AJ LUCAS GROUP LIMITED

ABN: 12 060 309 104

INTERIM REPORT

&

APPENDIX 4D

HALF YEAR ENDED 31 DECEMBER 2017

(Previous Corresponding Reporting Period:
half year ended 31 December 2016)

Appendix 4D

for the half year ended 31 December 2017

Name of entity: AJ LUCAS GROUP LIMITED

ACN: 060 309 104

	Change			Dec-17 $A'000	Dec-16 $A'000
Revenue					
Revenues from continuing operations	Improvement of	65.7%	to	57,339	34,610
Revenues from discontinued operations	Decrease of	24.4%	to	12,705	16,797
Revenues from ordinary activities	Improvement of	36.3%	to	70,044	51,407
Results from continuing operations					
Underlying EBITDA from continuing operations [1]	Improvement of	742.9%	to	3,433	(534)
Reported EBITDA from continuing operations [2]	Improvement of	223.7%	to	6,896	(5,573)
Profit / (Loss) before interest and tax from continuing operations	Improvement of	149.5%	to	3,951	(7,976)
Loss for the period from continuing operations	Improvement of	74.6%	to	(6,166)	(24,317)
Loss from continuing and discontinued operations					
Loss for the period attributable to members	Improvement of	66.0%	to	(8,547)	(25,162)

NTA Backing	**Dec-17**	**Dec-16**
Net tangible asset backing per ordinary security (cents per share)	15.0	17.0

Subsequent to 31 December 2017 The Company issued 164,908,500 ordinary shares at $0.32 per share raising approximately $52.6 million, as noted in the subsequent events disclosure in the Directors report and Note 12 to the Interim Financial Statements attached. Had the effect of the Capital Raising been reflected as at 31 December 2017 the NTA backing per security would have been 18.7 cents.

Dividends	Amount per security	Franked amount per security
Final dividend - current year	0.0¢	N/A
- previous year	0.0¢	N/A
Total dividend - current year	0.0¢	N/A
- previous year	0.0¢	N/A

(1) Underlying EBITDA refers to reported EBITDA from continuing operations adjusted for certain non-operating or non-recurring items. A reconciliation of Loss from ordinary activities after tax to underlying EBITDA is provided within the Commentary on the Results section.

(2) Reported EBITDA from continuing operations refers to earnings before net financing costs, depreciation and amortisation, impairments and tax expense but excludes results from discontinued operations.

An interim financial report for the half year ended 31 December 2017 is provided with the Appendix 4D information.

1. The interim report has been prepared in accordance with AASB 134 Interim Financial Reporting.
2. The Appendix 4D information is based on the interim financial report, which has been subject to a review.
3. The Auditor's review report includes an emphasis of matter regarding the continuation of the Group as a going concern which is provided with the interim financial report.
4. The non-IFRS financial information presented in this document has not been audited or reviewed in accordance with Australian Auditing Standards.

Commentary on the Results

for the half year ended 31 December 2017

Trading conditions improved with the continued upturn in the eastern seaboard coal market. The Drilling division secured increased demand for its gas drainage services from its coal mining customers in response to their increased coal production volumes. We have approximately 30 rigs in operations in December compared to an average of 21 in the 2017 financial year. The previous Drilling strategy of penetrating other markets such as coal seam gas and water in 2016/2017 have largely been scaled back due to lower margins being experienced and the majority of focus and attention has been in the coal mining industry. The Drilling division has a strong order book at the end of the reporting period.

As announced at the AJ Lucas AGM in November 2017, the Engineering and Construction business separated from its long term contracting partner Spiecapag during the half year for major cross-country pipeline projects in an endeavour to be more flexible in project quoting and to select fit for purpose partners for specific projects. A number of opportunities to partner on projects arose during the period however no new major joint venture pipeline work was successfully tendered despite some close results. Several smaller projects were undertaken in the utility infrastructure market during the period as well as two key contracts in the horizontal directional drilling market in New Zealand and Indonesia. As previously foreshadowed, AJ Lucas is currently assessing indicative non-binding proposals for the purchase of the Engineering and Construction business.

The Engineering and Construction division is considered for accounting and reporting purposes as a discontinued business. The results of the division have been separately disclosed from continuing operations, and comparative information has been restated to be reflected consistently. Accordingly, Underlying EBITDA profit from continuing operations (being all other operations of AJ Lucas) of $3.4 million for the half year compared to an underlying EBITDA loss from continuing operations of $0.5 million in the comparative reflects the uplift in performance of the Drilling division. The above treatment of the Engineering and Construction division resulted in the reported EBIT profit from continuing operations of $3.9 million for the half year compared to the previous period of a loss of $8.0 million. This was driven by the better performance from the Drilling division coupled with the recognition of a carry profit for our UK investments resulting from the Centrica farm in carry contribution. The total loss before tax for the discontinuing operation was $2.4 million compared to the previous comparative period of a loss of $0.8 million.

A summary of the financial results compared with the prior year period is as follows:

	Dec 2017 $'000	**Dec 2016 $'000**	**Change %**
Total revenue from continuing operations	57,339	34,610	65.7%
Underlying EBITDA from continuing operations	3,433	(534)	(742.9%)
Reported EBITDA from continuing operations	6,896	(5,573)	(223.7%)
EBIT from continuing operations	3,951	(7,976)	149.5%
Loss before tax from continuing operations	(6,166)	(24,317)	74.6%
Loss before tax from discontinued operations	(2,381)	(845)	(181.8%)
Net loss for the year	(8,547)	(25,162)	66.0%
Total assets	240,701	241,092	(0.2%)
Net assets	87,619	66,440	31.9%
Basic loss per share (cents)	(1.5)	(6.6)	77.3%

A reconciliation of the consolidated loss before income tax to reported EBITDA from continuing operations and underlying EBITDA is as follows:

