

25 February 2022

AJ LUCAS GROUP FIRST-HALF RESULTS

Half Year Highlights to December 31, 2021

- Revenue down 1.1% to \$60.64 million (2021H1: \$61.31 million) due to the continuation of delays and issues at client mines during the half.
- Historically second half performance is stronger than that of the first; client delays and interruptions have now been addressed, and all of the Group's higher value rigs were operating by January 2022.
- Industry-leading total recordable injury frequency rate ("TRIFR") of 4.59 in the first half.

AJ Lucas Group Limited (ASX: AJL) has today reported EBITDA of \$10.8 million for the first half with a continued strong performance and profitability from the Group's core drilling operations, despite a range of client-side issues.

Lucas Group is one of Australia's leading providers of exploration, production and directional drilling services and has supported some of the world's largest miners for more than 20 years.

The Group's first-half revenue fell 1.1% to \$60.64 million, due mainly to the continuation of various delays and interruptions reported in the year to 30 June 2021. The net result was a loss of \$3.3 million, compared to a profit of \$9.9 million for the previous corresponding period.

The net operating loss for the half-year reflects a \$5.5 million increase in net finance costs over the previous corresponding period, due in large part to a \$1.5 million foreign exchange loss on its USD related-party debt as compared to a foreign exchange profit of \$4.2 million for the previous corresponding period.

Lucas Group's Chief Executive Officer Brett Tredinnick said the Group was continuing to build on the structural and operational improvements which had been rolled out in the previous financial year but remained beholden to the variable nature of mining and the shifting priorities and challenges of clients.

"While revenue fell slightly, this was a direct result of the ongoing issues at some key clients' mines and are not reflective of the usual project performance life cycle of the Group's drilling business," he said.

"We have been aware of these issues for some time and have headed into the second half of the current year confident that the delays and interruptions have been addressed.

"All of the Group's higher value rigs were operating by January 2022 and delivering an increase in monthly EBITDA run rate which is expected to result in a strong second half performance."



UK OIL AND GAS INVESTMENTS

Lucas also holds a significant portfolio of Onshore Petroleum Exploration Licenses that cover almost 2% of England. The development of these licenses, which Lucas Group has demonstrated contains high-quality gas, has been delayed by the moratorium on hydraulic fracturing announced by the UK Government in November 2019. In response, Lucas Group significantly scaled back operations.

During the first half, the UK operations incurred administration and other expenses of \$0.9 million, largely to support the maintenance of the Group's licences and the pursuit of strategies to overturn the moratorium.

Lucas Group, together with other UK shale gas operators, have been working together and collaborating with the UK regulator to address its concerns around induced seismicity, so that the moratorium can be lifted.

The Group's efforts should be viewed in the context of the broader UK energy market crises caused by supply shortages. Multiple UK energy suppliers have collapsed, and gas and electricity prices have increased significantly.

Wholesale gas prices in the UK increased from typical levels of £0.50 per therm to a record peak of £4.50 per therm in December 2021. Whilst they subsequently fell back somewhat to around £2.0 per therm they are now rapidly rising again, following Russia's invasion of Ukraine, trading currently at close to £3.0 per therm. As a consequence of rising wholesale prices, the price cap that suppliers are permitted to charge UK domestic consumers for energy (including both electricity and gas) has been increased by a record-breaking 54% with further price rises forecast to come.

Very recent events in Ukraine have reinforced the criticality of security of gas supply and the benefits of having significant domestic gas production in a world where gas demand continues to increase and supply becomes increasingly constrained and potentially uncertain.

Lucas is confident that the gas held onshore in the UK can be a very significant and clean contributor to the UK energy supply and, in particular, a source of fuel for heating homes and businesses.

OUTLOOK

The Board and Management remain optimistic about trading conditions in the second half and are confident the Group's traditional weighting of a stronger relative second half performance compared to first remains the case.

Mt Tredinnick said this confidence was underpinned by a strong order book and Lucas Groups expertise in directional drilling.

"The Group also expects to increase utilisation of its exploration drilling fleet, which will make a positive contribution to revenue and earnings in the second half," he said.

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



ENDS

Media enquiries to:

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