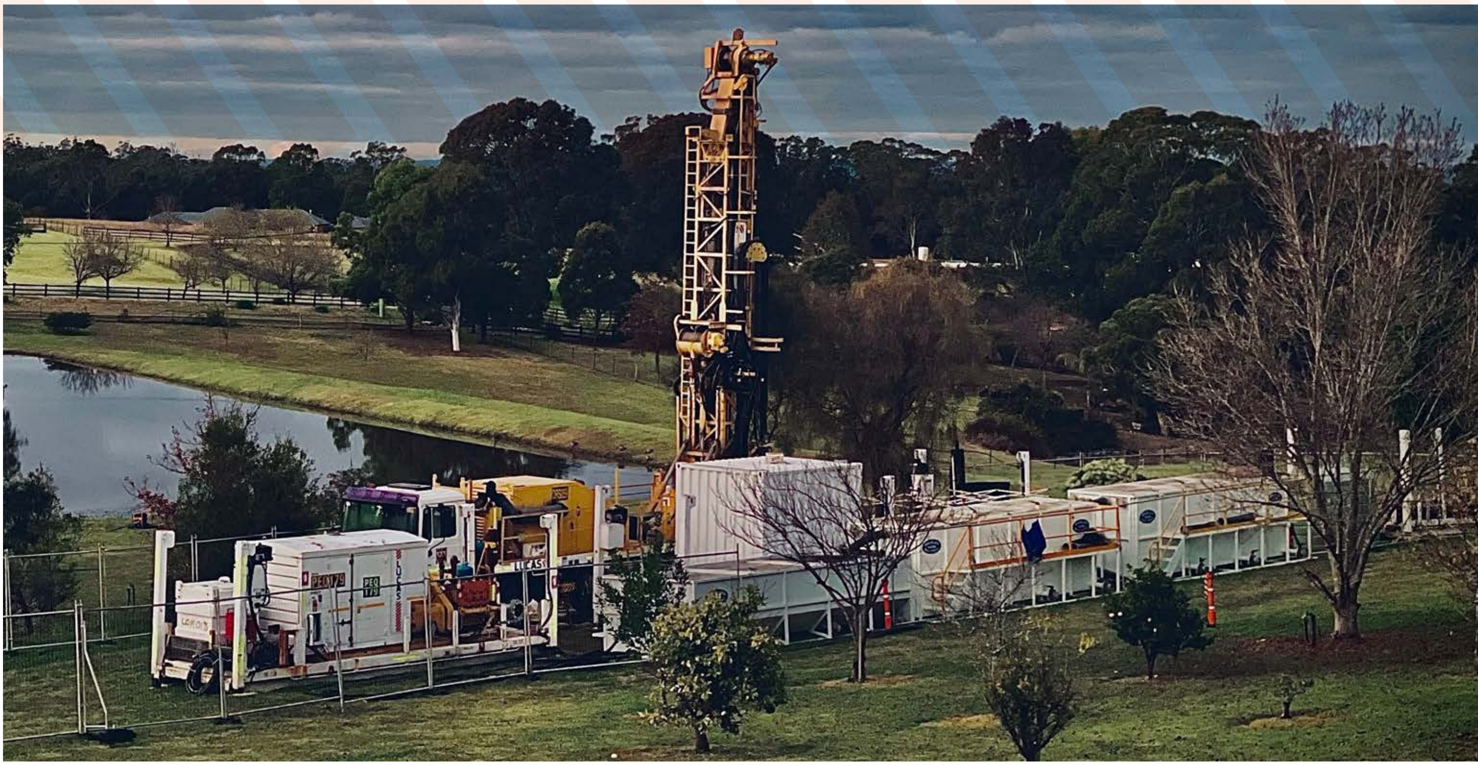
LUCAS



ANNUAL REPORT 2023

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.

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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

CHAIRMAN'S LETTER

ANDREW PURCELL
Chairman

Your company's Australian business had an excellent year.

This result was largely driven by the dedication and capabilities of our people and the ready uptake of value-added services they deliver to our customers.

> "Importantly, we achieved this result whilst also improving our already excellent safety benchmarks."

We continue to see a strong outlook for steel demand, which should translate to continued demand for the high-quality metallurgical coal produced by our customers. Traditional markets such as China resumed purchase of Australian coal in the reporting period (after being absent for more than two years) and the forecast increase in demand from India (which already imports more than 65% of its coking coal from Australia) is an important development to note - particularly given the free trade agreement signed between Australian and India in December 2022. Your board has responded to these favourable tailwinds by approving a strong capital expenditure program to meet the expected and signalled expanded demands of our customers. That we were able to do so was due to the strong financial performance of our Drilling division and the excellent financial and capital management of our Chief Financial Officer and his team. Completing an important refinancing during the reporting period was testament to their skills and a lot can be inferred from the fact that our existing lenders all participated in the refinancing, despite our having run a competitive process to get the best possible terms for the company.

The year in question saw an important change with regards to our UK assets, too. Given the vacillations of the UK Government last year with respect to the moratorium on hydraulic fracturing your board found it necessary to reconsider the carrying value of these assets. Given the current adverse political circumstances in the UK it was not possible to continue to carry our UK exploration assets at a value other than Nil and as such they were impaired to zero

in the period. The Group continues to evaluate a range of options available to protect the substantial investment that we have made in these exploration licences and extract any potential value that exists, whether through eventual development as and when this is allowed, or by other means.

The headwinds for development of fossil fuel projects remain strong, but the energy transition appears to be taking longer and costing more than was forecast. Economic reality needs to be factored into the political equation, particularly given the sharp increase in the cost of living in the UK. We shall continue to keep our assets in the UK in good standing, with the minimum of expenditure, until and unless we see signs that a more favourable operating environment may be emerging.

> "The result of the next UK general election (expected to be held before the end of next year) is clearly an important milestone."

Of course, good operational performance and financial management means less if it doesn't translate to an improved share price. Our strategy in this regard is to keep reporting strong earnings and continue paying down debt at the rate we have been in recent years until the share price begins to look like an attractive buy.

I always like to finish by thanking my fellow directors. They bring their energy, skills and experiences to constructive and informative exchanges which are of enormous benefit to the executive team, particularly, and the company, generally. It is therefore with regret that I note that we have recently held our last board meeting with one of their number. Brett Tredinnick, our CEO and Managing Director, will serve his last day on 31 August after a 23-year career with the company. He rose to the highest position in the organisation during that time, purely on his merits, and has been an able and inspirational leader that leaves your company in the best position it has been for many a year. I have enjoyed working with him more closely in my time as Chairman and I'm sure I speak on behalf of the board and the entire company when saying we wish him all the best in the next chapter of his career.

Andrew Purcell
Chairman

COMMITTMENT TO SUSTAINABILITY

“At Lucas, 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 and responsible corporate entity, 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 in an effective, conservative and a responsible manner while playing an appropriate role in local and global issues that impact 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;
- 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:

- Anglo Moranbah North Mines Rescue Team – International Mines Rescue competition
- Kestrel Coal's Charity Golf Day
- Brisbane Basket Brigade
- Toowoomba Oil Patch Golf Carnival
- St Johns Moonlight Fair, Roma
- YoungCare – Simpson Desert Challenge

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

I am pleased to report the 2023 financial year was one of the best in the Group's recent history.

Our Australian drilling business continues to deliver profitable earnings before interest and tax and heads into the new financial year with a strong order book, good market conditions and a highly motivated and capable team.

After many years of investing in our UK shale gas exploration tenements with varied drilling performances, adverse government intervention, activism etc, the Board took a position to impair the UK assets to reflect the most recent situation where after a number of short term changes to the head of the UK government and an associated flip flop in decision making on having a moratorium on gas exploration, with minimal hope of continuing our exploration program at this stage.

Safety & Environment

The safety of our employees, contractors and suppliers remains a key priority for the Board and senior management. I am proud to report that in the year under review, we were able to return to the high standards we hold ourselves and our employees to.

Our Total Recordable Injury Frequency Rate (TRIFR) finished the year at an industry-leading 1.07, down from 4.07 in the previous year. There was just one recordable injury for the year. The TRIFR represents a 400% improvement while the number of employee exposure hours remained roughly the same. Safety is a team effort, and of all the things we can be proud of, this is the most important.

While this is an excellent result, one recordable injury is one too many, and we remain firmly committed to stamping out all workplace injuries and ensuring our people return home safely to their families.

There were zero reports of environmental incidents during the year. Our management team has worked incredibly hard to ensure this is an expectation, not simply an aspirational target. The HR team also rolled out several health and wellbeing initiatives, which were core to creating our culture of success.

"Throughout the year, we continued with our very effective Leadership forums, and all business unit managers completed HSE re-fresh strategies across the group in accordance with their KPIs."

Financial Results

Our financial results for the financial year were exceptional with most significant metric improveing on the previous year.

Our revenue of $157.6 million (2022: $123.2 million) was up 27.9% on the year, which was the major contributor to a much-improved EBITDA result. Group EBITDA for the year was $23.6 million, which excludes impairment charges, represents an increase of 31% to that reported for the full year to 30 June 2022 of $18.0 million.

Australian Operations EBITDA for the 12 months was $26.0 million (2022: $19.1 million) which represents an increase of 36% on the previous year. The EBITDA margin of 16.5% was a solid improvement on the 15.5% achieved in the previous year.

Our net result after tax, excluding the one off non-cash impairment of exploration assets of $157.3 million, swung from an $11.3 million loss in the previous year to a profit of $4.1 million in the year under review. This was partially driven by an income tax benefit of $11.0 million recognised in the current year and which represents the first-time recognition of a small portion of the significant amount of previously unrecognised income tax losses available to offset future income tax profits.

At the end of the year, the company had total interest-bearing loans and borrowings of $126.9 million, comprising a senior syndicated facility, junior loan notes and related-party loans to major shareholder Kerogen. In April, the Group completed an exhaustive competitive refinancing process which resulted in an extension of its existing loan arrangements.

The company's cash reserves improved by $11.0 million to $14.0 million following a capital raising in the first half.

Operations Report

Last year, I expressed my opinion that our operational and financial performance didn't accurately reflect the hard work of our employees and the strength of our underlying business. We were unfortunately impacted by circumstances beyond our control but were confident of approaching our full potential in the year under review.

I am pleased to report that much of our optimism for the year under review came to fruition with an excellent operational result, which was reflected in the financial results discussed above.

A key highlight of the year was the fact we drilled approximately 321,000 billable metres during the year, compared to about 270,000 metres in the previous year. This increase was achieved despite maintaining a similar number of drilling rigs in the field.

We also had some great success at winning new contracts and extending existing contracts throughout the year. While these contracts are traditional service-type arrangements with termination for convenience installed in them, it gives us great confidence moving forward.

Our success in winning and extending contracts was a real team effort that combined our excellent project execution capabilities, our outstanding technical capabilities and an industry-leading safety record.