	Drilling $'000	E&C $'000	Oil & Gas $'000	Corporate $'000	Dec 2017 $'000	Dec 2016 $'000
Reconciliation:						
Consolidated Profit / (loss) before income tax	**2,488**	**(2,381)**	**3,913**	**(12,567)**	**(8,547)**	**(25,162)**
Discontinued operations	–	2,381	–	–	2,381	845
Depreciation and amortisation	2,920	–	–	25	2,945	2,403
Finance costs	–	–	–	10,193	10,193	16,465
Finance income	–	–	–	(76)	(76)	(124)
EBITDA from continuing operations	**5,408**	**–**	**3,913**	**(2,425)**	**6,896**	**(5,573)**
Share of equity accounted investees profit	–	–	(3,760)	–	(3,760)	3,994
Exploration asset revenue	–	–	(1,092)	–	(1,092)	(87)
Share of overhead - UK investments	–	–	939	–	939	1,046
Settlement of legal disputes	–	–	–	279	279	(17)
Redundancy costs	–	–	–	200	200	184
Net (profit) / loss on sales of assets	143	–	–	(116)	27	(85)
Other expense	–	–	–	(56)	(56)	4
Underlying EBITDA	**5,551**	**–**	**–**	**(2,118)**	**3,433**	**(534)**

The non-IFRS financial information presented in this document has not been audited or reviewed in accordance with Australian Auditing Standards.

The results by division are as follows:

Drilling Division

	Dec 2017 $'000	Dec 2016 $'000	Change %
Revenue	57,339	34,610	65.7%
Underlying EBITDA	5,551	1,561	255.6%
EBITDA margin	9.7%	4.5%	

The Drilling division's revenue increased by 65.7% to $57.3 million against the comparative 6 month period to December 2016 of $34.6 million. This is a result of increased rig utilisation predominantly driven by increased demand for coal mine gas drainage and exploration drilling services along the East coast of Australia. Proven capabilities in project delivery to key customers, and the divisions superior safety record has ensured the Division benefits from the upswing in activity and improved market conditions.

The increased activity in the Coal market has driven an improvement in underlying EBITDA to $5.6 million compared to $1.6 million in the comparative period. The comparative period was characterised by soft demand from key customers in the Coal industry and poor results from entering new markets in an attempt to partially offset that soft demand. The improved performance is currently forecast to continue to June 2018 and beyond.

Oil & Gas Investments

The Oil & Gas division encompasses the Company's investments in hydrocarbons in the United Kingdom. Recent focus has been on the Bowland licence ("the licence") in which the Group has an effective 48% interest, comprising a direct licence participation interest of 23.75% and a further interest held through the Groups' 47.4% equity interest in Cuadrilla Resources Holdings Limited ("Cuadrilla") which is also the operator of the licence.

In January 2018 Cuadrilla commenced drilling of the first of 2 planned horizontal wells at the Preston New Road ("PNR") exploration site, each of which will be approximately 1km in length. This followed the completion of drilling of a vertical pilot well to a depth of 2.7 km which penetrated both the Upper and Lower Bowland shale rock intervals and which was extensively cored and logged. Once drilling of the 2 horizontal wells is completed hydraulic fracturing of both wells is expected to commence in early Quarter 3 of the 2018 calendar year. Initial flow tests of both horizontal wells are expected to commence in early Quarter 4 and last approximately 6 months.

Cuadrilla received planning consent in October 2016 from the UK government to drill and hydraulically fracture up to 4 horizontal wells designed to test the flow of gas at PNR ("the Planning Consent"). Drilling of the third and fourth well is not expected to commence until initial flow tests of the first two wells are completed. Following a successful flow test of the first two wells Centrica will be required to fund a further £46.7 million for appraisal and development costs in the Bowland licence to maintain its 25% licence interest.

In January 2018, the UK Court of Appeal dismissed two claims against the Planning Consent for the PNR wells, following a hearing in August 2017. The UK Court of Appeal also refused permission for the parties to appeal at the Supreme Court. While the verdict appears very robust, the parties may, nevertheless, seek to take their appeal directly to the Supreme Court which may or may not grant leave to appeal.

The UK Secretary of State for Communities and Local Government ("SOS") has previously advised that he was minded to grant planning consent to Cuadrilla for a similar application for four wells at the Roseacre Wood ("RW") exploration site pending receipt of further evidence on highway safety. A hearing has been set for April 2018 to consider traffic control issues and we expect Cuadrilla to put forward a strong case for approval.

Outside of the Bowland licence Cuadrilla has interests in UK licences totalling approximately 1,500 km^2, many of which target the same Bowland-Hodder shale formations, and some of which are held in joint venture with INEOS. AJ Lucas also holds a direct interest in the Elswick and Balcombe licences, in which Cuadrilla has an interest.

As noted in Directors report section titled "Events subsequent to year end" in January 2018 AJ Lucas and Cuadrilla entered into a farm-out agreement with Angus Energy Plc ("Angus Energy"). Under the agreement Angus Energy agreed to acquire 25% from each of Cuadrilla and AJ Lucas' pre-agreement interests in the Balcombe exploration licence in southern England. Angus Energy has agreed to pay a total of £4,000,000 in two equal instalments shared 25% to AJ Lucas and 75% to Cuadrilla. Subject to UK regulatory approval, Angus Energy will become the operator of the licence and will pay all of the costs of flow testing the existing Balcome-2Z horizontal well which Cuadrilla drilled in 2013 and for which planning permission had already been received. The first £2,000,000 instalment was paid by Angus Energy in mid-February 2018 but remains refundable in the event that approval from the Oil and Gas Authority for the licence transfer is not received. Once such approval is received the second instalment will become payable within 10 days of the approval.

Balance Sheet

During the period, the Board commenced a review of the Groups operations which culminated in an announcement to the ASX on 5 January 2018. A number of capital management initiatives were identified, most notable a capital raising which was officially launched on 19 January 2018.

