



FULL YEAR RESULTS FINANCIAL YEAR 2020





AJ Lucas highlights

OPERATING BUSINESS UNIT

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

INVESTMENT

OIL & GAS

Appraisal and commercialisation of unconventional hydrocarbons in the UK

One of the largest shale gas acreage positions in the UK



UNDERLYING LDS EBITDA

+14.6% (2019: \$24.4m)



UNDERLYING LDS EBITDA MARGIN

+2.1%



SAFETY RECORD

3.67 TRIFR at 30 June 2020



SAFETY RECORD

0 LTI's > 7 years



METRES DRILLED LAST FINANCIAL YEAR

569,500



INTEREST IN UK ACREAGE OF

>2,500 km²

Drilling operations

- Strong FY20 financial result with Underlying Earnings increasing 14.6% to \$27.9 million
- 20 year anniversary servicing Tier 1 clients

Board and corporate

- Andrew Purcell appointed Chairman, replacing Phil Arnall who is retiring
- Brett Tredinnick appointed Group CEO

Oil and Gas

- Cuadrilla shareholding doubled to 96%
- UK operating costs and overhead significantly reduced as a result of UK Government imposed moratorium

Capital Management

- US\$ denominated debt with OCP refinanced with more cost-effective AU\$ denominated facilities

Drilling Services

Safety ingrained in Lucas DNA

- Excellence safety record continues
 - FY20 TRIFR¹ of 3.67, well below mining industry average
 - FY20 LTIFR² of 0 for the 7th consecutive year

Continued strong financial result

- Revenue up 2% to \$147.7m
- Underlying EBITDA up 14% to \$27.9m
- Results would have been stronger had COVID 19 and key customer operational issues not impacted operations

Proven business model

- 41 multi purpose drill rigs supported by ~ 400 staff
- Continued focus on performance improvements
- Plant reinvestment of \$9.8m into the fleet
- Business initiatives including technology and innovation
 - Fleet addition of industry leading, multi purpose extended reach directional rig
 - Successful extended reach in seam drilling trials

Financial performance of Lucas Drilling Division (year ended 30 June)

	2015 \$'m	2016 \$'m	2017 \$'m	2018 \$'m	2019 \$'m	2020 \$'m
Revenue	83.5	79.6	73.4	124.7	143.4	146.7
Underlying EBITDA	6.2	11.4	2.7	19.7	24.4	27.9
EBITDA Margin	7.4%	14.3%	3.6%	15.8%	17%	19.1%



DIRECTIONAL DRILLING

	No. rigs	Avg depth (m)
PD100 (Lateral)	2	3,100
DDI40 (Lateral)	2	2,500
Workover rig	1	400
Bore Guide Survey Tool	14	NA

5 RIGS



LARGE DIAMETER

Schramm 685	4	200-300
Schramm T130	3	500
G55 Drillmac	1	500
Schramm TXD	1	800
WEI	1	500
Soilmac	1	850

11 RIGS



EXPLORATION

UDR650	4	450
Sandvik DE810	6	450
Schramm T450	2	450
Deltabase 520/LP90D/UDR200/LF90	4	200
UDR1200/KWL1600	7	700
UDR1000	2	650

25 RIGS

¹ TRIFR denotes total recordable injury frequency rate

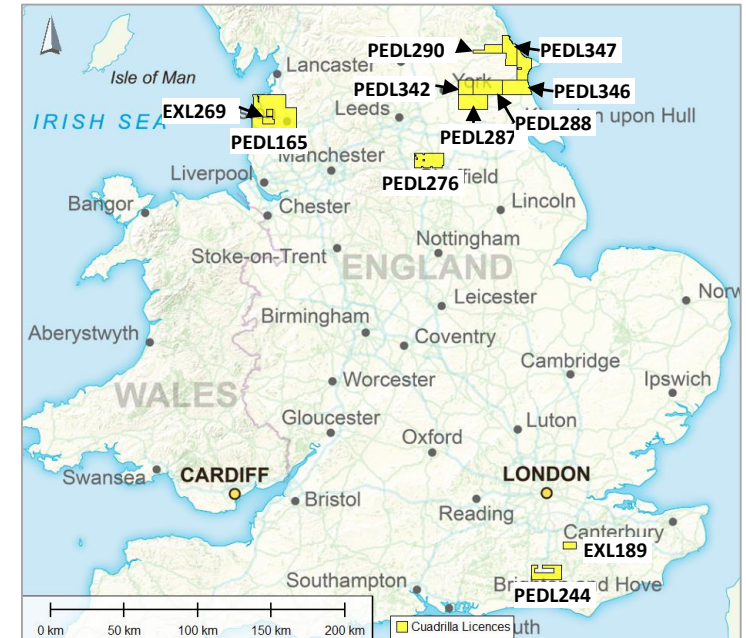
² LTIFR denotes lost time injury frequency rate

