



# ANNUAL GENERAL MEETING

28th November 2019





## AGENDA

- **Welcome**
- **Chairman's address**
- **Austen Perrin (CFO) Presentation**
- **Brett Tredinnick (CEO Drilling) Presentation**
- **Francis Egan Video Address (Cuadrilla MD)**
- **Questions**
- **Formal Business**
- **Close**

- **CHAIRMAN'S ADDRESS**



**Austen Perrin**

**2019 – a year of consolidation  
and a debt facilities update**

*November 2019*



## 2019 – a year of consolidation

EBITDA from Australian operations - \$'M	2016	2017	2018	2019	Q1 2020 <sup>(1)</sup>
Australian Drilling Services (LDS) - continuing	11.4	2.6	19.7	24.4	9.3
Corporate costs - continuing	(11.2)	(5.1)	(6.7)	(7.3)	(1.6)
Total Australian business continuing	0.2	(2.5)	13.0	17.1	7.7
Engineering and Construction (LEC) - discontinued	6.9	(1.9)	(6.9)	(13.7)	



- Significant consolidation of the Australian operations in the last few years:
  - sale of LEC fixed assets in 2018;
  - winddown of remaining LEC project commitments in 2019;
- Rightsizing and streamlining the Corporate office since 2016 despite incurring costs associated with legacy projects;
- First quarter performance for 2020 includes continuing activities only with the cost of exit of LEC now complete;
- Group to focus on core Australian Drilling activities targeted to create growth, generate cash and service debt;
- UK investments remain funded primarily from equity.



## 2019-2020 Refinancing the Debt

Interest Bearing Debt <sup>(2)</sup> - \$'M	2016	2017	2018	2019	25 Oct. 2019	18 Nov. 2019
Kerogen	75.4	49.6	40.2	52.5	57.3	32.6
Senior Loan notes - OCP	30.2	56.7	44.6	67.2		
New debt facilities					71.6 <sup>(3)</sup>	71.6 <sup>(3)</sup>
Total	105.6	106.3	84.8	119.7	130.3	105.6

- In June 2016, the company raised a US\$45 million senior loan note facility (SLNF) to:
  - discharge liabilities to the ATO;
  - settle a material legal matter from our discontinued LEC business;
  - for general working capital purposes;
- The SLNF was fully drawn down during FY2017 and a further drawdown of US\$9 million was made in FY2019 to providing funds for the UK shale gas project;
- Under the terms of the SLNF (balance which stood at US\$47 million in April 2019), the facility was required to reduce to US\$20 million by 30 September 2019 (remainder terming in March 2020);
- Given the stronger performance from the Australian Drilling division, the Company was able to refinance the SLNF and agreed amendments with Kerogen on its existing facility at the end of October 2019.

<sup>(2)</sup> Excludes Finance Leases

<sup>(3)</sup> The amount drawn under the new facilities was \$75 million less borrowing costs of \$3.4 million which have been capitalised