The future order book also reflects the more diversified offering we have built over recent years, with an increasing market share in exploration drilling complementing our traditional strengths in Large Diameter and Directional offerings.

While we have many successes to talk about, very rarely do you have a year that goes by without some sort of challenges. This year was no different, with some changes by customers to their work programs towards the end of the year impacting our rig utilisation and limiting our financial results. Through much of the year, I was confident we could achieve an EBITDA of more than $30 million and without these late changes, I am sure we would have reached this goal.

Like many businesses, we have also had to deal with staffing challenges, particularly recruiting new entry-level employees to work in the field on FIFO arrangements. We will continue to explore initiatives that will help win the 'hearts and minds' of new employees to ensure we can deliver our on our strong order book. Thankfully, our core people, those staff that have led the business for many years, our leadership team, our back of office technical and support teams as well as our in-field management has remained stable. This stability is a key part of our success and will allow us to manage the challenge of recruiting new people.

UK Operations

It was another interesting and volatile year for the fortunes of our UK Operations. We continued to manage the operations on a small budget and the impact on our overall operating performance was negligible.

We were obviously delighted when Liz Truss as UK Prime Minister announced a lifting of the ban on hydraulic fracturing fracking. Unfortunately, when Ms Truss was after just a number of weeks replaced by Rishi Sunak, the moratorium was promptly reinstated.

Considering 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.

We will continue to seek opportunities to extract value from our UK assets. Our UK team, negotiated a one-year extension to the first term of five of eight licences originally awarded as part of the UK government's 14th round of landward licences in Yorkshire and Midlands. The remaining three licences were relinquished.

Subsequent to the year-end we reached an agreement with York Energy and Edgon Resources PLC to appraise a conventional gas prospect that spans one of the extended licences and one held by York and Edgon. The appraisal will come at no cost to AJ Lucas.

Outlook

After a strong operational performance, AJ Lucas enters the new financial year in a strong position. Our fundamentals are the strongest they have been in many years with a solid order book, healthy levels of cash and a proven and superior execution capability.

> "The continuing management team has more than 100 years of combined industry experience and a track record of delivering high-performing, highly technical projects that our clients value."

The outlook for the metallurgical coal, where we derive the bulk of our revenue from, remains buoyant, despite some recent price volatility. The Australian premium hard coking coal price is estimated to average US$273 a tonne in 2023, but is forecast to fall to around US$200 a tonne by 2025 as supply conditions improve (SOURCE: https://www.industry.gov.au/sites/default/files/2023-07/resources-and-energy-quarterly-june-2023.pdf). Australia's exports are forecast to lift from an estimated 157 million tonnes (Mt) in in the 2023 financial year to 175Mt in the 2025 financial year, as several new mines open.

The combination of internal strengths and a buoyant market leaves us company well positioned to continue delivering healthy EBITDA in the current year and beyond.

Farewell

After 23 years of service with AJ Lucas I have decided to move on to my next challenge and will finish up with the business in August 2023. My time with the company has been incredibly rewarding on both a professional and personal level.

I am extremely happy to be leaving the Australian business in terrific shape for my successor. I will always be thankful for the opportunities our very supportive customers, suppliers, financiers and shareholders have presented the company.

I have experienced multiple mining cycles whilst at the company, consequently witnessing exciting times during growth phases, yet tougher times during periods of decline. Despite these ups and downs and the role I had to play, we at AJ Lucas always behaved with honesty and integrity, a company attribute I will remember and always be proud to be part of.

I would like to thank all current and previous Board members for their support and guidance over the years. Equally I would like to thank all current and previous employees for their unquestionable commitment to the Lucas brand, each and every one of you contributed to the Company Lucas has become today. I will always be thankful for the chance to work with such an incredible team of good, honest and decent people.

I wish the company all the best for the future.

B.T.

Brett Tredinnick,
Group Chief Executive Officer

CUADRILLA CEO LETTER

FRANCIS EGAN
Chief Executive Officer of Oil and Gas Investment

Financial Year 2023 was a period of significant change in the UK oil and gas industry and Cuadrilla, in common with other onshore and offshore Operators, found itself buffeted by political and policy changes.

Prior to the start of the financial year, in April 2022, the UK Secretary State for Energy had commissioned the British Geological Survey (BGS) to conduct an expert technical review of the "geological science of shale gas fracturing and the modelling of seismic activity in shale rocks in the UK." This was in response to very high and volatile gas prices adversely impacting domestic and business customers and growing calls from Cuadrilla, other UK shale companies, Conservative MPs, and the media for the Government not to ignore domestic shale gas resources.

The BGS technical report was published by the Government in September 2022. It concluded that the limited number of hydraulic fracturing operations in the UK (only 3 exploratory wells, all drilled and fracked by Cuadrilla)

> "made it impossible to determine with statistical significance the rates of occurrence of induced seismicity from hydraulic fracturing operations in the UK"

In response to the BGS' scientific conclusions, on 22 September 2022, the UK Government announced that "it was clear that we need more sites drilled in order to gather better data and improve the evidence base" and that it was lifting the moratorium on hydraulic fracturing to allow wells to be drilled and fracked and the required data to be gathered.

Encouraged by the political support and the clear market need for UK shale gas, in October 2022 AJ Lucas raised $19.7 million of equity investment for the purposes of further appraising and developing its significant shale discovery.

However just five weeks after the moratorium was lifted, following a change in Prime Minister, and with no new scientific advice having been requested or produced, on 27 October 2022, the UK Government announced that it was reimposing the moratorium

on hydraulic fracturing "until compelling new evidence is provided which addresses the concerns around the prediction and management of induced seismicity."

Cuadrilla (and other UK shale Operators) consequently found themselves trapped in a "Catch-22" position where the Government accepted, based on advice from its leading scientific advisory body, that more wells must be drilled and fracked to gather the necessary scientific evidence, whilst at the same time requiring that no new wells could be drilled and fracked until the necessary scientific evidence had been gathered.

Considering this, the Board took the decision to record a non-cash impairment expense against the full $157.3 million carrying value of the UK exploration assets. Cuadrilla continues to engage with other industry players, the UK Regulator and the UK Government to address the issues that led to the moratorium. The shale gas potential resource that we have discovered remains in-situ and available to be developed as and when the political will to do so emerges.

Separately, we have continued to progress a number of conventional gas opportunities on our UK licences. These include a conventional gas field where work is well underway to restart production from an existing well that last produced in 2013. An onsite 1MW gas-powered electricity generator which had failed has been replaced with a more efficient model. The onsite processing facilities are being refurbished and the existing connection to the electricity grid will be used to transmit and sell electricity generated on the site, subject to satisfactory flow of gas from the well. First gas and electricity production are anticipated in Q4 2023.

A second conventional gas discovery has also been high graded for further appraisal and potential development. This a shallow (c. 1000 metres) conventional gas prospect which stretches across two onshore Licenses one held 100% by Cuadrilla and the adjacent License PL81 operated by Egdon Resources Plc ("Edgon") in partnership with York Energy. The original gas discovery well was drilled in 1975 by BP on what is now the Cuadrilla License. Within the last 6 months Egdon has completed the reprocessing and interpretation of 214 kilometres of 2D seismic data and further technical and operational studies which have de-risked the opportunity and confirmed a material, commercially viable prospect.

It is proposed to equalise interests across both Licenses so that both are held Egdon 52.5%, Cuadrilla 25% and York Energy 22.5%. Egdon would be appointed as the operator of the Licences. As consideration Egdon would pay 100% of the costs associated with the planning, drilling, logging, and either short term testing and completion or plugging and abandonment of a well to optimally test the discovery Prospect within the Licences.

On the Balcombe licence in Southern England, operated by Angus Energy and in which Lucas holds a 75% interest, the decision by the local County Council to refuse permission for a flow test of the exploration well was appealed. The Planning Inspectorate announced in mid-February that the appeal had been successful overturning the Council refusal and paving the way for Angus to move forward with the planning and execution of the flow test. The Planning Inspectorate decision was in turn appealed by a local opposition group and a court decision on that further appeal is awaited.

In summary the prospects for shale development look very challenged in the near term. The high-quality gas resource discovered by Cuadrilla nonetheless remains in place and forecast UK gas demand remains robust out to 2050 and beyond. Significant progress has been made in accelerating conventional gas opportunities and work will continue to bring those into operation generating production and revenue in the near term.

Francis Egan
Chief Executive Officer
of Oil and Gas Investment

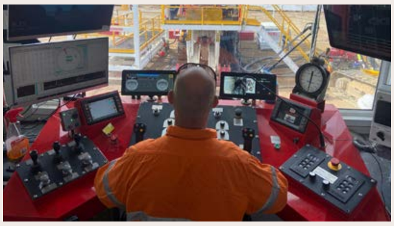
AUSTRALIAN OPERATIONS SERVICE OFFERINGS

Lucas Drilling, a division of AJ Lucas Group, is a specialist provider of coal and coal seam gas drilling services and gas management solutions.

Our long-term relationships with many of the world's largest miners and energy companies positions us as one of the most highly respected service providers in the industry.

Lucas is one of very few specialists able to deliver a life-of-programme service. From well design and core sampling, degasifcation and dewatering, to the installation of infastructure and its ongoing maintenance, Lucas' diverse talent pool delivers optimal results for our customers.

OUR SOLUTIONS & SERVICES



Well Planning Solutions

- Well design
- Drilling efficiencies
- Risk mitigation
- Gas drainage optimisation
- Drilling engineering
- Front-end drainage studies

Exploration Drilling

- 18 rigs
- 40 years experience
- Coal and CSG exploration
- Mine service holes
- Multi-purpose equipment
- Wells to 1200m
- Accurate core recovery

Large Diameter Drilling

- 6 rigs
- Gas production
- CMM drainage
- Service and dewatering bores
- Vertical and deviated boreholes to 2000m
- Versatile equipment

Directional Drilling

- 10 rigs
- Industry leader in SIS techniques
- Extended reach specialists
- Effective coal mine degasifcation
- In-house steering expertise

Well Services

- 2 rigs
- Installation of downhole equipment
- Dewatering
- Surface infrastructure
- Well repair
- Well plug & abandon

Operations & Maintenance Solutions

- Well monitoring and maintenance
- In-field infrastructure
- Commissioning and maintenance
- Data management

FINANCIAL REPORT

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DIRECTORS' REPORT

for the year ended 30 June 2023

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

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
Austen Perrin	Non-Executive Director since 31 August 2020 Executive Director since 1 January 2020 to 31 August 2021
Francis Egan	Executive Director since 13 May 2020
Brett Tredinnick	Executive Director since 1 January 2020, resigned effective 31 August 2023

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 in London before 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.

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.

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 Metals Ltd (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.

FRANCIS EGAN M Eng. MBA

Francis has over 37 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.

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. On 9 May 2023 Mr Tredinnick resigned from his positions of Group Chief Executive Officer and Director, effective from 31 August 2023, in order to pursue new opportunities.