PNR is a quality gas natural resource

- UK Government imposed hydraulic fracturing moratorium due to induced seismicity. Preston New Road (PNR) seismic event was below levels allowed in other industries.
- PNR high quality natural gas flows to surface from two partially fracked wells
- Significant reduction in operating and overheads cost implemented following moratorium. Fit for purpose technical and management capability remain.
- Cuadrilla is working with other UK shale operators and recognized experts to improve predictability and mitigate seismicity

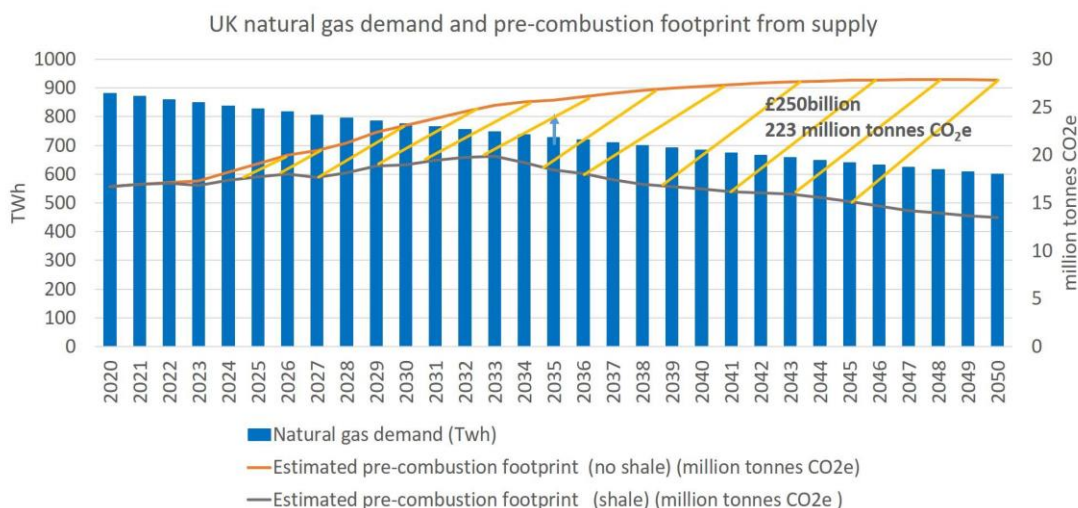
UK has “net zero” CO₂ by 2050

- “Net Zero” target enshrined in legislation
- UK Government & Climate Change committee recognize that gas is a key component of “net zero” target
- UK net importer of gas, North Sea gas production declining
- Well positioned to respond to future re-evaluation of value of UK indigenous gas
- Participating in number of UK onshore conventional opportunities including flow test of Balcombe well operated by Angus Energy



Gained control of Cuadrilla

- Acquired Riverstone interest in Cuadrilla increasing ownership (from 48% to 96%)
- In July 2020, Spirit advises intention to exit 25% license for a nominal sum.
- AJL's effective interest in PEDL 165 will increase to almost 100%



The use of shale gas in this scenario represents a 50% reduction in natural gas imports

Basin	Licence	Gross Area (km ²)	Partner	% interest
Bowland	PEDL165	1068.20	Cuadrilla	51.25%
			Spirit	25.00%
			AJ Lucas	23.75%
	EXL 269	54.50	Cuadrilla	53.50%
			Spirit	22.75%
			AJ Lucas	23.75%
Gainsborough	PEDL276	192.35	Cuadrilla	100.00%
South Cleveland	PEDL342	100.00	Cuadrilla	70.00%
			INEOS	30.00%
	PEDL288	200.00	Cuadrilla	70.00%
			INEOS	30.00%
	PEDL346	184.55	Cuadrilla	70.00%
			INEOS	30.00%
	PEDL287	200.00	Cuadrilla	70.00%
			INEOS	30.00%
North Cleveland	PEDL290	88.00	Cuadrilla	100.00%
	PEDL347	157.04	Cuadrilla	100.00%
	PEDL333	152.02	Cuadrilla	100.00%
Weald	PEDL244	154	Cuadrilla	56.25%
			AJ Lucas	18.75%
			Angus Energy	25.00%
	EXL189	45.00	Cuadrilla	96.00%
			Altwood Petroleum	4.00%

Debt

- In October 2019, AJL refinanced the OCP US\$ loan facility with two new lending parties (Refinanced Facility) for up to \$80m
- The Refinanced Facility:
 - AU\$ denominated
 - Investec, up to \$30m (Asset Based Lending (ABL) facility, matures in October 2022)
 - HSBC Group, \$50m (junior ranking loan note, matures in April 2023)
- The refinanced facility reduces:
 - AJL foreign currency risk as it is Australian dollar denominated
 - Interest cost, now at a much lower rate - 5.65% (ABL) to 13.9% (junior facility)
- As part of the refinancing with new lenders, Kerogen extended maturity of its facility to October 2023
 - Kerogen facility is subordinated and ranks behind the ABL and junior loan note facility

Equity

- Equity raised in November 2019 to support the remaining hydraulic fracturing and flow testing obligations and to deleverage the Balance Sheet
- Kerogen continues to support AJL by participating for its full pro rata entitlement of \$24.7m

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