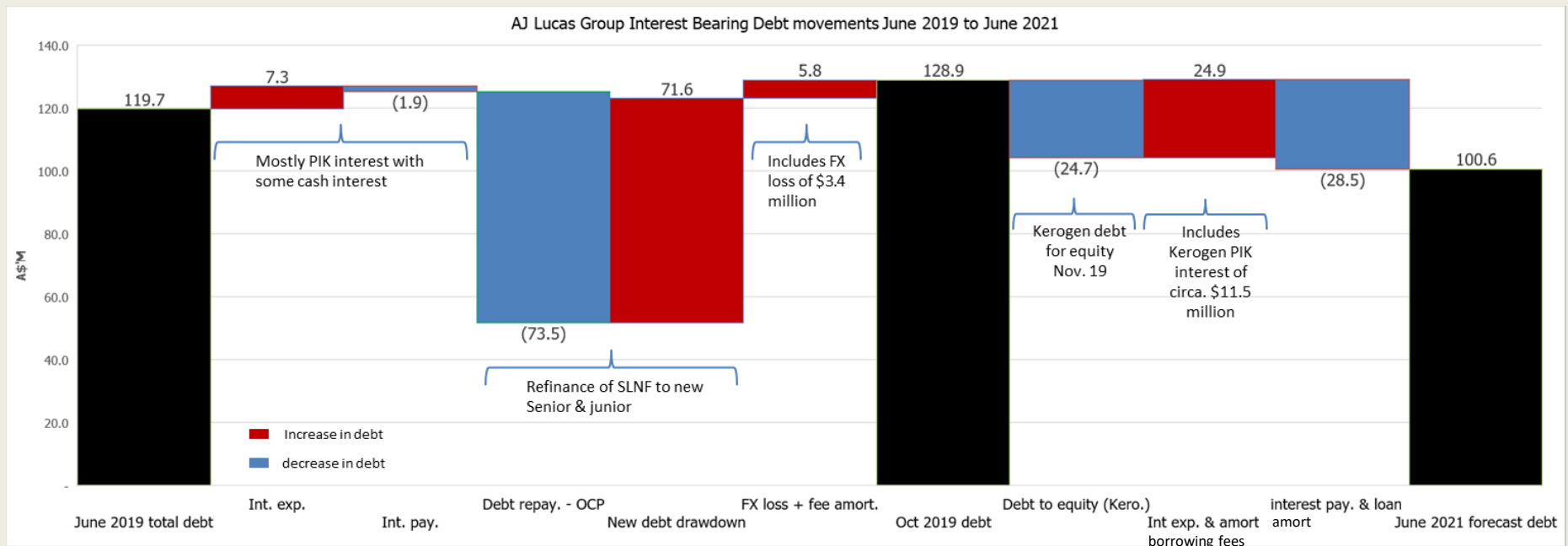
## 2019-2020 Refinancing the Debt (cont.)

- The new debt facilities comprise:
  - Investec ABL for \$30 million (3 year tenor with senior ranking – not fully drawn at close); and
  - HSBC term loan for \$50 million (3.5 year tenor with junior ranking – fully drawn at close);
- ABL and Junior facility are Australian dollar denominated – covenant light;
- Kerogen has subordinated its debt to both the Senior and Junior facilities and extended maturity to 6 months after the full repayment of the junior facility (Oct. 2023);
- Over the next 3.5 years the HSBC facility will amortise from the current \$50 million to \$24 million (payable at maturity) which will result in a gradual deleveraging of AJL's balance sheet;
- The two facilities have a weighted-average nominal interest rate of approximately 11% when fully drawn;
- The new debt facilities have resulted in:
  - an immediate improvement to AJ Lucas's current ratio;
  - a decrease in the company's exposure to foreign currency risk; and
  - expected savings in finance costs over the next twelve months of approximately \$5 million



# Moving to de-leverage

- Following the refinancing in October 2019, total debt stood at approx. \$129 million;
- Kerogens pro-rata right take up in the recent Entitlements offer and use of debt as consideration has seen debt reduce by \$25 million to approx. \$104 million at present which is expected to reduce interest costs by approx. \$5 million;
- The refinance of the new debt for the company has meant:
  - moving from a mostly PIK (deferred interest) style blended facility (SLNF) where interest is added to the debt to an all cash interest blended facility <sup>(4)</sup> with amortization to reduce the principal - overall de-leveraging the debt moving forward;
  - going from a fully USD facility to an all AUD facilities removes much of exposure to FX as shown in the first quarter June to October 2019 where an FX loss \$3.4 million was incurred on the SLNF and Kerogen debt;
- The Kerogen facility remains in USD however albeit on a much lower principal balance.



(4) The junior facility does have the option for the company to PIK should it need it





“Lucas is a leading integrated provider of drilling services to Australia’s coal mining sector”

**Brett Tredinnick**

Lucas Drilling Overview

*November 2019*

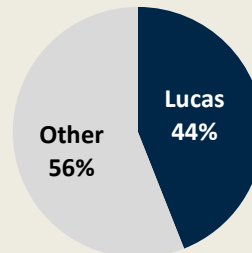
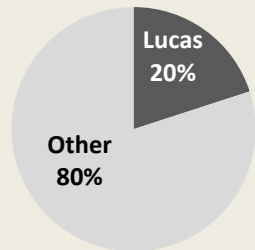




# Lucas has a proven operating platform that sets it apart from competitors

Exploration	Large Diameter	Directional Drilling
resource delineation through chipping and coring services at brownfield and greenfield sites	drainage of coal mine gas to support long-life underground metallurgical coal mining operations	technical/innovative services providing efficient and flexible lateral (SIS) gas drainage solutions
<b>Rigs: 26    People: 100</b>	<b>Rigs: 11    People: 145</b>	<b>Rigs: 4    People: 111</b>