Mr Tredinnick has presided over the significant growth, restructuring and strategic initiatives for the Australian operations part of the business in recent years. He 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	12	12	4	4	3	3
Julian Ball	12	12	4	4	3	3
Austen Perrin	12	11	4	4	3	3
Brett Tredinnick	12	11	-	-	-	-
Francis Egan	12	12	-	-	-	-

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

	2023 $'000	2022 $'000	Change %
Total revenue from continuing operations	**157,610**	123,231	27.9%
Reported EBITDA – Australian operations	**26,046**	19,064	36.6%
Reported EBITDA – UK investments operations	**(2,422)**	(1,107)	(118.8%)
*** Total Reported EBITDA**	**23,624**	17,957	31.6%
Depreciation and amortisation	**(7,180)**	(7,334)	2.1%
*** EBIT (excluding impairment of exploration assets)**	**16,444**	10,623	54.8%
Impairment of exploration assets	**(157,324)**	-	N/A
*** EBIT**	**(140,880)**	10,623	(1426.2%)
Net finance costs	**(23,327)**	(21,950)	(6.3%)
Income tax benefit	**10,954**	-	N/A
*** Net profit / (loss) for the period (excluding impairment of exploration assets)**	**4,071**	(11,327)	135.9%
Net profit / (loss) for the period	**(153,253)**	(11,327)	(1253.0%)

* The non-IFRS financial information presented in this document has not been audited or reviewed in accordance with Australian Auditing Standards. Reported EBITDA refers to earnings before net financing costs, depreciation and amortisation, impairments and tax expense.

OVERVIEW OF THE GROUP

The Group reported EBITDA of $23.6 million (2022: $18.0 million), on revenue of $157.6 million (2022:$123.2 million).

These results are largely driven by the Australian operations which delivered a divisional EBITDA of $26.0 million (2022: $19.0 million), which represents a 36.6% increase on the prior year. This was driven by not only an increase in meters drilled in the Groups more profitable operations, but coincided with an increase in customer diversity and a reduction in customer concentration, while maintaining the Company leading safety performance. Further details on the results of the Australian operations are provided in the Australian operations section of this report.

The Group's UK operations incurred administration and other holding expenses of $2.4 million which included $0.9 million related to the revaluation of future obligations related to decommissioning and licence costs associated with extending licences.

The Group's licence holdings in the UK have been frustrated by several UK Government policy changes and U-turns, leadership changes and general lack of consistent approach to energy. Liz Truss was appointed UK Prime Minister on 6 September 2023, following resignation of Boris Johnson. Shortly after and following the release of a British Geological Society ("BGS") report on the geological science of shale gas fracturing and the modelling of seismic activity in shale rocks in the UK, the UK Government lifted the moratorium on hydraulic fracturing that was originally put in place in 2019.

Buoyant by the lifting of the moratorium, and UK Government announcements, supported by independent reports, that more drill sites were needed in order to gather better data and improve the evidence base related to seismic activity, the Group raised $19.7 million, before raising costs, from a placement to sophisticated and professional investors. This was before the moratorium was re imposed in October.

However, the lifting of the moratorium on Hydraulic fracturing was short lived with Rishi Sunak, who was appointed Prime Minister in replacement of Liz Truss on 25 October 2022, announcing the reimposing of the moratorium on 27 October 2022.

In light of the turmoil and adverse political circumstances experienced in the UK, and taking into consideration the lack of discernible political will within the governing Conservative Party to progress onshore shale gas exploration in the forceable future, the Group undertook a review of the varying of its investment in exploration assets. Following this review, a non-cash impairment expense for the full value of its UK onshore exploration licences, being $157.3 million, was recorded in December 2022.

Taking account of depreciation and amortisation of $7.2 million (2022: $7.3 million) as well as net finance costs of $23.3 million (2022: $22.0 million) and an income tax benefit of $11.0 million (2022: $Nil), but excluding the impact of the non-recurring impairment of exploration assets, the Group delivered a net profit of $4.1 million.

During the period the Group recognised a deferred tax asset of $11.0 million in the Group's balance sheet, and a corresponding income tax benefit through the income statement. This followed a review of managements forecasts and other relevant factors that lead to the conclusion that there was sufficient evidence to estimate a probable level of future Australian taxable profits against which carried forward income tax losses may be utilised. This represents a portion of the Group's total incomes tax losses that are available to be carried forward subject to continued compliance with certain tests, and which are disclosed in the financial statements.

Australian Operations

	2023 Year $'000	2023 2nd Half $'000	2023 1st Half $'000	2022 Year $'000	Change %
Revenue	**157,610**	**74,873**	**82,737**	123,231	27.9%
Reported EBITDA – Australian Operations	**26,046**	**10,476**	**15,570**	19,064	36.6%
EBITDA margin	**16.5%**	**14.0%**	**18.8%**	15.5%	

The Group's main operating business provides various drilling solutions to its Australian based customers. The Australian operations performed very well during the period delivering a divisional EBITDA of $26.0 million (2022: $19.1 million), an increase of 36.6%. This was driven predominantly by a 27.9% increase in revenue as well as a slight increase in EBITDA margin.

However what was even more positive was that this financial result was achieved while further improving the Group's industry leading safety performance and coincides with the acquisition of new customers reducing concentration to key customers.

The Group has for a number of years held an industry leading Total Recordable Injury Frequency Rate ("TRIFR") of 1.07 at balance date (2022: 4.07), which is an outstanding result. This is achieved in an environment where reporting of safety hazards is encouraged and managements programs continually drive the safety first message.

During the year the Group extended a contract with one of its key customer for a period of 3 years. The Group was also successful in winning new work at existing and new customers.

This was a great result achieved against a backdrop of unusually high inflation where costs have continued to rise, and a tight labour market in which staff retention is a challenge to most businesses.

Oil and Gas

The first half of the financial year was dominated by the rapidly changing political and policy environment related to the appraisal and development of UK shale gas. The details of this are set out in the CEO letter, and in particular the circumstances which led to the lifting, shortly followed by the reimposition of, the moratorium on hydraulic fracturing.

Considering these developments, the AJ Lucas Board, having carefully reviewed the position, took the decision to record a non-cash impairment expense against the full $157.3 million carrying value of the UK exploration assets. Whilst the assets are no longer carried on the balance sheet the Bowland Shale exploration License remains intact out to June 2039, as do the significant volumes of natural gas locked up in the shale rock beneath that License, available to be developed as and when the political will to do so emerges.

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.

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 will now extend out to December 2024

Given the ongoing moratorium on hydraulic fracturing Cuadrilla directed attention to evaluating, and where viable developing, a number of conventional gas opportunities across its onshore Licenses. At one production site an onsite 1MW gas-powered electricity generator, which had failed, has been replaced with a more efficient model. The onsite processing facilities are being refurbished and the existing connection to the electricity grid will be used to transmit and sell electricity generated on the site, subject to satisfactory flow of gas from the existing well. First gas and electricity production are anticipated in Q4 2023.

A second conventional gas discovery which stretches across two onshore Licenses, one held 100% by Cuadrilla and the adjacent operated by Egdon Resources in partnership with York Energy, has also been high graded for further appraisal and potential development. This is a shallow (c. 1000 metres) conventional gas prospect. It is proposed to equalise interests across both Licenses with Egdon holding 52.5%, Cuadrilla 25% and York 22.5% of both licenses. Egdon would be appointed as the operator of the Licences. As consideration Egdon would pay 100% of the costs associated with the planning, drilling, logging, and either short term testing and completion, or plugging and abandonment of, a well to optimally test the discovery within the Licences. Negotiation of the necessary commercial agreements is nearing completion and, subject to Regulatory approval, the new Operator should be in position and working by the end of 2023.

On the Balcombe licence in Southern England, operated by Angus Energy and in which Lucas holds a 75% interest, a successful appeal to the Planning Inspectorate overturning the local Council refusal to permit a well test was in turn appealed by a local opposition group and a court decision on that further appeal is awaited.

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

REVIEW OF FINANCIAL CONDITION

In April the Group had successfully negotiated the refinance of its major debt facilities for a further 2 years on broadly similar terms. This followed a competitive process in which the Group received and considered multiple proposals.

The Group's finance facilities include a senior secured asset-backed lending facility ("Senior facility"), a junior noted facility ("Junior facility") and a subordinated facility with the Company's largest shareholder, Kerogen Capital.

The Senior facility, which is a revolving facility available to be drawn up to $35 million, was extended on similar terms for a period of 2 years and matures in April 2025.

The Junior facility, originally drawn in 2019 for $50 million and having been partially repaid through regular scheduled repayments to a balance of $26.9 million was replaced with a new facility of $26.9 million on similar terms. This facility will also mature in April 2025.

Kerogen also agreed to extend its facility by two years to October 2025, or 9 months after the Junior facility is repaid in full if earlier. Following the extension and a $3 million prepayment Kerogen also agreed to certain interest relief in the event the company

1) Reduces the outstanding principal balance outstanding below certain thresholds
2) Pays interest in cash within the following two years rather than deferring to rumination.

Interest on the Kerogen facility will be reduced from 18% to 16%, backdated to 24 April 2023 if the outstanding principal balance on the Kerogen facility is reduced to below US$40 million, and will further reduce to 14% if the outstanding principal balance is reduced to below US$20 million.

Furthermore, any interest paid in cash within the first two years following the 24 April 2023 refinance will benefit from an additional 4% reduction of the portion paid in cash and will also be backdated to 24 April 2023.

During the period the Group undertook a share placement to institutional, sophisticated and professional investors at a price of $0.11 per share which raised a total of $18.4 million net of fees which settled on 5 October 2022.

The impairment of exploration assets recognised during the period of $157.3 million has resulted in the Group moving into a net liability position of $57.1 million (Jun 2022: $76.8 net asset position). This book value position is arrived at in accordance with Accounting Standards and the historic cost convention which does not recognise the value of internally generated intangible assets that drive future performance such as customer and industry relationships, internal processes and procedures which drive safe and efficiently.

OUTLOOK & LIKELY DEVELOPMENTS

Strong metallurgical coal price continue to drive strong demand for degasification and exploration drilling services for our clients and the industry, creating new opportunities that the Group will continue to pursue in order to expand and / or diversify its services, where it makes sense to do so.

In the UK, the Group 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. We will maintain a cost-effective operation to comply with licence conditions and evaluate and implement options that may deliver shareholder value.

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 (2022: 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

Subsequent to balance date the Board appointed Marcin Swierkowski, the Group's Company Secretary and Commercial Manager , to undertake the role of CEO in an interim capacity effective 1 September 2023 while and external and internal search revaluation process is concluded for a permanent appointment.

Other that as noted above, 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 56.67% 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 Ernst and Young 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 2024.

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 $37,000 (2022: $74,300).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 32 and forms part of the Directors' Report for the financial year ended 30 June 2023.