The capital raising consisted of a placement of 70,500,050 shares to new and existing shareholders raising a total of $21.6 million after raising costs, and a 1 for 6 Entitlement offer which raised a total of $29.6 million after raising costs. Proceeds from the placement will be utilised to fund future commitments on the Groups UK investments, and may also be applied to support working capital and further reduce debt as appropriate. The Company's largest shareholder, Kerogen, subscribed for its full entitlement under the entitlement offer of $18.3 million by way of partial conversion of the its loan facility. Remaining proceeds from the entitlement offer of $11.3 million was utilised to repay the senior loan note facility.

In December 2017, the Group entered into a sale and leaseback transaction of a property, consisting of a work shop and laydown yard utilised by our Drilling division, unlocking a further $3m in cash.

As part of the review the Board agreed on 29 December 2017 to amend certain provisions of its senior loan notes facility, including a commitment to reduce the principal outstanding to $US 20 million by 30 September 2018 with the repayment of the facility extended to 22 July 2019. The portion of the outstanding Senior Loan Note that is repayable by 30 September 2018, including interest, has been reflected as a current interest-bearing liability as at 31 December 2017. Subsequent to 31 December 2017 a total of $19.4 million has been repaid from a combination of proceeds from the capital raising, existing cash reserves and an asset sale which has not been reflected in the balance sheet as at 31 December 2017.

The pro-forma balance sheet of the Group as at 31 December 2017, adjusted to include the effects of the capital raising, the repayment of the Senior Loan note and related party loan facilities since 31 December 2017 and up to the date of this report is as follows:

	Reported as at Dec 2017 $'000	Proceeds from Capital Raising less fees $'000	Repayment of Interest Bearing Liabilities $'000	Pro-Forma Dec 2017 $'000
Total current assets	76,190	34,355	(19,432)	91,113
Total non-current assets	164,511	–	–	164,511
Total assets	**240,701**	**34,355**	**(19,432)**	**255,624**
Total current liabilities	74,906	–	(19,432)	55,474
Total non-current liabilities	78,176	(18,283)	–	59,893
Total liabilities	**153,082**	**(18,283)**	**(19,432)**	**115,367**
Net assets	**87,619**	**52,638**	**–**	**140,257**
Equity	**87,619**	**52,638**	**–**	**140,257**

During the period, the Board received a number of incomplete proposals for the acquisition of the Groups Engineering and Construction Division from various prospective buyers. The Board is currently considering a proposal to sell the plant and equipment of the Engineering and Construction Division, and as such the plant and equipment has been classified as an asset held for sale at 31 December 2017 and separately disclosed in current assets. The proposal under consideration contemplates a profit sharing arrangement on two existing major contracts and an immediate release of existing cash funded project bonds.

Outlook

The Company expects to progress the appraisal of its oil and gas investments with Cuadrilla, as operator of the Bowland licence, drilling and hydraulically stimulating 2 wells at its PNR exploration site in order to test the flow of gas. Confirmation of flow will be a significant step in commercialising this investment.

The Drilling division will continue to focus on cost management in its existing business while exploring for further business opportunities in where it can utilise its fleet of equipment and where possible leverage existing customer relationships.

A J LUCAS GROUP LIMITED

ABN: 12 060 309 104

INTERIM FINANCIAL REPORT
FOR HALF YEAR ENDED 31 DECEMBER 2017

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report is read in conjunction with the annual report as at 30 June 2017 together with any public announcements made by AJ Lucas Group Limited during the half year ended 31 December 2017 in accordance with the continuous disclosure requirements of the Corporations Act 2001.

AJ LUCAS GROUP LIMITED AND ITS CONTROLLED ENTITIES

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Directors' Report

for the half year ended 31 December 2017

The directors of AJ Lucas Group Limited (the "Company") present their report together with the consolidated financial report for the half year ended 31 December 2017 and the auditor's review report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the interim period are:

<u>Non-executive</u>

Phillip Arnall

Julian Ball

Andrew Purcell

Ian Meares

John O'Neill

All directors held their position throughout the six months and up to the date of this report.

REVIEW OF OPERATIONS

A review of the Group's operations and the results of those operations are presented on pages 3 to 6 and form part of this report.

INTERIM DIVIDEND

The directors have resolved not to pay an interim dividend.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 11 and forms part of this report for the half year ended 31 December 2017.

ROUNDING OF AMOUNTS

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 condensed consolidated interim financial report and the directors' report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to 31 December 2017:

- AJ Lucas and Cuadrilla entered into a farm-out agreement with Angus Energy Plc ("Angus Energy"), under which Angus Energy will acquire 25% from each of Cuadrilla and AJ Lucas' pre-agreement interests in the Balcombe licence in southern England. Angus Energy has agreed to pay a total of £4,000,000 in two equal instalments shared 25% to AJ Lucas and 75% to Cuadrilla. While the farm out is not reflected in the 31 December 2017 financial statements, the amount of the payments due to AJ Lucas under the agreement exceed the book value included in the 31 December 2017 financial statements in respects to the portion of interest being farmed out.

- The Company issued 164,908,500 ordinary shares at $0.32 per share through a placement and entitlement offer raising approximately $52.6 million of which approximately $29.6 million was applied to repay interest bearing liabilities in accordance with the Senior Loan Note and Kerogen Loan facilities. In addition, the company repaid a further $6.7 million of the Senior Loan note facility from existing cash reserves and asset sales.

Directors' Report
for the half year ended 31 December 2017

Other than as noted above, there has not arisen in the interval between the end of the half 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.

Signed in accordance with a resolution of the directors.