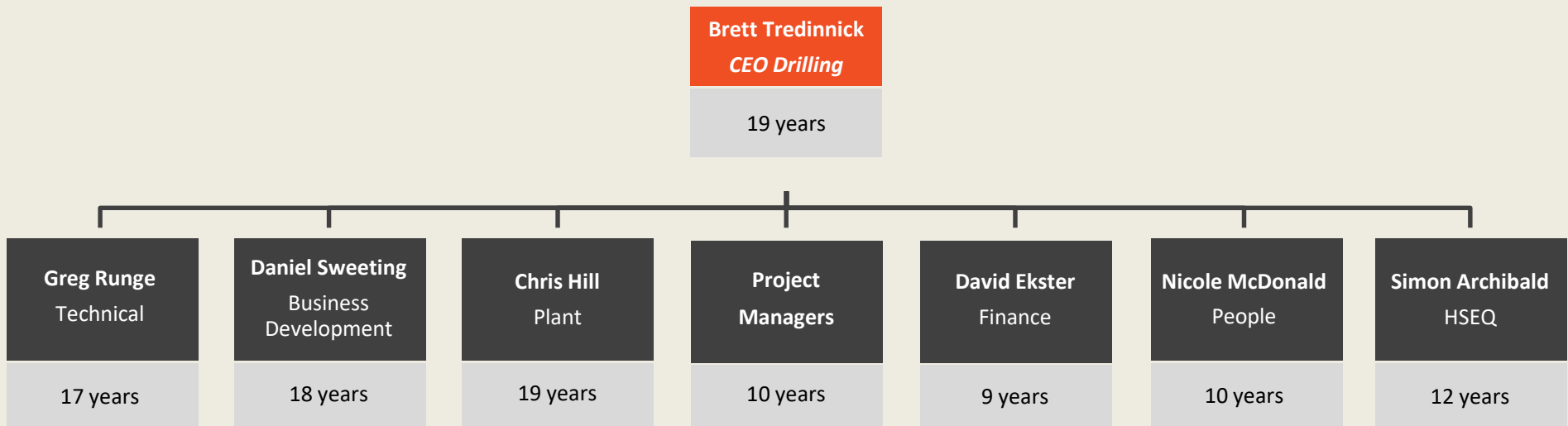
## Market Share





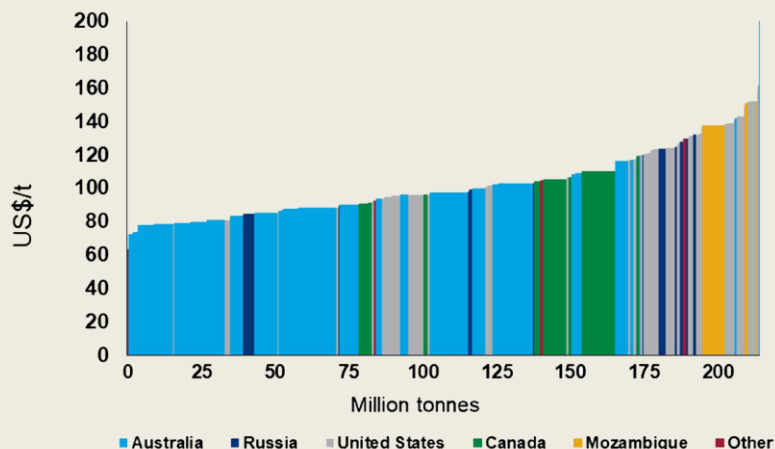
# Lucas has a long serving, proven, experienced management team

“Lucas senior management possesses deep industry experience with broad relationships across key customer decision makers and a combined tenure of over 100 years”