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 2023. 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 at or near the 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	2023	225,000	–	225,000
Andrew Purcell	2022	225,000	–	225,000
Julian Ball	2023	100,000	10,000	110,000
Julian Ball	2022	100,000	10,000	110,000
Austen Perrin[(1)]	2023	100,000	15,000	115,000
Austen Perrin	2022	100,000	10,000	110,000

1. Austen Perrin agreed to undertake additional duties related to evaluating a potential transaction. The transaction did not proceed however Mr Perrin was paid $5,000 as compensation of additional time required.

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 Remuneration 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.

Variable compensation

Variable compensation includes performance linked remuneration in the form of 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 between 46.10% and 56.10% of their fixed annual remuneration depending on their position, with the ultimate percentage commensurate with achievement of certain criteria. Any portion of an STI over a hold point, being between 21% and 25% 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.

Following the resignation of the Group Chief Executive Officer and Managing Director, Brett Tredinnick, the Board decided to award certain employees including KMP a one-off retention benefit payable in June 2025 subject to the employee not resigning from their position with the Group. This was determined in the Group's best interest given the difficulties in attracting labour in the current market and the need for stability during this time of transition. In exchange employees had agreed to extend their existing notice period to 6 months. In respect of the Chief Financial Officer it was agreed in July 2023 that a fixed payment of $150,000, with an additional $50,000 at the discretion of the Chairman, will be payable ion 30 June 2025 subject to his continual employment with the Company to that date.

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	2023	2022	2021	2020	2019
Total revenue ($'000)	157,610	123,231	111,086	146,746	143,442
Reported EBITDA Australian operations(1)	26,046	19,064	21,913	23,681	9,086
Net profit / (loss) after tax attributable to members ($'000)	(152,059)	(11,321)	3,339	(8,867)	(39,390)
Loss per share (cents)	(11.8)	(0.9)	0.3	(0.9)	(5.3)
Dividend per share (cents)	-	-	-	-	-
Share price at balance date	$0.013	$0.054	$0.026	$0.035	$0.08
Share price appreciation/(depreciation)	(76%)	108%	(26%)	(56%)	(76%)
STI to KMP in relation to the year's performance ($'000)	374	-	-	416	569
Discretionary bonus approved for KMP	-	138	-	-	-

(1) Reported EBITDA Australian operations in 2019 excludes amounts reported as discontinued operations and corporate costs disclosed as a separate reportable segment in that and previous years. EBITDA is non-IFRS financial information and has not been audited or reviewed in accordance with Australian Auditing Standards.

The Group's underlying EBITDA significantly exceeded the prior year and exceeded the current year target. In addition, KMP achieved certain individual Key Performance Indicators and accordingly targets were achieved in relation to bonuses totaling $373,942 for KMP. Of this, $220,000 will be payable following the release of these 30 June 2023 audited annual financial statements. The remaining $153,942 will be payable on 30 June 2024, provided the KMP does not leave the Group, and in the case of the CEO who has already tendered his resignation, his deferred component will be payable following a restraint period, being 31 May 2024. The amount payable on 30 June 2024 in respects of the CEO has been shown as a termination benefit. The amount payable on 30 June 2024 of $57,319 in respects of the CFO has been accounted for over the 2 year service period with $28,659 accrued in FY23 and the remaining $28,319 to balance in FY24.

The Group did not exceed its targets in either of the 2021 or the 2022 financial years, so 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 managements 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 $137,899 to KMP in respects of performance during both financial years which was recognized as an expense during FY22. These discretionary bonuses were paid in two tranches being $67,514 in April 2022 and $70,385 in December 2022.

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	2023	521,244	-	138,082	659,326	25,292	96,657	7,163	788,438	29.77%
Group CEO and Executive Director	2022	528,416	44,035	44,193	616,644	23,568	-	7,058	647,270	6.83%
Francis Egan	2023	505,085	-	-	505,085	-	-	-	505,085	0.00%
CEO of Cuadrilla and Executive Director	2022	493,564	-	-	493,564	-	-	-	493,564	0.00%
David Ekster	2023	383,765	-	110,544	494,309	25,292	-	8,942	528,543	20.97%
CFO	2022	377,579	23,479	26,192	427,250	23,568	-	5,845	456,663	5.74%

(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 year were approved and recognised as an expense in FY22, with $67,514 paid in April 2022 and $70,385 being accrued in FY22 and paid in December 2022.

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 employee of the Company. During the period, as a part of the retention offer to KMP, the Chief Financial Officer agreed to extend his notice period to 6 months.

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 a modest adjustment of between 0.0% and 4.2% should be made in September 2022. The review was undertaken 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.

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:

	Held at 30 June 2022	Net changes	Held at 30 June 2023
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) Limited ("Kerogen") holds 779,888,166 ordinary shares in the Company (equivalent to 56.67% 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 30th day of August 2023

CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2023

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 was 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 the 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.

The Group CEO tendered his resignation from his executive and Director positions with the Group effective from 31 August 2023. The Board, in consultation with a global organisational consulting firm, is undertaking an external search, and evaluation process of potential internal and external candidates. At the date of this report the process was ongoing. Marcin Swierkowski, the Group's Company Secretary and Commercial Manager has been appointed the Interim CEO effective from 1 September 2023, while the process is concluded.

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 a summary of results was presented to the Directors, who considered and discussed them and determined actions to address areas that were considered appropriate. 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 2022.

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 2023 and 2022 Gender Equality Report is shown below:

	2023			2022		
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	339	14	353	326	23	349
TOTAL	**345**	**15**	**360**	**332**	**24**	**356**

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 workplace 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. Mr Tredinnick has resigned from the Board and as CEO effective 31 August 2023.

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. 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 also has 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. The Company held an in person AGM in 2022 and considering the number of attendees and costs of the meeting the Board intends to hold a virtual AGM in 2023. All substantive resolutions at meetings of shareholders are decided by poll.

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 2023. 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.
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. In April 2023 the Company announced it had extended its finance facilities which do not mature until between April and October 2025. The company has also raised additional capital from equity markets during the year. 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.
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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

for the year ended 30 June 2023

Material Risks	Risk Management Approach
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 Groups critical business processes, potential breaches of privacy and theft of commercially sensitive information impacting the Groups profitability and reputation. Cyber security risk management is incorporated into the Groups 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 Company 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 Company 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 Company's operations. IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures in June 2023*. These standards are not mandatory for Australian companies, however the Australian Department of Treasury has released its Climate-related disclosure: Second consultation paper in June 2023 which outlines its intention to amend the Corporations Act to require applicable entities to make climate related financial disclosures. An Australian Accounting standard is expected to be developed by the Australian Accounting Standards Board and is currently expected to align closely to the requirements of IFRS2. AJ Lucas will continue to monitor developments in laws, regulations and standards, as well as general business practice, to ensure it complies with or exceeds any future requirements imposed.

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 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 are payable to a chairman of a Board committee in 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 2023

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 2023, 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 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Continuing operations			
Revenue from contracts with customers	6	**157,610**	123,231
Total revenue		**157,610**	123,231
Other income		**–**	161
Operating costs of Australian operations		**(130,819)**	(102,809)
Depreciation and amortisation	8	**(7,180)**	(7,334)
Other expenses	8	**(3,167)**	(2,626)
Impairment of exploration assets	18	**(157,324)**	-
Results from operations		**(140,880)**	10,623
Net finance costs	7	**(23,327)**	(21,950)
Profit / (loss) before income tax		**(164,207)**	(11,327)
Income tax benefit	10	**10,954**	-
Net profit /(loss) for the period		**(153,253)**	(11,327)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**774**	(6,300)
Total items that may be reclassified subsequently to profit and loss		**774**	(6,300)
Other comprehensive income / (loss) for the period		**774**	(6,300)
Total comprehensive income / (loss) for the period		**(152,479)**	(17,627)
Net profit / (loss) for the period attributable to:			
Shareholders of AJL		**(152,059)**	(11,321)
Non-controlling interest		**(1,194)**	(6)
		(153,253)	(11,327)
Total comprehensive income / (loss) attributable to:			
Shareholders of AJL		**(151,297)**	(17,603)
Non-controlling interest		**(1,182)**	(24)
		(152,479)	(17,627)
Earnings per share:			
Basic and diluted (loss)/earnings per share (cents)	11	**(11.5)**	(0.9)

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 ended 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	12	**12,792**	2,345
Cash in trust	12	**1,253**	720
Trade and other receivables	13	**23,056**	11,652
Contract assets	15	**12,320**	10,600
Inventories	14	**5,228**	5,304
Other assets	13	**1,588**	1,318
Total current assets		**56,237**	31,939
Non-current assets			
Plant and equipment	16	**31,340**	29,410
Right-of-use assets	17	**5,612**	3,237
Deferred tax asset	19	**10,954**	-
Exploration assets	18	**-**	156,112
Total non-current assets		**47,906**	188,759
Total assets		**104,143**	220,698
Current liabilities			
Trade and other payables	20	**17,843**	19,282
Contract liabilities	15	**128**	370
Interest-bearing loans and borrowings	21	**38,369**	54,549
Decommissioning provision	23	**3,733**	2,998
Employee benefits	24	**6,494**	5,811
Total current liabilities		**66,567**	83,010
Non-current liabilities			
Interest-bearing loans and borrowings	21	**88,541**	55,574
Decommissioning provision	23	**5,465**	4,661
Employee benefits	24	**629**	637
Total non-current liabilities		**94,635**	60,872
Total liabilities		**161,202**	143,882
Net assets / (liabilities)		**(57,059)**	76,816
Equity			
Share capital	25	**514,590**	495,986
Reserves	25	**849**	87
Accumulated losses		**(572,468)**	(420,409)
Total equity attributable to equity holders of the Company		**(57,029)**	75,664
Non-controlling interest	**25**	**(30)**	1,152
Total equity		**(57,059)**	76,816

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 2023

	Note	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 2022		495,986	(4,583)	637	4,033	1,152	(420,409)	76,816
Total comprehensive income								
Loss for the period		–	–	–	–	(1,194)	(152,059)	(153,253)
Other comprehensive income								–
Foreign currency translation differences		–	762	–	–	12	–	774
Total comprehensive income		–	762	–	–	(1,182)	(152,059)	(152,479)
Transactions with owners recorded directly in equity								
Issue of ordinary shares, net of transaction costs		18,604	–	–	–	–	–	18,604
Total contributions by and distributions to owners		18,604	–	–	–	–	–	18,604
Balance 30 June 2023		**514,590**	**(3,821)**	**637**	**4,033**	**(30)**	**(572,468)**	**(57,059)**
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/(loss)		–	(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**

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 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Cash receipts from customers		**160,356**	131,699
Cash paid to suppliers and employees		**(150,060)**	(111,454)
Cash from operations		**10,296**	20,245
Interest income		**347**	-
Interest and other costs of finance paid		**(9,255)**	(7,681)
Net cash from operating activities	30	**1,388**	12,564
Cash flows from investing activities			
Acquisition of plant and equipment	16	**(5,843)**	(3,280)
Proceeds from sale of plant and equipment		**–**	13
Net cash used in investing activities		**(5,843)**	(3,267)
Cash flows from financing activities			
Proceeds from borrowings		**167,875**	127,264
Repayment of borrowings		**(165,812)**	(137,746)
Transaction costs on borrowings		**(2,184)**	-
Repayment of leases		**(3,132)**	(2,356)
Proceeds from issue of shares		**19,739**	-
Transaction costs on issue of shares		**(1,135)**	-
Net cash from / (used in) financing activities		**15,351**	(12,838)
Net increase / (decrease) in cash, cash equivalents and cash in trust		**10,896**	(3,541)
Net foreign exchange difference		**84**	(46)
Cash, cash equivalents and cash in trust at beginning of the period		**3,065**	6,652
Cash, cash equivalents and cash in trust at end of the period	30	**14,045**	3,065

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 2023

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 2023 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 Stock 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 2023.

