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

ASX/MEDIA RELEASE
9 November 2023

# Interim CEO AGM Address

Attached is a copy of the address to be given by the Interim CEO at the AJ Lucas Annual General Meeting today.

This announcement has been authorised by the Board.

ENDS

---

**For further information, please contact:**
**AJ Lucas Group Limited +61 (0)7 3363 7333**
Andrew Purcell Chairman
Marcin Swierkowski Company Secretary

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

**Interim Chief Executive Officer's Report**
**2023 Annual General Meeting**

Welcome, ladies and gentlemen, and thank you, Mr Chairman.

This is my first address as Lucas' interim CEO, and I would like to thank the Board and shareholders for allowing me the opportunity to lead the Group.

I have been with Lucas for more than a decade, most recently as the Company Secretary and Commercial Manager, where I worked closely with the Board and our former CEO Brett Treddinick across the business's strategy, governance and finance functions.

I will start today by providing an overview of our performance in the year to June 30 2023, before an update on trading in the current year.

The financial performance of your business in FY23 was very strong and a clear demonstration of the potential of our operations.

Our revenue was $157.6 million, and Australian operations EBITDA was up 36% from the previous year to $26 million. These are the best numbers we have delivered in many years and were driven by increased asset utilisation as the mine operations of key clients returned to normal after weather and other disruptions throughout FY22.

We drilled approximately 326,000 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.

After administration and holding costs for our UK business and a revaluation of decommissioning liabilities, reported Group EBITDA was $23.6 million, a 31% increase on the previous year.

While the local drilling business performed well, our UK business continued to be a source of frustration.

During the course of FY23, the UK government had three prime ministers, each of whom indicated a different policy setting for onshore gas exploration in the country.

One of the critical events during the year was the release of a British Geological Society technical report, which the Government commissioned, that concluded the limited number of hydraulic fracturing operations in the UK's history, and I quote, "made it impossible" to determine with statistical significance the rate of occurrence of induced seismicity from hydraulic fracturing.

Seismic activity, allegedly caused by fracturing, was used as the basis for imposition of the moratorium on the practice in 2019.

The release of the report coincided with the decision by Liz Truss to lift the moratorium to allow the gathering of better data to improve the evidence base. Following her resignation after just 44 days in the job, new Prime Mister Rishi Sunak reimposed the moratorium.

This was despite the UK's depleting existing gas resources and increases in imports of expensive LNG amid spiralling increases in energy prices.

As a result of the flip-flopping and lack of longer-term foresight from the UK government, we decided to recognise a one-off non-cash impairment against the Group's exploration assets in full.

It is interesting to note that Prime Minister Sunak held an emergency cabinet meeting in October, delaying several "green" initiatives to help ease the impact of rising energy costs.

During the year, we also recognised a $11 million income tax benefit, representing the first recognition of a small portion of the Group's carry-forward income tax losses available to offset future income tax profits.

After the impact of the impairment of our UK assets, depreciation, amortisation and finance costs, the Group's net loss for the year was $153.3 million. Excluding the one-off non-cash impairment of the UK exploration licences, this was a $4 million profit.

Safety remains a key priority for everyone in the business. We take safety seriously in all we do, and our safety culture is ingrained in all levels of the organisation.

We continue to maintain industry-leading performance, reflected in our low Total Recordable Injury Frequency Rate (TRIFR), which finished the year at 1.07, down from 4.07 last year. In simple terms, this means we had one recordable injury during the year.

We have always adopted the view that one injury is one too many, and we continue to look at new ideas and programs to keep our focus fresh and unquestionable. Safety in our operations is every employee's responsibility, and I am proud to have such an experienced and committed team from the Board down.

Turning now to our performance in the current year.

The first quarter of FY24 delivered revenue of $39 million and EBITDA from Australian Operations of $5.4 million. Operating cash flow was a healthy $13 million which comprised cash paid financing costs of $2.1m and $10.2 million in working capital movement.

The quarter was a bit slower than we had hoped, with EBITDA slightly lower than the same quarter last year with plant maintenance required to a number of key rigs, which impacted time being spent drilling.

Under the circumstances, the results for the quarter provides a solid start to the year that I am confident we can build on. Early indications are that the second quarter will be stronger than the first.

Overall, the business has continued to build on the momentum we developed in FY23, and we are optimistic of achieving another strong result in FY24, subject to any unforeseen circumstances.

On a recent visit to our operations in outback Queensland, my first since being apponted to the Interim CEO position, I had the privilege of meeting a number of our fantastic crews and client field staff. It made me proud to see the loyalty and sheer dedication of the people that undertake our operations, deliver results to the satisfaction of our customers and earn the Groups revenue. The highlight thought, was when two separate clients voluntarily provided me feedback that they so much appreciate the dedication and passion of our staff who care so much about delivering on their promises. It's feedback like this that makes me pround to be part of the Lucas Group.

I would like to thank the staff and Board for their support in my new role.

ENDS