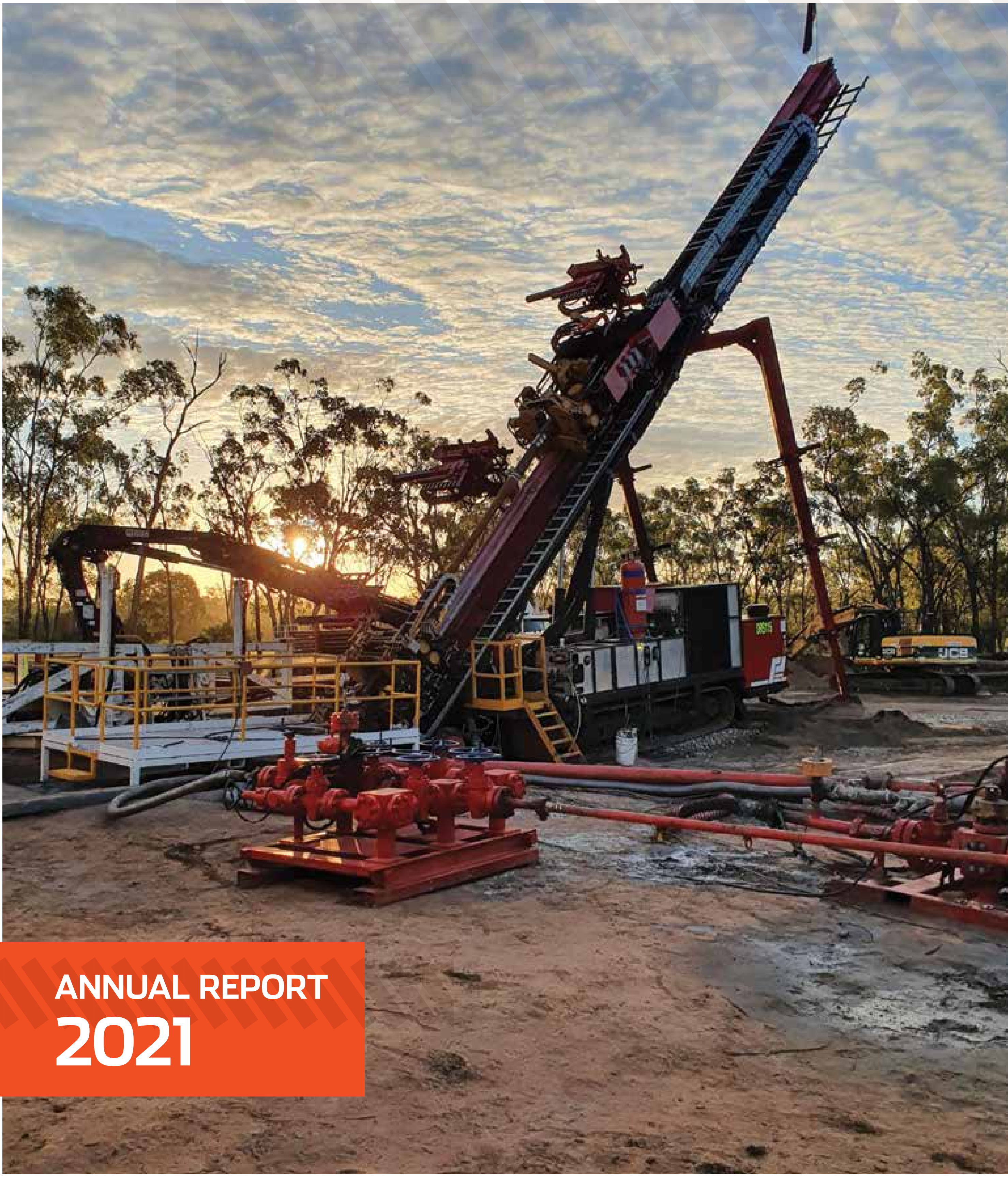
LUCAS



ANNUAL REPORT 2021

CONTENTS

ABN 12 060 309 104

YEAR'S HIGHLIGHTS

NET PROFIT FOR THE YEAR

+137.8% 2021: $3.3 million
2020: $8.9 million loss

AUSTRALIAN OPERATIONS EBITDA

-7.5% 2021: $21.9 million
2020: $23.7 million

AUSTRALIAN OPERATIONS EBITDA MARGIN

+3.6% 2021: 19.7%
2020: 16.1%

SAFETY RECORD

3.07 TRIFR at 30 June 2021

0 LTI's > 8 years

SUCCESSFULLY PROGRESSED AND RECEIVED RESEARCH & DEVELOPMENT TAX CLAIM IN UK

$4.3 m

ABOUT US

AJ LUCAS IS A LEADING PROVIDER OF DRILLING SERVICES primarily to the Australian metallurgical coal industry, it is also an investor in the exploration, appraisal and commercialisation of oil and gas prospects in the UK, with a long and proven history of returns from conventional and unconventional hydrocarbon resource investments.