(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 Group is in a net liability position at balance of $57.1 million (June 2022 net assets of $76.8 million), and a net current liability position of $10.3 million (2022: $51.1 million). $29.5 million is due to the classification of the Senior syndicated loan facility which is a revolving asset-based loan which expires in April 2025 as a current liability for accounting disclosure purposes due to it being a revolving facility by nature. At June 2022 the balance of both the Senior syndicated loan facility and the Junior loan notes totalling $52.6 million were classified as current liabilities.

The Group generated a loss before tax for the year of $164.2 million (2022: $11.3 million) predominantly driven by a one-off non-cash impairment expense recognised against exploration assets during the year of $157.3 million (June 2022: $Nil).

The Directors, in their consideration of the appropriateness of using the going concern basis for the preparation of the financial statements, have reviewed a cash flow forecast prepared by management, covering a period through to at least 12 months following the signing of the financial statements, which had regard to the following matters and thus have sufficient cash to continue as a going concern:

- In September 2022 the Company successfully raised $18.6 million (net of transaction costs) through a share placement to institutional, sophisticated and professional investors.
- In April 2023 the Group successfully extended its existing loan arrangements with all lenders which were scheduled to mature in April 2023 and October 2023, for an additional period of 2 years to April 2025 and October 2025, with certain amendments as detailed in Note 21. This followed a competitive process during which multiple proposals were received and evaluated by the Company.
- The strong financial performance of the Drilling Division which delivered $157.6 million in revenue and $26.0 million in earnings before interest, tax, depreciation and amortisation ("EBITDA") from Australian operations. This represents an increase of 27.9% and 36.6% respectively on the prior year. While continued strong financial performance is subject to a degree of uncertainty as with all businesses, and dependant on continued extension or renewal of existing customer contracts, the outlook for metallurgical coal, which is essential for steel making and which the Company's customers are high quality and low-cost producers of, remains robust.
- 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 as required.
- The Group has $12.8 million in cash on hand at 30 June 2023 and has effective budget and cash management process in place to track a balance between operating and capital spending and compliance with future covenants.

In considering the above and the factors available to the Directors to manage those risks, the Directors 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.

(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.

2. BASIS OF PREPARATION (continued)

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;
- 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.

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 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) Determination of the lease term for 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 3 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 PROVISION

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 FROM CONTRACTS WITH CUSTOMERS

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.

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 transactions 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 obligation;
- 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) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 derecorgnised 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.

(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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2023. 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 101: Classification of Liabilities as Current or Non-current

In March 2020, the AASB issued amendments to AASB 101 Presentation of Financial Statements and the issued further amendment in December 2022 which specify and further clarify 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.
- That only covanants with which an entity must comply on or before the reporting date will affect a liabilities' classification
- Add certain presentation and disclosure requirements for non current liabilities subject to compliance with future covenants in the next 12 months.

These amendments are effective for the Group for the reporting period beginning on 1 July 2024 and are not currently 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.

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:

Australian Operations: 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.

Unallocated

Deferred tax assets, corporate cash and costs associated with related party loans, including foreign exchange 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 66% (2022: 84%) of the Group's 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, amortisation and impairment ("EBITDA") and segment profit before interest and income tax and segment net profit or loss.

6. OPERATING SEGMENTS (continued)

	Australian Operations $'000	UK Oil & Gas $'000	Reportable Segments $'000	Unallocated $'000	Total $'000
2023					
Reportable segment revenue					
Services rendered	157,610	-	157,610	-	157,610
Total consolidated revenue	**157,610**	**-**	**157,610**	**-**	**157,610**
EBITDA continuing operations	**26,046**	**(2,422)**	**23,624**	**-**	**23,624**
Depreciation and amortisation	(7,180)	-	(7,180)	-	(7,180)
Net finance cost	(8,715)	-	(8,715)	(14,612)	(23,327)
Impairment expense	-	(157,324)	(157,324)	-	(157,324)
Income tax benefit	-	-	-	10,954	10,954
Reportable segment profit / (loss)	**10,151**	**(159,746)**	**(149,595)**	**(3,658)**	**(153,253)**

	Australian Operations $'000	UK Oil & Gas $'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)
Reportable segment profit / (loss)	**3,400**	**(1,107)**	**2,293**	**(13,620)**	**(11,327)**

	Australian Operations $'000	UK Oil & Gas $'000	Reportable Segments $'000	Unallocated $'000	Total $'000
2023					
Segment assets	80,522	2,571	83,093	21,050	104,143
Segment liabilities	(86,788)	(10,023)	(96,811)	(64,390)	(161,201)
Capital expenditure	5,320	523	5,843	-	5,843
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

* 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.

GEOGRAPHICAL INFORMATION

	Revenues		Non-current assets	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Australia	**157,610**	123,231	**46,504**	32,647
United Kingdom	**–**	–	**1,402**	156,112
	157,610	123,231	**47,906**	188,759

The Group undertook a review of the carrying value of its investment in exploration assets and concluded that, it was required to record a non-cash impairment expense for the full value of its UK onshore exploration licences of $157.3 million.

7. NET FINANCE COSTS

	2023 $'000	2022 $'000
Interest income	**(347)**	(11)
Interest expense	**19,158**	15,615
Finance costs charged on lease liability	**391**	190
Amortisation of prepaid fees on debt facilities	**1,868**	2,022
Net foreign exchange loss / (gain)	**2,257**	4,134
Finance costs recognised in profit and loss	**23,327**	21,950

8. OTHER EXPENSES

	2023 $'000	2022 $'000
Depreciation of plant and equipment	**3,913**	4,926
Amortisation of right-of-use asset	**3,267**	2,408
Total depreciation and amortisation	**7,180**	7,334
UK overhead costs	**1,457**	1,259
Net (profit) / loss on sale of assets	**(8)**	60
Cost of evaluating M&A and restructuring opportunities	**305**	1,209
Revaluation of decommissioning liability	**915**	-
Other	**498**	98
Total other expenses	**3,167**	2,626

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:

	2023 $'000	2022 $'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	**268,440**	246,335
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	**37,000**	51,000
Total fees to Ernst & Young (Australia) (A)	**305,440**	320,635
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of any controlled entities	**–**	-
Total fees to overseas member firms of Ernst & Young (Australia) (B)	**–**	-
Total auditor's remuneration (A)+(B)	**305,440**	320,635

10. INCOME TAX

	2023 $'000	2022 $'000
Recognised in profit or loss		
Current tax expense/ (benefit)		
Current year	**6,307**	2,344
Tax losses not recognised and temporary differences derecognised in current year	**–**	713
Prior year tax losses utilised	**(6,307)**	(1,678)
Prior year adjustments	**38**	484
Prior year tax losses not recognised	**(38)**	(484)
	–	**1,379**
Deferred tax expense recognised in profit or loss		
Origination and reversal of temporary differences	**–**	(1,379)
Recognition of previously unrecognised carry forward tax losses	**(10,954)**	-
Total income tax expense / (benefit) in profit or loss	**(10,954)**	**–**
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	**(164,207)**	(11,329)
Prima facie income tax benefit calculated at 30%	**(49,262)**	(3,399)
Adjustment for:		
Non-deductible other expenses	**878**	68
Non-deductible impairment expenses	**47,190**	-
Effect of tax rate in foreign jurisdictions	**(57)**	(112)
Non-deductible finance cost	**5,620**	4,702
Current year tax losses not recognised	**–**	125
Prior year tax losses recognised in the current period	**(10,954)**	-
Prior year tax losses utilised	**(5,087)**	(2,763)
Current year temporary differences not recognised	**717**	1,379
Income tax expense / (benefit) attributable to operating loss	**(10,954)**	**–**

As 30 June 2023 the Board concluded that there was sufficient evidence to estimate a probable level of future taxable profits. A deferred tax asset of $11.0 million, being the tax expense expected to be incurred on this level of probable future taxable profits has been recorded. The deferred tax asset has been brought to account by recognising an income tax benefit of $11.0 million in Statement of Comprehensive Income in 2023.

for the year ended 30 June 2023

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic loss per share at 30 June 2023 was based on the loss after tax attributable to ordinary shareholders of $153,253,000 (2022: loss after tax attributable to ordinary holders $11,321,000) divided by a weighted average number of ordinary shares outstanding, calculated as follows:

	2023 Number	2022 Number
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**1,375,729,630**	1,196,286,636
Weighted average number of ordinary shares (basic) at 30 June	**1,327,550,415**	1,196,286,636

Diluted earnings per share

There were no dilutive potential ordinary shares outstanding at 30 June 2023 or 30 June 2022, 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

	2023 $'000	2022 $'000
Bank balances	**12,792**	2,345
Total cash and cash equivalents	**12,792**	2,345
Cash in trust	**1,253**	720
Total cash in trust	**1,253**	720

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 AND OTHER ASSETS

	2023 $'000	2022 $'000
Current trade and other receivables		
Trade receivables (not subject to provisional pricing)	**22,792**	11,388
Deposits supporting bank guarantees	**264**	264
Total trade and other receivables	**23,056**	11,652
Other current assets		
Prepayments	**1,588**	1,318
Total other assets	**1,588**	1,318

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 2023 and 2022. 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

	2023 $'000	2022 $'000
Materials and consumables	**5,228**	5,304
Total inventories	**5,228**	5,304

15. CONTRACT BALANCES

	2023 $'000	2022 $'000
Contract assets	**12,320**	10,600
Contract liabilities	**128**	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 2022 was recognised as revenue in FY 2023.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment $'000	Enterprise development $'000	Total $'000
30 June 2023			
At cost	116,477	12,578	129,055
Accumulated depreciation/amortisation/impairment	(85,215)	(12,500)	(97,715)
Carrying amount at 30 June 2023	**31,262**	**78**	**31,340**
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**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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 2022	29,120	290	29,410
Additions	5,843	–	5,843
Disposals	–	–	–
Depreciation and amortisation	(3,701)	(212)	(3,913)
Carrying amount at 30 June 2023	**31,262**	**78**	**31,340**

	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**

An independent expert was engaged to perform an independent valuation of the Group's plant and equipment as at 30 June 2023. No impairment charge was recognised as a result of this process.