# Lucas' primary commodity exposure is metallurgical coal

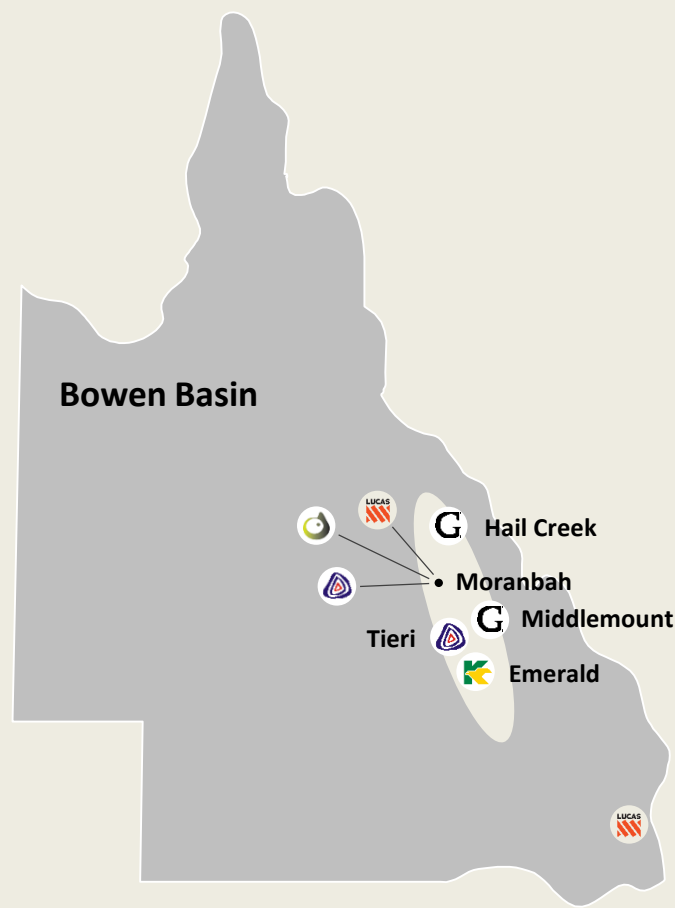
Global 2019 Hard Coking Coal cash cost curve (US\$/t)



Source: Wood Mackenzie, Dataset May 2019







“Lucas customers are low on the cash cost curve, all expected to produce coal at <US\$100/tonne”





# Lucas financials are underpinned by strong recent contractual activity

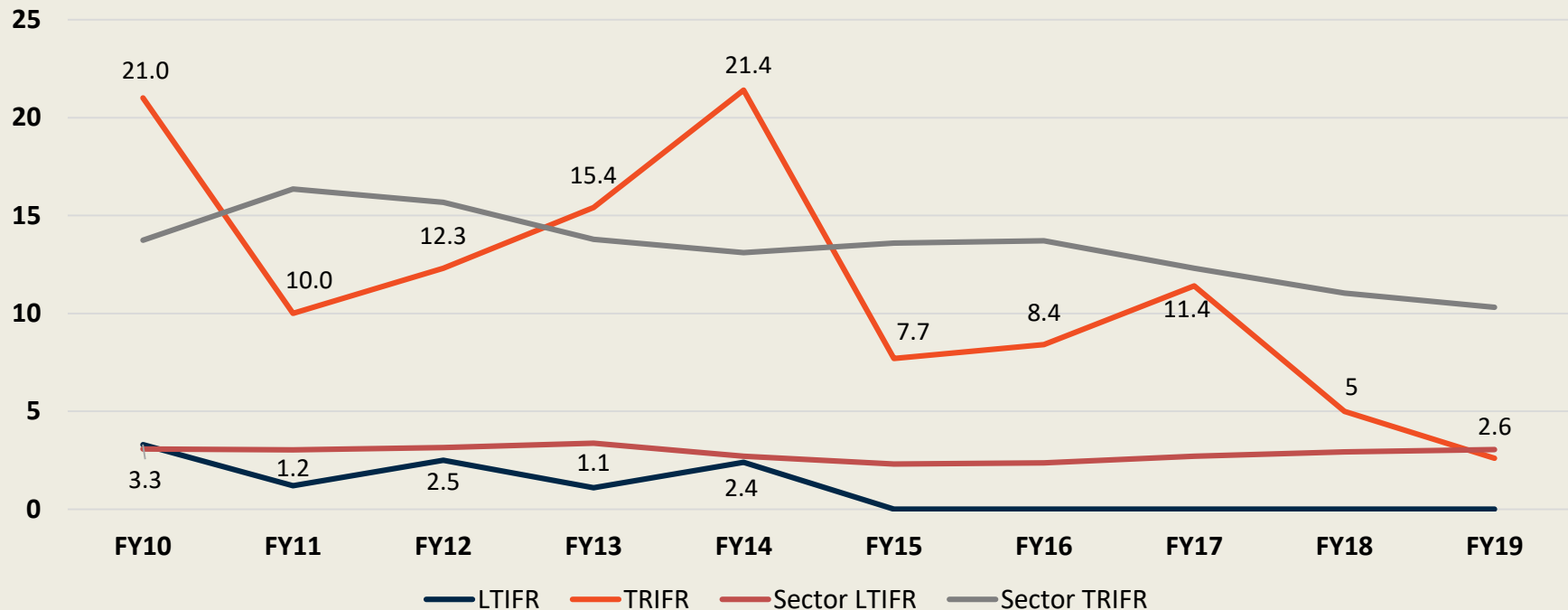
“Australia produces approximately 110Mt of hard coking coal annually, and is strongly positioned to capture the majority of the 100Mtpa growth in demand from 2018 to 2040.”