The Group is structured into the following two principal operating segments.

AUSTRALIAN OPERATIONS

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

UK OPERATIONS

OIL & GAS

Appraisal and commercialisation of unconventional hydrocarbons in the UK

One of the largest shale gas acreage positions in the UK


TRA156
DRS094

CHAIRMAN'S LETTER

ANDREW PURCELL
Chairman

It is with great pleasure that I present to you the annual report of AJ Lucas Group Limited for the financial ended 30 June 2021 – the first in my time as your Chairman.

The COVID-19 pandemic presented us all with some unique challenges over the period in question and our Drilling business was no exception. The demands for our services changed rapidly as our customers tried to anticipate the impact on their businesses, which in turn influenced the type and timing of work we were called upon to perform. As the year progressed the impact of the pandemic on the demand for Australian resources become clearer. Global steel production returned to pre-COVID levels by the end of 2020, which supported demand for metallurgical coal – the key commodity produced by the majority of our customers. Demand for our services in certain areas therefore remained strong and by altering our product mix accordingly we were able to maintain earnings at a similar level to the previous year whilst also improving margins. The ability of the Drilling business to mobilise people and equipment for rescheduled work plans with minimum notice remains an important part of its offering and one that has contributed to the longevity of its relationships with its core customers.

Looking forward, we believe there should be strong demand for the services of our Drilling division. According to the Resources and Energy Quarterly published by the Australian Government in March 2021, forecast demand for metallurgical coal is projected to lead to a 25% increase in prices and a 10% increase in volumes over the next five years. Strong growth in steel production is forecast for India and substantial new steelmaking capacity is planned across Southeast Asia. Supply chains have been accordingly reorganised as well as in response to China's informal import restrictions. Our customers appear to be revising their mine plans accordingly and are therefore seeking greater commitment over a longer period for services which we are confident that the Drilling division will benefit from.

In the United Kingdom, progress towards the lifting of the moratorium on hydraulic fracturing has been slower than we would have liked, but our business has been right sized and costs reduced to allow us to meet our obligations whilst working on a resolution of this matter. In parallel, we are leveraging the experience of our people and the capabilities of our organisation to assess and progress other initiatives that could create value and benefit from our investment and continued presence in the United Kingdom.

The UK Government has enacted a law to achieve net zero CO_2 by 2050 relative to 1990 levels. Natural gas is forecast by the independent climate change committee advising the Government to remain an important component of the UK energy mix over this timeframe. The reliability and dispatchability of the UK's electricity system will likely continue to be challenged as its reliance on intermittent renewable generation increases. By way of example, in August 2020 UK coal fired power generation had to be pressed back into action as low wind speeds caused electricity output from wind farms to fall to lows of 4%. In November 2020 the UK system operator National Grid issued two Electricity Margin Notices within the space of just two days, signalling a tightness in supply, as a high-pressure weather system suppressed wind generation and increased power demand. UK wholesale gas prices have also risen over recent months to unprecedentedly high levels for Summer due to supply / demand imbalances. Traditional sources of UK gas supply, both indigenous production and pipeline imports, are fast diminishing, which supports our belief that the importance of a cleaner and more secure domestic supply of shale gas, coupled with carbon capture & storage, will in time be recognised.

On behalf of the board of Directors I would like to thank the management and staff of our company for the exemplary and innovative manner in which they managed the unique challenges of the past year.

Andrew Purcell
Chairman

> "We are leveraging the experience of our people and the capabilities of our organisation to assess and progress a number of other initiatives that could create value and benefit from our investment and continued presence in the United Kingdom."

Top: Australian drilling operations in action.

CEO'S LETTER

BRETT TREDINNICK
Group Chief Executive Officer

The year to June 30, 2021, was an important and successful one for the Lucas Group.

We continued to generate strong, sustainable earnings from our core drilling services business in Australia which underpinned the full Group's results. The net profit result for the year improved from an $8.88 million loss to a $3.35 million profit with cost-saving and restructuring initiatives, a positive foreign exchange gain and receipt of R&D credits in the UK all contributing to the turnaround.