17. RIGHT-OF-USE ASSETS

	Plant & equipment $'000	Enterprise development $'000	Total $'000
30 June 2023			
At cost	5,094	3,067	8,161
Accumulated depreciation/amortisation/impairment	(1,274)	(1,275)	(2,549)
Carrying amount at 30 June 2023	**3,820**	**1,792**	**5,612**
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**

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

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2022	1,836	1,401	3,237
Additions	4,758	899	5,657
Depreciation and amortisation	(2,759)	(508)	(3,267)
Carrying amount at 30 June 2023	**3,835**	**1,792**	**5,627**

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

18. EXPLORATION ASSETS

	2023 $'000	2022 $'000
Opening carrying amount	**156,112**	162,391
Remeasurement of decommissioning provision	**–**	193
Foreign Exchange movement	**1,212**	(6,472)
Impairment of exploration assets	**(157,324)**	-
Closing value	**–**	156,112

18. EXPLORATION ASSETS (continued)

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 2023	Interest 2022
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%

* The Group relinquished three licenses in July 2023.

The exploration assets comprise various UK onshore exploration licenses. On 22 September 2022 a moratorium on hydraulic fracturing in the UK, that had been in place since November 2019, was lifted by the then Prime Minister Liz Truss. Following the resignation of Ms Truss on 20 October 2022, the moratorium was abruptly reimposed on 25 October 2022 by her successor as Prime Minister Rishi Sunak. This was despite Mr Sunak having previously declared his conditional support for lifting the moratorium when he and Ms Truss both ran for the leadership of the Conservative Party. The reintroduction of the moratorium was unexpected, given that the Group has fully complied with strict regulations imposed by the government and considering the amount of money invested, along with our partners and the industry, following the UK Government's energy strategy to discover and then develop the UK's indigenous shale gas resources.

The Group continues to evaluate a range of options available to protect the substantial investment that we have made in these exploration licences and extract any potential value that exists, whether through eventual development as and when this is allowed, or by other means. However, as result of the adverse political circumstances in the UK during the last six months, including multiple leadership changes, the U-turn on the moratorium and the lack of discernible political will within the governing or opposition party to progress onshore shale gas exploration, the Group is no longer planning or budgeting substantive expenditure on further exploration and evaluation in its specific shale exploration licences areas. In accordance with accounting standards, it recorded a non-cash impairment loss of $157.3 million.

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.

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	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Consolidated						
Property, plant and equipment	**7,180**	11,233	**–**	–	**7,180**	11,233
Exploration asset	**–**	–	**–**	(2,811)	**–**	(2,811)
Provisions for employee benefits	**2,302**	2,065	**–**	–	**2,302**	2,065
AASB16 Leases	**165**	121	**–**	–	**165**	121
Trade creditors	**–**	12	**–**	–	**–**	12
Share raising costs	**219**	92	**–**	–	**219**	92
Blackhole expenditure	**222**	322	**–**	–	**222**	322
Borrowing costs	**53**	70	**–**	–	**53**	70
Other creditors and accruals	**988**	2,335	**–**	–	**988**	2,335
Unrealised foreign exchange differences	**1,884**	714	**–**	–	**1,884**	714
Decommissioning provision	**3,682**	3,064	**–**	–	**3,682**	3,064
Carry forward tax losses recognised	**10,954**	–	**–**	–	**10,954**	–
Deferred tax asset not recognised	**(16,694)**	(17,217)	**–**	–	**(16,694)**	(17,217)
Tax assets/(liabilities)	**10,954**	2,811	**–**	(2,811)	**10,954**	–
Set off of tax	**–**	(2,811)	**–**	2,811	**–**	–
Net assets/(liabilities)	**10,954**	–	**–**	–	**10,954**	–

19. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in temporary differences during the year:

	Balance 01 Jul 22 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Balance 30 June 23 $'000
2023				
Property, plant and equipment	11,233	-	(4,053)	**7,180**
Exploration asset	(2,811)	-	2,811	**-**
Provisions for employee benefits	2,065	-	237	**2,302**
AASB16 Leases	121	-	44	**165**
Trade creditors	12	-	(12)	**-**
Share raising costs	92	-	127	**219**
Blackhole expenditure	322	-	(100)	**222**
Borrowing costs	70	-	(17)	**53**
Other creditors and accruals	2,335	-	(1,347)	**988**
Unrealised foreign exchange differences	714	-	1,170	**1,884**
Decommissioning provision	3,064	-	618	**3,682**
Carry forward tax losses recognised	-	-	10,954	**10,954**
Deferred tax asset not recognised	(17,217)	-	523	**(16,694)**
	-	**-**	**10,954**	**10,954**

	Balance 01 Jul 21 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Recognised on acquisition	Balance 30 June 22 $'000
2022					
Inventories	(1,962)	-	1,962	-	**(1,962)**
Property, plant and equipment	11,974	-	(741)	11,233	**11,974**
Exploration asset	(2,857)	-	46	(2,811)	**(2,857)**
Provisions for employee benefits	1,891	-	174	2,065	**1,891**
AASB16 Leases	91	-	30	121	**-**
Trade creditors	12	-	-	12	**91**
Share raising costs	226	134	(268)	92	**12**
Blackhole expenditure	106	-	216	322	**226**
Borrowing costs	94	-	(24)	70	**106**
Other creditors and accruals	2,242	-	93	2,335	**94**
Unrealised foreign exchange differences	(503)	-	1,217	714	**(503)**
Decommissioning provision	3,121	-	(57)	3,064	**3,121**
Deferred tax asset not recognised	(14,435)	(134)	(2,648)	(17,217)	**(14,435)**
	-	**-**	**-**	**-**	**-**

Unrecognised deferred tax assets

As at 30 June 2023, the Group had significant accumulated income tax losses in Australia that have not been historically recognised as a deferred tax asset on the balance sheet. Following a detailed review of managements forecasts and other relevant factors the Board concluded that there was sufficient evidence to estimate a probable level of future taxable profits. A deferred tax asset of $11.0 million, being the tax expense expected to be incurred on this level of probable future taxable profits has been recorded. The deferred tax asset has been brought to account by recognising an income tax benefit of $11.0 million in Statement of Comprehensive Income in 2023.

The Group has further accumulated income tax losses for which a deferred tax assets has not been recognised of $35.1 million (2022: $51.2 million) in Australia and $17.4 million (2022: $22.7 million) in the UK. 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 $12.7 million (2022: $14.0 million) 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

	2023 $'000	2022 $'000
Current		
Trade payables	**4,313**	8,766
Other payables and accruals	**13,530**	10,516
	17,843	19,282

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

	2023 $'000	2022 $'000
Current		
Senior syndicated facility	**29,536**	19,094
Junior loan notes	**4,931**	33,510
Lease liabilities	**3,881**	1,925
Other	**21**	20
	38,369	54,549
Non-current		
Lease liabilities	**2,280**	1,716
Junior loan notes	**21,835**	-
Loans from related party	**64,390**	53,808
Other	**36**	50
	88,541	55,574
Total Current and Non Current finance facilities	**126,910**	110,123

On 21 April 2023 the Group announced that, following a competitive process during which multiple proposals were received, it had agreed to extend its existing loan arrangements with certain amendments. Details of the facilities and the key amendments agreed are provided below.

21. INTEREST-BEARING LOANS AND BORROWINGS (continued)

(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 $35 million subject to certain prescribed levels 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. Inline with increases in BBSY the applicable interest rate on the facility has increased to 10.56% at June 2023 (2022: 6.74%).

In April 2023 the Group and its Senior lenders agreed to amend and extend the Senior syndicated facility which will now mature in April 2025. However, balances outstanding under the Senior Syndicated facility are classified as current liabilities because of the revolving nature. Each repayment and subsequent draw down are 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.

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. Principal repayments of $8.0 million per annum continue to be required under this facility, with the exception of the 12 months beginning 1 April 2023 over which principal repayment must total at least $4.0 million, with the balance repayable at maturity. Since original inception of the original $50 million Junior loan notes facility in October 2019, the Group has repaid $23.1 million (net of capitalised interest). Taking into account scheduled principal repayments, the remaining principal at the newly agreed maturity date in April 2025 is anticipated to be less than $17 million.

Interest is charged at the bank bill swap rate plus a margin and is payable quarterly in arrears. The current interest rate is approximately 17.23% (2022: 14.08%).

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 2023 holds 56.67% of the shares of the Company (June 2022: 65.4%). Kerogen's facility is subordinated and ranks behind the Senior syndicated facility and Junior loan notes. It is US dollar denominated and interest accrues at 18% of the balance outstanding. As part of the April 2023 refinance, Kerogen extended its loan which will now mature in October 2025 or 9 months after early repayment of the Junior loan notes.

As part of the extension, the Group prepaid $3 million to Kerogen, and Kerogen provided various interest reliefs in the event the company reduces the balance outstanding below certain thresholds and / or pays interest in cash rather than deferring interest to scheduled termination. Interest on the Kerogen facility will be reduced from 18% on 16%, backdated to 24 April 2023 if the outstanding balance on the Kerogen loan (excluding deferred interest) is reduced to below US$40 million, and will be further reduced to 14% if the outstanding balance (excluding deferred interest) is reduced to below US$20 million. In addition, interest paid in cash within the first two years will benefit from an additional 4% reduction on the portion paid in cash and also backdated to apply from 24 April 2023. Payment of any amount of principal or interest to Kerogen, other than the initial $3 million prepayment noted above, is subject to various restrictions in the senior and junior loan agreements and requires consent.

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 $9.3 million (2022: $6.2 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:

	2023 $'000	2022 $'000
Opening balance 1 July	**3,641**	4,791
Additions during the year	**5,657**	1,157
Accretion of interest	**391**	190
Remeasurement	**–**	–
Payments	**(3,528)**	(2,497)
As at 30 June	**6,161**	3,641
Current	**3,881**	1,925
Non-Current	**2,280**	1,716

23. DECOMMISSIONING PROVISION

	2023 $'000	2022 $'000
Current	**3,733**	2,998
Non-current	**5,465**	4,661
Closing value	**9,198**	7,659

Current decommissioning provision relates to rehabilitation of wells whereby the Company does not have an unconditional right to defer costs outside the 12 months period post period end. A remeasurement of the present value of forecast decommissioning costs was undertaken during the period and resulted in an increase of $0.9 million being recognised as an expense in other expenses during the period.

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

	2023 $'000	2022 $'000
Carrying amount at 1 July	**7,659**	7,797
Remeasurement of decommissioning asset	**915**	193
Foreign Exchange movement	**624**	(331)
Closing value	**9,198**	7,659

24. EMPLOYEE BENEFITS

	2023 $'000	2022 $'000
Provision for employee benefits, including on-costs:		
Current	**6,494**	5,811
Non-current	**629**	637
	7,123	6,448

The amount of employee benefits recognised as an expense during the financial year was $56,484,000 (2022: $45,683,000).

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 $4,615,000 (2022: $3,538,000).