Customer	Coal Type	Longest Mine Life	Tenure	Services Covered
 KESTREL COAL RESOURCES	Metallurgical & Thermal	Kestrel Mine - 2051	Year 1 of 5 (3 + 2)	ALL
 ANGLO AMERICAN	Metallurgical & Thermal	Grosvenor – 2043 Moranbah North – 2042 Grasstree - 2022	Year 2 of 5 (3 + 2)	ALL
GLENCORE	Metallurgical & Thermal	Hail Creek – 2023 Oak Creek - 2038	Year 1 of 2	ALL
 SOUTH32	Metallurgical & Thermal	Appin – 2042 Dendrobium - 2030	Year 2 of 7 (3 + 2)	ALL
 fitzroy australia resources	Metallurgical, Thermal & PCI	Carborough Downs - 2028	Month 5 of 8	ALL



# Lucas provides a workplace free from lost time injury

LDS - Total Recordable Injury Frequency Rate and Lost Time Injury Frequency Rate<sup>1</sup>



1. TRIFR are LTIFR calculated per million hours worked





## Lucas has a solid earnings profile

A\$m	FY2018A	FY2019A
<b>Revenue</b>	<b>124.7</b>	<b>143.4</b>
<b>Underlying EBITDA</b>	<b>19.7</b>	<b>24.5</b>
<b>Revenue by service</b>		
Directional Drilling	20.2	36.4
Large Diameter	65.8	63.6
Exploration	25.1	21.1
Other	13.7	22.3

- LDS Management has taken active steps in the past few years to restructure the division's cost base and refocus it on its core, higher-margin directional and large diameter drilling service offerings, in which it is now the market leader to the Australian east coast coal market
- The benefits of the strategy have been borne out by high and consistent margins, earnings and cash flow in FY2018 and FY2019
- The start of FY2020 has been positive and management is optimistic that LDS can build on the performance achieved in FY2019



## FRANCIS EGAN ADDRESS

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- **Pre recorded Video**
- **(Transcript available on ASX Market Announcement Platform)**

- 1. Receive and consider Directors and Financial reports**
- 2. Resolution 1: Remuneration report**
- 3. Resolution 2: Re-election of Phil Arnall**
- 4. Resolution 3: Re-election of Julian Ball**

# **Receive and consider Directors and Financial reports**

**There is no vote on this item**

During the 2018/19 financial year, the Human Resources and Nominations Committee met on two occasions. The Committee considered the following matters:

- A review of the remuneration packages and annual performance review
  - We benchmark against the market, and attract, retain and reward people within the business and incentivise performance appropriately
- A review of the proposed payments under the short term incentive (STI) based on performance.
  - \$568,650 in STI was earned by KPM in FY19, driven by the exceptional performance of the Drilling Division.
  - 2/3<sup>rds</sup> of the STI is deferred and is payable in June 2020 if the recipient continues to be employed by the Group, the aim being to act as a retention.



## Resolution 1:

# Adoption of the Remuneration Report

### Proxy Votes

For	859,197,968	99.69%
Against	2,269,252	0.26%
Open	433,653	0.05%
Abstain	15,149	N/A





## Resolution 2:

# Re-Election of Phil Arnall

### Proxy Votes

For	875,764,523	99.73%
Against	1,898,892	0.22%
Open	433,653	0.05%
Abstain	56,549	N/A



## Resolution 3:

# Re-Election of Julian Ball

### Proxy Votes

For	875,764,948	99.73%
Against	1,898,892	0.22%
Open	433,653	0.05%
Abstain	56,124	N/A



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