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AJ LUCAS DELIVERS STRONGER REVENUE AND OPERATING EARNINGS

Drilling services and gas exploration group AJ Lucas Group Limited (ASX: AJL) ("Lucas") continues to benefit from strong demand for Australian metallurgical coal, today reporting a strong lift in revenue and earnings for the 12 months to 30 June 2023.

The company lifted revenue by 27.9% to \$157.6 million (FY22: \$123.2 million), with Reported EBITDA increasing 31.6% to \$23.6 million (FY22: \$18.0 million). The net result for the year was a loss of \$153.3 million (FY22: \$11.3 million) primarily due to a previously announced impairment of \$157.3 million on the company's UK gas exploration assets.

Profit before interest and tax (excluding impairment) was up 54.8% to \$16.4 million (FY22: \$10.6 million).

Lucas operates two separate businesses. In Australia, the company provides a suite of drilling services including exploration, production and directional drilling - focussing on the highly specialised metallurgical underground mining sector. In the UK, Lucas owns 96% of the British shale gas exploration company Cuadrilla Resources Limited.

Lucas' main operating business performed strongly, delivering EBITDA of \$26.0 million (FY23: \$19.1 million), which represents an increase of 36.6% on the previous year. The EBITDA margin of 16.5% improved from the 15.5% achieved in the previous year.

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

Lucas Chief Executive Officer Brett Tredinnick said:

"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. Our fundamentals are the strongest they have been in many years.

After a frustrating 2022 financial year where we were impacted by a range of client issues, we entered the 2023 financial year optimistic we could push the Australian business to new heights of revenue and profitability. I am pleased to say we were largely able to achieve this.

Mr Tredinnick announced his resignation in May and will finish with the business on 31 August. The board has launched an external and internal search and evaluation process for a permanent replacement. Current Company Secretary and Commercial Manager Marcin Swierkowski has been appointed as Interim Chief Executive Officer while this process is completed.

During the year, the Group's UK operations incurred incidental administration and other expenses of \$2.4 million (FY23: \$1.1 million), which included a \$0.9 million revaluation of future rehabilitation obligations recorded in the current year. The UK operations have been subject to extreme political volatility with the moratorium on hydraulic fracturing lifted under Prime Minister Liz Truss, only to be reinstated by her successor, Rishi Sunak.

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

The impairment, which is considered to reflect an extraordinary event, is non-cash in nature and has no impact on the Company's debt facilities, banking covenants, compliance with ASX Listing Rules or the pursuit of any growth and deleveraging initiatives being pursued.

The company will continue to seek opportunities to extract value from these assets and has 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.

After the year-end, Lucas agreed 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.

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

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