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:

	Issue Price Per Share (Cents)	No. of Shares	$'000
2023			
On issue at 1 July 2022		1,196,286,635	495,986
Placement	11.0 cents	179,442,995	19,739
Transaction costs incurred		–	(1,135)
On issue at 30 June 2023		**1,375,729,630**	**514,590**

	Issue Price Per Share (Cents)	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**

In September 2022 the Group completed a placement to institutional, sophisticated and professional investors within the 15% placement capacity limit. The placement raised $19.7 million before raising costs and settlement occurred on 5 October 2022.

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

	2023 $'000	2022 $'000
Carrying amount at 1 July	**(30)**	1,152

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 2023 or 2022 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 2023 is $60,852,374 (2022: $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 in accordance with IFRS9. An allowance for expected credit losses is 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.

26. FINANCIAL INSTRUMENTS (continued)

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:

	2023 $'000	2022 $'000
Trade and other receivables	**23,056**	11,652
Contract assets	**12,320**	10,600
Bank balances	**14,045**	3,065
	49,421	25,317

Impairment

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

	2023 $'000	2022 $'000
Drilling	**22,533**	11,106
Oil and gas	**523**	546
	23,056	11,652

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

	Gross 2023 $'000	Impairment 2023 $'000	Gross 2022 $'000	Impairment 2022 $'000
Not past due	**22,078**	**–**	**11,652**	-
Past due up to 30 days	**666**	**–**	**–**	-
Past due 31 to 120 days	**312**	**–**	**–**	-
Past due 121 days to one year	**–**	**–**	**–**	-
Past due more than one year	-	-	-	-
	23,056	**–**	**11,652**	**–**

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
2023							
Non-derivative financial liabilities							
Trade and other payables	17,843	(17,843)	(17,843)	-	-	-	-
Senior syndicated facility	29,536	(30,704)	(30,704)	-	-	-	-
Junior loan notes	26,766	(34,812)	(4,296)	(4,115)	(26,401)	-	-
Loans from related party	64,390	(93,459)	-	-	-	(93,459)	-
Lease liabilities	6,161	(6,922)	(2,140)	(2,301)	(1,308)	(1,173)	-
Other loans	57	(60)	(10)	(10)	(20)	(20)	-
	144,753	**(183,800)**	**(54,993)**	**(6,426)**	**(27,729)**	**(94,652)**	**-**

	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)	-		-
Loans from related party	53,808	(68,734)	-	(632)	(68,102)	-	-
Lease liabilities	3,641	(4,030)	(1,188)	(909)	(726)	(1,207)	-
Other loans	50	(73)	(9)	(9)	(19)	(36)	-
	129,385	**(148,824)**	**(46,195)**	**(32,539)**	**(68,847)**	**(1,243)**	**-**

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):

26. FINANCIAL INSTRUMENTS (continued)

	2023 Exposure to GBP $'000	2022 Exposure to GBP $'000	2023 Exposure to USD $'000	2022 Exposure to USD $'000
Cash balances	**557**	1,147	**–**	-
Trade and other receivables	**523**	546	**–**	-
Trade payables	**(770)**	(398)	**–**	-
Interest-bearing liabilities	**(37)**	(51)	**(64,390)**	(53,820)
Net Financial Instrument exposure	**273**	1,244	**(64,390)**	(53,820)
Value of Exploration assets	**–**	156,112	**–**	-
Decommissioning liability	**(9,198)**	(7,659)	**–**	-
Net balance sheet exposure	**(8,925)**	149,697	**(64,390)**	(53,820)

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	
	2023	2022	2023	2022
AUD/USD	**0.7293**	0.7578	**0.5967**	0.6200
AUD/GBP	**0.5775**	0.6238	**0.4725**	0.5104
Post-tax loss (higher) / lower	**5,829**	4,780	**(7,124)**	(5,842)
Net equity higher / (lower)	**6,665**	(8,716)	**(8,146)**	10,653

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2023	2022	2023	2022
USD	**0.6734**	0.7258	**0.6630**	0.6889
GBP	**0.5596**	0.5455	**0.5250**	0.5671

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 variable and fixed 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.

	2023 $'000	2022 $'000
Fixed rate instruments		
Financial assets	**264**	264
Financial liabilities	**(70,587)**	(57,499)
	(70,323)	(57,235)
Variable rate instruments		
Financial assets	**12,792**	2,345
Financial liabilities	**(56,302)**	(52,604)
	(43,510)	(50,259)

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:

	Strengthened 100 basis points		Weakened 100 basis points	
	2023	2022	2023	2022
Financial liabilities	**(580)**	(614)	**580**	614

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-23	Carrying Amount $'000	Fair Value $'000
Bank balances	14,045	14,045
Trade and other receivables	23,056	23,056
Trade and other payables	(17,843)	(17,843)
Senior syndicated facility	(29,536)	(30,367)
Junior loan notes	(26,766)	(27,831)
Loans from related party	(64,390)	(64,390)
Other	(57)	(57)
	(101,491)	**(103,387)**

26. FINANCIAL INSTRUMENTS (continued)

Jun-22	Carrying Amount $'000	Fair Value $'000
Bank balances	3,065	3,065
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)
	(111,047)	**(111,570)**

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 – Level 2 – 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:

	2023 $'000	2022 $'000
Total liabilities	**161,202**	143,882
Less: cash and cash equivalents	**(12,792)**	(2,345)
Less: cash in trust	**(1,253)**	(720)
Net debt	**147,157**	140,817
Total equity	**(57,059)**	76,816
Net debt to equity ratio at 30 June	**(2.58)**	1.83

27. CONSOLIDATED ENTITIES

The financial statements at 30 June 2023 include the following controlled entities. The financial years of all the controlled entities are the same as that of the parent entity.

Name of entity	Country of incorporation	Ownership interest 2023 %	2022%
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
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 Group's 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. As at 30 June 2023 this 3 year period has expired and the contingency no longer exists.

COMMITMENTS

At 30 June 2023, the Group had no contractual commitments that are not provided (2022: nil) for in relation to purchase of new plant and equipment.

29. PARENT ENTITY DISCLOSURES

As at 30 June 2023 and 2022, and throughout the financial years then ended, the parent entity of the Group was AJ Lucas Group Limited.

	2023 $'000	2022 $'000
Results of the parent entity		
Loss for the year	**(102,914)**	(13,629)
Total loss for the year	**(102,914)**	(13,629)
Financial position of the parent entity at year end		
Current assets	**10,728**	537
Total assets	**21,682**	39,966
Current liabilities	**55,337**	80
Total liabilities	**119,727**	53,888
Total equity of the parent entity comprises:		
Share capital	**514,783**	495,992
Employee equity benefit reserve	**4,670**	4,670
Accumulated losses	**(617,498)**	(514,584)
Total equity	**(98,045)**	(13,922)

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

	2023 $'000	2022 $'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	**12,792**	2,345
Cash in trust	**1,253**	720
Total cash	**14,045**	3,065
(b) Reconciliation of cash flows from operating activities		
Profit / (Loss) for the year	**(153,253)**	(11,327)
Adjustments for:		
Impairment of explorations assets	**157,324**	-
Amortisation of borrowing costs	**1,868**	2,022
Payment of borrowing costs in interest bearing liabilities	**(580)**	-
Increase / (decrease) in accrued and capitalised interest	**10,709**	8,144
(Profit) / loss on sale of non-current assets	**(8)**	60
(Gain) / loss on foreign currency loans	**2,257**	4,134
Remeasurement of decommissioning liability in P&L	**915**	-
Exchange rate changes on the balance of cash held in foreign currencies	**84**	(46)
Depreciation and amortisation	**7,180**	7,334
Operating loss before changes in working capital and provisions	**26,496**	10,321
Change in receivables	**(11,404)**	2,829
Change in other current assets	**(160)**	61
Change in inventories	**76**	1,236
Change in contract assets and liabilities	**(1,962)**	(5,659)
Change in deferred tax asset	**(10,954)**	-
Change in payables related to operating activities	**(1,379)**	3,180
Change in provisions for employee benefits	**675**	596
Net cash and cash in trust generated from operating activities	**1,388**	12,564

(c) Non-cash financing and investment activities

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

(d) Financing arrangements

Refer to Note 21.

30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (continued)

(e) Reconciliation of liabilities arising from financing activities

			Non-Cash		
	As at 1 July 2022 $'000	Cash Flow[1] $'000	Finance costs[2]	Other[3] $'000	As at 30 June 2023
Interest bearing liabilities	110,123	(12,508)	23,327	5,968	**126,910**

(1) Comprises proceeds from borrowings of $167.9 million less repayments of borrowings of $165.8 million, $2.2 million of transaction costs on borrowings, $3.1 million repayment of leases and $9.3 million in interest and other costs of finance paid.

(2) Comprise net finance costs disclosed in Note 7.

(3) Comprises predominantly lease additions of $5.7 million which resulted in a corresponding increase in right of use assets.

			Non-Cash		
	As at 1 July 2021 $'000	Cash Flow[1] $'000	Finance costs[2]	Other[3] $'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 $127.3 million less repayments of borrowings of $137.7 million, $2.4 million repayment of leases and $7.7 million in interest and other costs of finance paid.

(2) Comprise net finance 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 $11,770,722 (2022: $9,084,100), with balances outstanding at the balance sheet date disclosed in Note 21.

Julian Ball is a consultant and has in the past been a director of Kerogen and a Director of the Company.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

	2023 $'000	2022 $'000
Short-term employee benefits	**2,108,720**	1,982,458
Other long-term benefits	**16,105**	12,903
Post-employment benefits	**50,584**	47,136
Termination benefits	**96,657**	-
	2,272,066	2,042,497

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.

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

Key management person	Contracting entity	Transaction	2023 $	2022 $
Julian Ball	HR Services Limited	Non-Executive director services	**110,000**	110,000
Andrew Purcell	Lawndale Group Pty Ltd	Non-Executive director services	**225,000**	225,000

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 for these services was based on market rates and amounted to $51,925 during the year (2022: $16,000).

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 2023.