Phil Arnall
Chairman

Sydney
27 February 2018

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Auditor's Independence Declaration to the Directors of AJ Lucas Group Limited

As lead auditor for the review of AJ Lucas Group Limited for the half-year ended 31 December 2017, 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 review*;* and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AJ Lucas Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ryan Fisk
Partner
27 February 2018

Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2017

	Note	Dec 2017 $'000	Dec 2016 $'000
Continuing operations			
Revenue	2	57,339	34,610
Total revenue		**57,339**	**34,610**
Other income		1,092	87
Operating costs of Australian operations		(51,787)	(33,048)
Central and corporate costs		(2,119)	(2,096)
Depreciation and amortisation	4	(2,945)	(2,403)
Non operating expenses	4	(1,389)	(1,132)
Results from operations		**191**	**(3,982)**
Net finance costs	3	(10,117)	(16,341)
Share of loss of equity accounted investees	8	3,760	(3,994)
Loss before income tax		**(6,166)**	**(24,317)**
Income tax expense		–	–
Loss for the period from continuing operations		**(6,166)**	**(24,317)**
Discontinuing operations			
Loss for the period from discontinued operations	5	(2,381)	(845)
Loss for the period from continuing and discontinued operations		**(8,547)**	**(25,162)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		(1,605)	2,889
Total items that may be reclassified subsequently to profit and loss		(1,605)	2,889
Other comprehensive income for the period		**(1,605)**	**2,889**
Total comprehensive loss for the period		**(10,152)**	**(22,273)**
Total comprehensive loss attributable to owners of the Company		**(10,152)**	**(22,273)**
Earnings per share:			
Basic (loss)/earnings per share (cents)		(1.5)	(6.6)
Diluted (loss)/earnings per share (cents)		(1.5)	(6.6)

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated Statement of Financial Position

as at 31 December 2017

	Note	Dec 2017 $'000	Jun 2017 $'007
Current assets			
Cash and cash equivalents		6,945	10,324
Cash in trust		4,654	11,847
Trade and other receivables		38,286	22,494
Inventories		21,907	30,853
Assets held for sale	5	3,355	–
Other assets		1,043	1,098
Total current assets		**76,190**	**76,616**
Non-current assets			
Property, plant and equipment	6	29,703	37,850
Exploration assets	7	27,641	20,982
Investments in equity accounted investees	8	107,167	104,775
Total non-current assets		**164,511**	**163,607**
Total assets		**240,701**	**240,223**
Current liabilities			
Trade and other payables		35,028	29,457
Interest-bearing loans and borrowings	9	35,124	1,126
Employee benefits		4,754	4,884
Total current liabilities		**74,906**	**35,467**
Non-current liabilities			
Interest-bearing loans and borrowings	9	77,058	106,149
Employee benefits		1,118	836
Total non-current liabilities		**78,176**	**106,985**
Total liabilities		**153,082**	**142,452**
Net assets		**87,619**	**97,771**
Equity			
Share capital		416,443	416,443
Reserves		27,622	29,227
Accumulated losses		(356,446)	(347,899)
Total equity		**87,619**	**97,771**

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2017

	Share capital $'000	Translation reserve $'000	Option reserve $'000	Employee equity benefits reserve $'000	Accumulated losses $'000	Total equity $'000
Balance 1 July 2017	416,443	24,557	637	4,033	(347,899)	97,771
Total comprehensive income						
Loss for the period	–	–	–	–	(8,547)	(8,547)
Other comprehensive income						
Foreign currency translation differences	–	(1,605)	–	–	–	(1,605)
Total comprehensive loss	–	(1,605)	–	–	(8,547)	(10,152)
Transactions with owners recorded directly in equity						
Share based payment transactions	–	–	–	–	–	–
Total contributions by and distributions to owners	–	–	–	–	–	–
Balance 31 December 2017	**416,443**	**22,952**	**637**	**4,033**	**(356,446)**	**87,619**
Balance 1 July 2016	362,034	28,955	637	4,033	(308,869)	86,790
Total comprehensive income						
Loss for the period	–	–	–	–	(25,162)	(25,162)
Other comprehensive income						
Foreign currency translation differences	–	2,889	–	–	–	2,889
Total comprehensive income/(loss)	–	2,889	–	–	(25,162)	(22,273)
Transactions with owners recorded directly in equity						
Issue of ordinary shares, net of transaction costs	1,923	–	–	–	–	1,923
Total contributions by and distributions to owners	1,923	–	–	–	–	1,923
Balance 31 December 2016	**363,957**	**31,844**	**637**	**4,033**	**(334,031)**	**66,440**

The accompanying notes are an integral part of these consolidated interim financial statements.

Consolidated Statement of Cash Flows

for the half year ended 31 December 2017

	Note	Dec 2017 $'000	Dec 2016 $'000
Cash flows from operating activities			
Cash receipts from customers		90,323	59,415
Cash paid to suppliers and employees		(88,707)	(64,220)
Cash from /(used in) operations		**1,616**	**(4,805)**
Interest received		76	124
Interest and other costs of finance paid		(3,617)	(2,545)
Net cash used in operating activities		**(1,925)**	**(7,226)**
Cash flows from investing activities			
Payments for equity accounted investees	8	–	(2,287)
Payments for interest in exploration assets		(5,804)	(553)
Acquisition of plant and equipment		(1,888)	(820)
Proceeds from sale of plant and equipment		108	129
Net cash used in investing activities		**(7,584)**	**(3,531)**
Cash flows from financing activities			
Proceeds from borrowings		–	24,381
Transaction costs on borrowings		(902)	(906)
Proceeds from issue of shares		–	1,890
Transaction costs on issue of shares		–	(51)
Payment of finance lease liabilities		–	(50)
Net cash from / (used in) financing activities		**(902)**	**25,264**
Net increase / (decrease) in cash and cash equivalents		(10,411)	14,507
Net foreign exchange difference		(161)	1,195
Cash and cash equivalents at beginning of the period		22,171	22,500
Cash and cash equivalents at end of the period		**11,599**	**37,007**

The accompanying notes are an integral part of these consolidated interim financial statements.

1. Basis of preparation

AJ Lucas Group Limited (“the Company”) is a company domiciled in Australia. The consolidated interim financial statements (“interim financial statements”) as at and for the half year ended 31 December 2017 comprises the Company and its subsidiaries (together referred to as “Lucas” or the “Group”) and the Group’s interest in associates and joint arrangements.

Lucas is a diversified infrastructure, engineering and construction, and mining services group specialising in providing services to the energy, water, wastewater, resources and property sectors. It also holds investments in unconventional and conventional hydrocarbons in the UK.

i) Statement of compliance

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2017. These are available upon request from the Company’s registered office at Level 6, 1 Elizabeth Plaza, North Sydney, NSW 2060 or at www.lucas.com.au.

These interim financial statements were approved by the Board of Directors on 27 February 2018.

The financial report is presented in Australian dollars. 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 interim financial Statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

ii) 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 directors note the following events and conditions which have been considered in assessing the appropriateness of the going concern assumption:

- The Group generated a loss after tax from continuing operations for the period of $6.2 million primarily as a result of non-cash depreciation and amortisation charges of $2.9 million and net finance costs of $10.1 million, partially offset by a share of profit of equity accounted investees of $3.8 million;

- The Group’s near-term future financial performance will be driven by demand for its drilling, services, which in turn will be impacted by various factors which are outside its control. While the Drilling Division has experienced a significantly strengthened order book driven by this increased demand, forecasting business performance carries an inherent degree of uncertainty;

- The Company has a 47.4% interest in Cuadrilla, which in turn has a 51.25% interest in an oil and gas licence (PEDL 165) located in Bowland UK. Separately, the Company has a direct interest of 23.75% in PEDL 165, thus giving an effective 48% interest in PEDL 165 (see Note 18). Approval to drill and fracture up to 4 exploration wells in the licence was received from the UK Government and drilling activity has commenced. A number of legal challenges to the validity of the UK Government’s planning permission have since been brought, each of which has been dismissed. Most recently on 12 January 2018, the Court of Appeals in the UK dismissed each of two appeals against the High Court’s decision in April 2017 to uphold the validity of the UK Government’s planning permission; and

- The ongoing exposure to contingent liabilities as disclosed in the most recent annual report.

Going concern (cont.)

In assessing the appropriateness of using the going concern assumption, the directors have had regard to the following matters:

- The ability of the Group to raise additional debt and / or equity as demonstrated by the post balance date capital raising, as disclosed in Note 12 Subsequent Events, where the Company raised $52.6 million of which approximately $29.6 million was applied to repay interest bearing liabilities;
- The Group's near-term future financial performance and cash flows will be driven by improved demand for its drilling services, which in turn will be impacted by various factors which are outside its control. As such, forecasting carries an inherent degree of uncertainty;
- The arrangement summarised at Note 6 under which Centrica Plc ("Centrica") has provided certain commitments to fund exploration expenditure in respect of the Bowland and Elswick prospects. This funding together with the proceeds of the post balance date capital raising and potential operating cashflows from the business, is expected to fund the drilling and hydraulic stimulation of the planned two wells at Preston New Road ahead of commercialisation of the tenement if the two wells are successful;
- The continuing support of Kerogen Investments No. 1 (HK) Limited ("Kerogen"), both as a substantial debtholder and shareholder of the Company as recently evidenced by its participation in the post balance date capital raising for its full pro rata entitlement in the Entitlement Offer through a debt to equity conversion;
- The implied value of the Group's investment in both Cuadrilla and also its direct holding in the Bowland and Elswick licences, as evidenced by the partial sale of the Group's direct and indirect interests in the licences to Centrica in June 2013;
- The significant increase in the value of the Bowland licence should the 2 wells that are currently being drilled be successful;
- Announcements made by the United Kingdom Government in support of the shale gas industry to provide the indigenous security of supply of energy in the United Kingdom; and
- The ability of the Group to determine the extent and timing of its future contributions to Cuadrilla.

In light of the above, if the entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business at amounts different from those stated in the statement of financial position.

iii) Significant accounting policies

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2017. Where necessary, comparatives have been reclassified and repositioned for consistency with current half year disclosures including amounts from operations that have become discontinued in the current period.

iv) Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2017.

Estimates (cont.)

Given the nature of the contracts that the Group undertakes, there is exposure to claims and variations for which the Group has made judgements in respect of final outcomes.

2. Segment reporting

The Group comprises the following main business segments:

Drilling	Drilling services to the coal and coal seam gas industries for the degasification of coal mines and the recovery and commercialisation of coal seam gas, and associated services.
Engineering and Construction (E&C)	Civil engineering and construction services to the coal, energy, water, wastewater and public utilities sectors. The Group is also the market leader in the trenchless installation of pipes and conduits using horizontal directional drilling.
Oil and Gas	Exploration for and commercialisation of unconventional and conventional hydrocarbons in the United Kingdom.

	Drilling $'000	E&C $'000	Oil & Gas $'000	Reportable Segments $'000	Corporate/ unallocated $'000	Eliminations $'000	Total $'000
December 2017							
Reportable segment revenue							
Revenue - services rendered	57,339	–	–	57,339	–	–	57,339
Revenue - construction contracts	–	12,705	–	12,705	–	–	12,705
Total consolidated revenue	**57,339**	**12,705**	**–**	**70,044**	**–**	**–**	**70,044**
EBITDA	**5,408**	**(1,714)**	**3,913**	**7,607**	**(2,425)**	**–**	**5,182**
Depreciation, amortisation and impairment	2,920	667	–	3,587	25	–	3,612
Finance income	–	–	–	–	(76)	–	(76)
Finance cost	–	–	–	–	10,193	–	10,193
Reportable segment profit / (loss)	**2,488**	**(2,381)**	**3,913**	**4,020**	**(12,567)**	**–**	**(8,547)**

	Drilling $'000	E&C $'000	Oil & Gas $'000	Reportable Segments $'000	Corporate/ unallocated $'000	Eliminations $'000	Total $'000
December 2016							
Reportable segment revenue							
Revenue - services rendered	34,610	–	–	34,610	–	–	34,610
Revenue - construction contracts	–	16,797	–	16,797	–	–	16,797
Total consolidated revenue	**34,610**	**16,797**	**–**	**51,407**	**–**	**–**	**51,407**
EBITDA	**1,561**	**(150)**	**(4,953)**	**(3,542)**	**(2,181)**	**–**	**(5,723)**
Depreciation, amortisation and impairment	2,392	695	–	3,087	11	–	3,098
Finance income	–	–	–	–	(124)	–	(124)
Finance cost	–	–	–	–	16,465	–	16,465
Reportable segment profit / (loss)	**(831)**	**(845)**	**(4,953)**	**(6,629)**	**(18,533)**	**–**	**(25,162)**