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 2023 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 2023 are set out below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2023

32. DEED OF CROSS GUARANTEE (continued)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2023 $'000	2022 $'000
Loss before income tax	**(145,780)**	(10,221)
Income tax expense	**–**	-
Loss after tax	**(145,780)**	(10,221)
Accumulated losses at the beginning of the year	**(424,259)**	(414,038)
Accumulated losses at the end of the year	**(570,039)**	(424,259)

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2023 $'000	2022 $'000
CURRENT ASSETS		
Cash and cash equivalents	**12,235**	1,198
Cash in trust	**1,253**	720
Trade and other receivables	**22,533**	11,106
Contract asset	**12,320**	10,600
Inventories	**5,228**	5,304
Other Assets	**1,499**	1,235
Total Current Assets	**55,068**	30,163
NON-CURRENT ASSETS		
Trade and Other Receivables	**–**	149,353
Property, plant and equipment	**30,816**	29,410
Right-of-use assets	**5,612**	3,237
Deferred tax asset	**10,954**	-
Total Non-Current Assets	**47,382**	182,000
Total Assets	**102,450**	212,163
CURRENT LIABILITIES		
Trade and other payables	**19,116**	18,889
Contract liability	**128**	370
Interest bearing loans and borrowings	**38,349**	54,530
Employee benefits	**6,494**	5,811
Total Current Liabilities	**64,087**	79,600

	2023 $'000	2022 $'000
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	**88,504**	55,523
Employee benefits	**629**	637
Total Non-Current Liabilities	**89,133**	56,160
Total Liabilities	**153,220**	135,760
Net Assets	**(50,770)**	76,403
EQUITY		
Share capital	**514,590**	495,983
Reserves	**4,679**	4,679
Retained earnings	**(570,039)**	(424,259)
Total Equity	**(50,770)**	76,403

33. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

Subsequent to balance date the Board appointed Marcin Swierkowski, the Group's Company Secretary and Commercial Manager, to undertake the role of CEO in an interim capacity effective 1 September 2023 while and external and internal search revaluation process is concluded for a permanent appointment.

Other that as noted above, 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 2023

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 33 to 73 and the Remuneration Report included in the Directors' Report, set out on pages 20 to 23, 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 2023 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 2C, 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 2023.

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 2023

INDEPENDENT AUDITOR'S REPORT

for the year ended 30 June 2023

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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 2023, 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 2023 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.

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. 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.

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Impairment of exploration assets

Refer to Note 18 Exploration Assets

Why significant	How our audit addressed the key audit matter
The Group's has recorded an impairment of exploration assets of $157.3 million during the financial year ending 30 June 2023. 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 disclosed in Note 3(P). There were no additional costs capitalised to Exploration Assets during the year to 30 June 2023. At each reporting date the Directors assess the Group's exploration assets for facts or circumstances which suggest the Group test for impairment. The decision as to whether there are facts or circumstances that require the Group's exploration assets to be assessed for impairment in accordance with the requirements of AASB 6 Exploration for and Evaluation of Mineral Resources 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, noting the significant changes relating to the removal and reimplementation of the moratorium on hydraulic fracturing in the United Kingdom (the "moratorium") during the period. As a result of these changes the Group is no longer planning or budgeting substantive expenditure on further exploration and evaluation in its specific shale exploration licences areas, which has triggered an impairment assessment in the period. An assessment of the recoverable value of explorations assets was performed resulting in an impairment charge of $157.3 million. We have therefore considered this a key audit matter due to the significant value of the impairment recorded in the period, the judgment involved in the assessment of facts and circumstances which require an impairment test, the impacts of significant and prolonged uncertainty as to whether the moratorium will be lifted and its associated impact on valuation as well as the significant estimate of the recoverable amount.	Our audit procedures to address the Group's assessment of impairment of exploration assets included the following: ▶ Evaluated the Group's right to explore in the relevant exploration area, which included obtaining and assessing supporting documentation such as license agreements; ▶ Assessed the Group's intention to no longer plan or budget substantive expenditure on further exploration and evaluation in its specific shale exploration licences, which included discussions with senior management and Directors as to the intentions and strategy of the Group and reviews of the Groups future budgets; ▶ Reviewed 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; ▶ Evaluated management's assessment of recoverable value, acknowledging the significant judgements in relation to market values, inherent future uncertainty due to the current moratorium and consideration of the highest and best use of the assets; ▶ Involved EY valuation specialists to assess the recoverable value assessment; ▶ Assessed any changes in market conditions or other factors that may consider any potential impairment reversal in the period post impairment; and ▶ Assessed the adequacy of the related disclosures in the Notes to the financial report including those made with respect to judgments and estimates.

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Recognition of deferred tax assets

Refer to Note 10 Income Tax and Note 19 Deferred Tax Assets and Liabilities

Why significant	How our audit addressed the key audit matter
During the period ended 30 June 2023, the Group recognised a net deferred tax asset of $11.0 million on the balance sheet, of which $11.0 million represents historical tax losses carried forward as disclosed in Note 10 and Note 19 to the financial report. In prior periods the Group has only recognised deferred tax assets for carried forward losses and temporary differences to the extent of its deferred tax liabilities. In assessing the recognition of deferred tax assets relating to the available unused tax losses where there is a recent history of generating tax losses, Australian Accounting Standards requires evidence that probable future taxable profits will be available against which the unused tax losses can be used by the entity. The analysis of the recognition and recoverability of the deferred tax asset was assessed to be a key audit matter because of the amount of income tax benefit recorded in the consolidated statement of comprehensive income for the year is significant and future taxable income projections used to assess the recoverability of the deferred tax asset are judgemental and based on future market assumptions, including forecast revenue pipeline, capex requirements and estimated cost of operations.	We assessed the Group's recognition of the net deferred tax asset and its methodology for determining the amount of the deferred tax asset to be recognised in accordance with Australian Accounting Standards. Our audit procedures included the following: ▶ Assessment of the amount of the Group's available carry forward tax losses and the impact of any known or potential limitations that could affect recoverability of the tax benefit of the caried forward tax losses under Australian Tax Law. Our income tax specialists were involved in the conduct of these procedures; ▶ In the assessment of future taxable profits we: o Tested the mathematical accuracy of management's model used to estimate the Group's forecast cash flows and taxable income; o Evaluated the modelling methodology applied by management with reference to Australian Accounting Standards and with normal industry practice; o Compared key forecast assumptions to historical balances and internal budgets as approved by the Directors; o Assessed management's history of budgeting accuracy; o Considered the time period of forecast taxable profits in which are considered probable to assess recovery of historical tax losses; and o Assessed the adequacy of the disclosures in the Notes to the financial report.

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Assessment of the Group's ability to continue as a going concern

Refer to Note 2(c) Going Concern

Why significant	How our audit addressed the key audit matter
In assessing whether the financial statements should be prepared on the going concern basis, the Directors are required to consider all available information for a period of at least 12 months from the date of approval of the financial statements. In conducting their assessment, the Directors have concluded that there are no material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern over this 12 month period. At 30 June 2023, the Group is in a net liability position at of \$57.1 million (June 2022 net assets of \$76.8 million), and a net current liability position of \$10.3 million (2022: \$51.1 million). The Group generated a loss before tax for the year of \$164.2 million (2022: \$11.3 million) predominantly driven by a one-off non-cash impairment expense recognised against exploration assets during the year of \$157.3 million (June 2022: \$Nil) as disclosed in Note 2 (c). In assessing the appropriateness of preparing the financial statements on the going concern basis, the Directors have considered the following ▶ Successful refinancing of its existing loan arrangements in April 2023, extending maturity of this debt for a further 2 years to April 2025; and ▶ The significant revenue and EBITDA growth of the Australian Drilling business earnings in the current period. The Directors have updated their cash flow forecasts to take into account, to the extent possible, their expectations of future operating performance of the company including: ▶ Continuation of revenue and EBITDA earnings of existing and new work, including expectations around renewal of existing customer contracts; ▶ The outlook for metallurgical coal and the impact this has on demand for the Groups services; ▶ Costs of operations, including required capital and operating expenditure; ▶ Estimate cost and timing of rehabilitation expenditures in the UK; and	Our audit procedures included the following: ▶ Assessed the Group's historical forecast accuracy in its cash flow budgeting; ▶ Challenged the key revenue, margin and capital expenditure assumptions in the forecast period, comparing against actual balances; ▶ Compared forecast sales with historical revenue achieved for key customers and assessed the current contract period for key customers over the forecast period; ▶ Considered whether the Group's liquidity, debt repayment schedule and covenant headroom positions with reference to executed borrowing facility agreements were accurately reflected within the cash flow forecasts; ▶ Tested the mathematical accuracy of the models used to prepare the Group's cash flow forecast; ▶ Assessed the reasonableness of key cash flow options available and ability for the Group to delay or defer spending if required; and ▶ Assessed the adequacy of the Group's disclosure relating to going concern in the financial report.

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Why significant	How our audit addressed the key audit matter
▶ The costs of financing and associated principal repayment profiles. We considered the assessment of the Group's ability to continue as a going concern to be a key audit matter related to going concern as a result of the current financial position and performance of the Group and the potential uncertainties within the cashflow forecast in the assessment period, and the period beyond, and the significant judgement required to conclude a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern is not present.	

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 2023 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 20 to 23 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of AJ Lucas Group Limited for the year ended 30 June 2023, 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 2023

AUSTRALIAN SECURITES INFORMATION ADDITIONAL INFORMATION

for the year ended 30 June 2023

DISTRIBUTION OF ORDINARY SHAREHOLDERS (AS AT 31 JULY 2023)

Securities held	Number of shareholders	Number of shares
1 – 1,000	526	234,590
1,001 – 5,000	592	1,644,572
5,001 – 10,000	256	2,034,391
10,001 – 100,000	780	30,346,922
100,001 and over	396	1,341,469,155
Total	**2,550**	**1,375,729,630**

1,841 shareholders held less than a marketable parcel of 38,462 shares at 31 July 2023.

TOP 20 SHAREHOLDERS (AS AT 31 JULY 2023)

Name	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1 (HK) Limited	779,888,166	56.67
Citicorp Nominees Pty Limited	147,227,116	10.70
Mr Paul Fudge	59,101,431	4.30
HSBC Custody Nominees (Australia) Limited	25,627,612	1.86
BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	18,150,426	1.32
Mrs Lenore Ann Hanks + Mr Micheal David Hanks <BROADWILL FAMILY A/C>	15,000,000	1.09
Inkese Pty Ltd	14,500,000	1.05
Buttonwood Nominees Pty Ltd	11,308,689	0.82
Tide Rider Pty Ltd	10,995,000	0.80
Mr Paul Sze Yuen Cheung + Mrs Pauline Kwok Sim Cheung	10,446,370	0.76
Mr Robert Alexander Hoad + Ms Jacquelyn Maria Hoad <SUNSHINE INVESTMENTS A/C>	9,100,000	0.66
Rossbow Pty Ltd <Andrew Macpherson TDT A/C>	8,500,000	0.62
BNP Paribas Nominees Pty Ltd <DRP>	6,323,924	0.46
Ecapital Nominees Pty Limited <Accumulation A/C>	6,000,000	0.44
Mr Raymond Francis Frew + Mrs Gillian Margaret Frew	5,020,000	0.36
Twinkle Capital Pty Ltd	5,000,000	0.36
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	4,561,178	0.33
Sunderland Technology Pty Ltd	4,500,000	0.33
Neweconomy Com AU Nominees Pty Limited <900 ACCOUNT>	4,415,492	0.32
Mr Tue Gia Nguyen	4,400,000	0.32
	1,150,065,404	**83.57**

SUBSTANTIAL SHAREHOLDERS

Name	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1(HK) Limited	779,888,166	56.67

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 2023

COMPANY SECRETARY

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

Registered office

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

SHARE REGISTRY

Computershare Investor Services Pty Limited
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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.

LUCAS