3. Finance income and costs

	Dec 2017 $'000	Dec 2016 $'000
Interest income	76	124
Finance income	**76**	**124**
Interest expense	(9,947)	(11,666)
Amortisation of prepaid fees on debt facilities	(1,607)	(1,427)
Net foreign exchange loss	1,361	(3,372)
Finance costs	**(10,193)**	**(16,465)**
Net finance costs recognised in profit and loss	**(10,117)**	**(16,341)**

4. Other expenses

	Dec 2017 $'000	Dec 2016 $'000
Depreciation and amortisation from continuing operations	2,945	2,403
Depreciation and amortisation from discontinued operations	667	695
Total depreciation and amortisation	**3,612**	**3,098**
UK investment overhead costs	939	1,046
Settlement of historical legal disputes	279	(17)
Redundancy costs	200	184
Net (profit) / loss on sales of assets	27	(85)
Other (income) / expense	(56)	4
Total non-operating costs	**1,389**	**1,132**

5. Discontinued operations

The Board has received a number of incomplete proposals for the acquisition of the Groups Engineering and Construction Division (“the Division”) from various prospective buyers. The Board is currently considering a proposal to sell the plant and equipment of the Engineering and Construction division. Negotiations are progressing on finalising a formal contract, and as such the plant and equipment has been classified as an asset held for sale at 31 December 2017 and separately disclosed in current assets. The proposal under consideration contemplates a profit sharing arrangement on two existing major contracts and an immediate release of existing cash funded project bonds. The Division has been classified as a discontinued operation. Financial information of the period related to the discontinued operation is set out in the table below.

	Dec 2017 $'000	Dec 2016 $'000
Cost		
Revenue	12,705	16,797
Expenses	(14,419)	(16,947)
Depreciation	(667)	(695)
Loss before income tax	**(2,381)**	**(845)**
Income tax expense	–	–
Loss for the period from discontinued operations	**(2,381)**	**(845)**

The discontinued operation generated a net operating cash outflow of $4.6 million during the reporting period.

6. Property, plant and equipment

	Leasehold improvements $'000	Land & buildings $'000	Plant & equipment $'000	Enterprise development $'000	Total $'000
31 December 2017					
At cost	7	–	129,004	12,306	141,317
Accumulated depreciation/amortisation/impairment	(7)	–	(100,299)	(11,308)	(111,614)
Carrying amount at 31 Dec 2017	**–**	**–**	**28,705**	**998**	**29,703**
30 June 2017					
At cost	7	3,912	146,971	11,939	162,829
Accumulated depreciation/amortisation/impairment	(7)	(888)	(112,800)	(11,284)	(124,979)
Carrying amount at 30 Jun 2017	**–**	**3,024**	**34,171**	**655**	**37,850**

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	Leasehold improvements $'000	Land & buildings $'000	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2017	–	3,024	34,171	655	37,850
Additions	–	–	1,522	367	1,889
Disposals	–	(2,976)	(93)		(3,069)
Reclassified as held for sale	–	–	(3,355)	–	(3,355)
Depreciation and amortisation	–	(48)	(3,540)	(24)	(3,612)
Carrying amount at 31 December 2017	**–**	**–**	**28,705**	**998**	**29,703**

7. Exploration Assets

	Dec 2017 $'000	Jun 2017 $'000
Cost		
Bowland exploration asset	19,390	12,734
Elswick exploration asset	5,177	5,131
Bolney exploration asset (also known as Balcombe)	3,074	3,117
	27,641	**20,982**

The exploration assets comprise the Group's equity interest ("direct interest") in the above prospects and represents expenditure incurred. The Group is beneficially entitled to an additional interest ("indirect interest") in these prospects through its shareholding in the equity accounted associate, Cuadrilla as shown below:

	Indirect Interest %	Direct Interest %	Dec 2017 %	Jun 2017 %
Beneficial interest				
Bowland tenement	24.29	23.75	48.04	48.04
Elswick tenement	23.79	22.06	45.85	45.85
Bolney tenement	35.55	25.00	60.55	60.55

7. Exploration Assets (cont.)

The indirect interest comprises Cuadrilla's equity interest in the respective prospect multiplied by the Group's voting interest in Cuadrilla as shown in note 7.

As noted in Note 12 Subsequent Events, in January 2018 AJ Lucas and Cuadrilla entered into an agreement with Angus Energy to farm out 25% from each of Cuadrilla and AJ Lucas' pre-agreement interests in the Bolney tenement, also known as the Balcombe license. AJ Lucas' interest in the license will reduce to 45.41% as a result of the transaction which has not been reflected in the above ownership table as at 31 December 2017.

Relinquishment 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 license may require partial relinquishment of the licence area or be withdrawn. Applications can be made to alter or extend exploration license conditions.

Future expenditure on the Bowland and Elswick tenements

In June 2013 the existing owners, Cuadrilla and the Group, each sold 25% of their interest in the Bowland and Elswick prospects to Centrica. Consideration for the interest included a farm in arrangement ("Carry") and a consideration that was contingent upon certain appraisal and operational milestones being achieved. In August 2015, the Group announced a revised arrangement between Centrica, Cuadrilla and AJ Lucas ("JV partners") with respect to the outstanding Carry and contingent consideration.

The portion of the Carry remaining as at 31 December 2017 was £3,661,070 (June 2017: £20.81 million) to be spent on drilling and testing 2 horizontal exploration wells at the Preston New Road ("PNR") exploration site. Subject to certain milestones being met Centrica is required to fund further development and appraisal work on behalf of the joint venture totalling £46.7 million in order for it to maintain its 25% interest in the joint venture ("Contingent Carry"). The Bowland joint venture has decided to test the flow of gas from these two wells for a period up to six months before connecting the wells to the national grid and drilling the 3rd and 4th wells. Accordingly, the Contingent Carry has been amended such that the milestone for commencement is the flow testing of gas for six months, rather than the original milestone of six months from commencement of gas sales. AJ Lucas expects this Contingent carry to be exercised by Centrica on the successful flow of gas from the first two wells.

Planning approvals to drill and fracture wells

Cuadrilla received planning consent in October 2016 from the UK government to drill and hydraulically stimulate up to four horizontal wells designed to test the flow of gas at Preston New Road. In January 2018, the UK Court of Appeals dismissed two claims against the Planning Consent, following a hearing in August 2017. The UK Court of Appeals also refused permission for the parties to appeal at the Supreme Court. While the verdict appears very robust, the parties may, nevertheless, seek to take their appeal directly to the Supreme Court.

In January 2018 Cuadrilla commenced drilling of the first horizontal well at the PNR exploration site, each of which will be approximately 1km in length. This followed the completion of drilling of a vertical pilot well to a depth of 2.7 km which penetrated both the Upper and Lower Bowland shale rock intervals. Once drilling of the 2 horizontal wells is completed, hydraulic fracturing of both wells is expected to commence in early quarter 3 of the 2018 calendar year. Initial flow tests of both horizontal wells are expected to commence in early quarter 4 and last approximately 6 months.

UK Secretary of State for Communities and Local Government ("SOS") has advised that he was also minded to grant planning consent for a similar application for four wells at the Roseacre Wood ("RW") exploration site pending receipt of further evidence on highway safety. A hearing has been set for April 2018 to consider traffic control issues and we expect Cuadrilla to put forward a strong case for approval.

8. Investments in equity accounted investees

Investments in equity accounted investees comprise the following:

	Ownership		Carrying value	
	Dec 2017	Jun 2017	Dec 2017	Jun 2017
Name of investee	%	%	$'000	$'000
Cuadrilla Resources Holdings Limited (associate)	47.4%	47.4%	107,167	104,775
Marais-Lucas Technologies Pty Limited (joint controlled entity)	50.0%	50.0%	–	–
			107,167	**104,775**

The following summarises the changes in the Group's interest in Cuadrilla Resources Holdings Limited:

	Dec 2017 $'000
Balance at 1 July	104,775
Purchase of additional ownership interest	–
Movement of foreign currency translation recognised in equity	(1,368)
Share of equity accounted profits / (losses) during the year	3,760
Balance at 31 December 2017	**107,167**

9. Interest-bearing loans and borrowings

	Dec 2017 $'000	Jun 2017 $'000
Current		
Lease liabilities	26	37
Senior loan notes	35,098	156
Loans from related party	–	933
	35,124	**1,126**
Non-current		
Lease liabilities	–	–
Senior loan notes	23,581	56,559
Loans from related party	53,477	49,590
	77,058	**106,149**

Senior loan notes

The Senior loan notes are secured by a first ranking fixed and floating security interest over the Company and each of its operating and investment subsidiaries. Interest is charged at 18%, with 12% payable monthly in arrears and 6% accruing until termination, repayment or partial repayment of the facility. During the period, the Company agreed to reduce the outstanding principal of the Senior loan notes to US$20.0 million by 30 September 2018, with the balance of the principal repayable in July 2019. The total amount of principal and interest accrued as at 31 December 2017 repayable by 30 September 2018 has been classified as a current liability.

Subsequent to 31 December 2017 the company has repaid a total of $36.3 million in interest bearing loans, of which $18.0 million was applied against the outstanding balance of the Senior Loan note facility. Had the repayments been made before period end the current balance outstanding under the Senior loan notes would reduce from $35.1 million to $17.1 million. The repayment was made utilising a combination of existing cash resources, proceeds from the capital raising completed on 16 February 2018 as described in Note 12 Subsequent Events, and certain asset sales.

As part consideration of the facility, the Company issued a total of 20 million ordinary shares to note holders in two tranches. The costs of the shares, together with other prepaid transaction costs incurred are being amortised over the life of the loan notes.

9. Interest-bearing loans and borrowings (cont.)

Loans from related party

The term of the Kerogen facility matures in December 2019, with interest able to be deferred until maturity at the discretion of the Company. In addition, Kerogen has agreed that its debt be subordinated with its fixed and floating security now ranking behind the senior term loan notes. Interest charged on the facility is as follows and compounds quarterly if unpaid:

	Tranche 1	Tranche 2
Principal	US$3.7m	US$30m
Interest rate	20% initially increasing to 21% from June 2018	16% initially increasing to 18% from June 2018

Additional transaction costs, including restructure fees payable to Kerogen, are amortised over the expected term of the loan facility.

As described in Note 12 Subsequent events, the company completed a capital raising total proceeds of $52.6. The Capital raising consisted of a 1 for 6 entitlement offer and a placement. Kerogen participated for its full pro rata entitlement in the Entitlement offer raising proceeds of $18.2 million which was satisfied by part conversion of the loans provided by Kerogen, including accrued interest. The repayment applied to repaying the Tranche1 loan in full, with the remainder applied against the Tranche 2 loan. Had the repayment been made before period end the balance outstanding would be reduced from $53.5 million to $35.3 million.

10. Interests in joint operations

			Participation interest		Contribution to operating results	
	Principal activities	Principal place of business	Dec 2017 %	Dec 2016 %	Dec 2017 $'000	Dec 2016 $'000
Southern SeaWater Alliance	Construction and operation of desalination plant	Level 2, 1 Adelaide Terrace East Perth 6004	19	19	(36)	748
AJ Lucas - Spiecapag JV Project 1	Construction of gas infrastructure	123 Eagle Street Brisbane, 4001	50	50	–	259
AJ Lucas - Spiecapag JV Project 2	Construction of gas infrastructure	123 Eagle Street Brisbane, 4001	40	40	–	474
AJ Lucas - Spiecapag JV Project 3	Construction of gas infrastructure	123 Eagle Street Brisbane, 4001	40	40	–	(212)

The Group's share of results of the above joint arrangements are consolidated in the results of the Group. Included in the assets and liabilities of the Group are the following assets and liabilities employed in the joint operations:

10. Interests in joint operations (cont.)

	Dec 2017 $'000	Jun 2017 $'000
Assets		
Current assets		
Cash and cash equivalents	108	1,351
Trade and other receivables	115	155
Construction work in progress	6,246	8,005
Other	214	214
Total assets	**6,683**	**9,725**
Liabilities		
Current liabilities		
Trade and other payables	4,601	6,494
Total liabilities	**4,601**	**6,494**

11. Financial instruments fair value disclosure

The fair value of financial instruments recognised in the consolidated statement of financial position approximates their carrying amount with the exception of interest bearing liability. The fair values of interest bearing liabilities together with their carrying amount shown in the statement of financial position are as follows:

Dec-17	Carrying Amount $'000	Fair value $'000
Lease Liabilities	26	26
Senior loan notes (1)	58,679	54,798
Loans from related party (1)	53,477	52,688
	112,182	**107,512**

12. Subsequent events

Subsequent to 31 December 2017:

- AJ Lucas and Cuadrilla entered into a farm-out agreement with Angus Energy Plc ("Angus Energy"), under which Angus Energy will acquire 25% from each of Cuadrilla and AJ Lucas' pre-agreement interests in the Balcombe licence in southern England. Angus Energy has agreed to pay a total of £4,000,000 in two equal instalments shared 25% to AJ Lucas and 75% to Cuadrilla. While the farm out is not reflected in the 31 December 2017 financial statements, the amount of the payments due to AJ Lucas under the agreement exceed the book value included in the 31 December 2017 financial statements in respects to the portion of interest being farmed out.

- The Company issued 164,908,500 ordinary shares at $0.32 per share through a placement and entitlement offer raising approximately $52.6 million of which approximately $29.6 million was applied to repay interest bearing liabilities in accordance with the Senior Loan note and Kerogen Loan facilities. In addition, the company repaid a further $6.7 million of the Senior Loan note facility from existing cash reserves and an asset sale.

Other than as noted above, there has not arisen in the interval between the end of the half 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.

AJ LUCAS GROUP LIMITED

DIRECTORS' DECLARATION

In the opinion of the directors of AJ Lucas Group Limited (the "Company"):

1. the consolidated financial statements and notes set out on pages 11 to 24 are in accordance with the Corporations Act 2001, including:

    a. giving a true and fair view of the Group's financial position of the Group as at 31 December 2017 and of its performance for the six-month period ended on that date; and

    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Phil Arnall
Chairman

Sydney
27 February 2018

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Independent Auditor's Review Report to the Members of AJ Lucas Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of AJ Lucas Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2017, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 [period date] and of its consolidated financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter – Material Uncertainty Related to Going Concern

Without qualifying our conclusion, we draw attention to Note 1 (ii) in the consolidated financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern.

These conditions along with other matters set forth in Note 1 (ii), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business without the ongoing financial support of its major shareholder and financiers.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at [period date] and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
27 February 2018

ADDITIONAL SHAREHOLDER INFORMATION

TWENTY LARGEST ORDINARY SHAREHOLDERS (AS AT 23 FEBRUARY 2018 IMMEDIATELY FOLLOWING RETAIL ALLOTMENT)

Name	Number of ordinary shares held	% of Issued shares
Kerogen Investments No. 1 (HK) Limited	399,942,649	53.32
CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	53,879,103	7.18
Mr Paul Fudge	45,643,457	6.09
RodDCO Property Holdings Limited	40,500,050	5.40
Citicorp Nominees PTY Limited	31,941,652	4.26
CS Fourth Nominees PTY Limited <HSBC CUST NOM AU LTD 11 A/C>	16,782,341	2.24
HSBC Custody Nominees (Australia) Limited - A/C 2	13,389,528	1.79
HSBC Custody Nominees (Australia) Limited	12,273,898	1.64
Amalgamated Dairies Investments No 2 Limited	11,990,000	1.60
Toolebuc Investments PTY LTD	9,489,015	1.27
Mr Paul Geoffrey Fudge	7,499,217	1.00
Milson Investments PTY Limited	6,443,789	0.86
Amalgamated Dairies Limited	5,129,348	0.68
J P Morgan Nominees Australia Limited	4,990,840	0.67
Amalgamated Dairies Limited	4,311,558	0.57
National Nominees Limited	3,963,878	0.53
ADEMSA PTY LTD	3,168,688	0.42
Brispot Nominees PTY LTD <HOUSE HEAD NOMINEE A/C>	2,814,992	0.38
HSBC Custody Nominees (AUSTRALIA) Limited-GSCO ECA	2,428,905	0.32
Mr Ross Alexander Macpherson	1,801,629	0.24
	678,384,537	**90.44**

SUBSTANTIAL SHAREHOLDERS (AS AT 23 FEBRUARY 2018 IMMEDIATELY FOLLOWING RETAIL ALLOTMENT)

Name	Number of ordinary shares held	% of issued shares (1)
Kerogen Investments No. 1(HK) Limited	399,942,649	53.32
Mr Paul Fudge	83,801,840	11.17
RodDCO Property Holdings Limited	40,500,050	5.40
OCP Asia (Singapore) Pte Limited	(2) 21,290,536	NA (2)

1) The percentage of issued share is recalculated by dividing the number of ordinary shares held as reported in the most recent substantial shareholder notification by the total number of shares on issue today.
2) The percentage of issued share is based on the number of shares held in the most recent substantial shareholder notice dated 4 November 2017 when the company had 390,512,165 shares on issue. A new substantial shareholder notice is only required to be lodged when an interest changes by 1% or more. While the Company has not received any more recent substantial shareholder notifications from OCP Asia (Singapore) Pte Limited, the current total number of share on issue has increased to 750,097,230.