Our financial performance was a direct result of hard work, diligence, and innovative thinking by our exceptional team of more than 400 people. Our response to the difficulties presented by the external environment was particularly pleasing. More than ever, we are a strong, united team with a common purpose to meet and exceed our customers' expectations; provide our employees with the opportunity to grow and prosper in a safe environment; help our suppliers achieve their goals; and, grow sustainable, shareholder wealth.

FINANCIAL RESULTS

Through a combination of continued contract delivery in a difficult external environment and a business-wide focus on cost constraint, we were able to achieve a significant and historic improvement in the cash and profits generated by the business.

Cash flow from operations increased from $2 million in the previous year to $19.6 million in the year under review. This was largely driven by a reduction in interest and other finance costs, which fell from a total of $20.2 million to $6.2 million, and R&D credits received in the UK. The strong cash flow in a year with significant client delays and the uncertainty of COVID 19 was critical to providing the Board and management with the capacity to develop and implement strategies that will help to build a sustainable and profitable business over the long term.

As a direct result of operational delays by key customers, Group revenue fell by 24.3% to $111.08 million compared to the previous year. The delays, which impacted the first half but became more pronounced in the second half, prompted the need for us to prioritise cash-generating activities. Group EBITDA of $20.85 million represented a margin of 18.8%, a major improvement on the already strong previous year where the EBITDA margin was 15.5 %.

An improvement in operational cash flows from our domestic drilling operations was enhanced by significantly lower investment outflows to our UK investments because of the moratorium in hydraulic fracturing. Throughout the year we continued to find efficiencies wherever possible and took the decision to close our Sydney office and restructure the Board and senior management team.

The bulk of the nearly $19.6 million in cash generated from operating activities was utilised to pay down our debt facilities, and together with positive foreign exchange movements and capitalised interest, resulted in a decrease in total interest-bearing liabilities of $7.2 million to $107.4 million at the end of the year. The majority of these debt facilities are due to expire between October 2022 and October 2023 and will be renegotiated or refinanced over the next 12 months.

OUR PEOPLE DRIVE PERFORMANCE

The strong financial results would not have been possible without our people. I believe we have built the most dynamic and capable team in our industry and this will continue to be a competitive advantage well into the future.

Our senior management team provides nearly 200 years of combined industry experience and over 100 years of commitment to Lucas. This wealth of knowledge and continuity provides Lucas with an unparalleled connection to the industry and our clients.

We are also extremely cognisant of developing the next generation of leaders in our business and have created a multi-layered leadership development program to identify and grow the strategic, operational and safety skills of people across all facets of our business.

	2021 $'000	2020 $'000	Change %
Total revenue from continuing operations	**111,086**	**146,746**	**(24.3%)**
Reported EBITDA – Australian operations	21,913	23,681	(7.5%)
Reported EBITDA – UK investments operations	(1,057)	(960)	(10.1%)
Total Reported EBITDA	**20,856**	**22,721**	**(8.2%)**
Depreciation and amortisation	(6,290)	(7,350)	14.4%
EBIT	**14,566**	**15,371**	**(5.2%)**
Net finance costs	(14,188)	(25,598)	44.6%
Income tax benefit (UK R&D Incentive)	2,977	1,343	121.7%
Net profit / (loss) for the year	**3,355**	**(8,884)**	**137.8%**
Basic profit / (loss) per share (cents)	0.3	(0.9)	133.3%
Total assets	232,001	238,564	(2.8%)
Net assets	94,443	86,949	8.6%

"We refined and expanded our Operational Excellence program throughout the year and as a direct result continued to see significant improvements in safety and productivity."

CEO'S LETTER (CONTINUED)

As part of our strategy, we refined and expanded our Operational Excellence program throughout the year and as a direct result continued to see significant improvements in safety and productivity. One of the best examples of the success of the program is a measurable improvement in the productivity and effectiveness of our drilling teams. Our average well construction times, on a normalised meters per shift basis, improved significantly during the year, compared to the previous year.

During the current year we will be moving to the final phase of the program with the implementation of a new High-Performing Team project. The project will hand Rig Managers and crews full ownership of the continuous improvement process and allow them to track their performance and develop and implement ongoing efficiencies. Ultimately, we want to ingrain a culture of continuous improvement that supports our position as a market leader that can deliver projects safely and efficiently.

While we continue to invest in the development of our people, it is critical that we retain our best talent. While nothing could have prepared us for the last 12 months, I am incredibly proud of the way our senior management team has worked tirelessly to ensure our talent pool continues to grow. More than anything, it is this success in keeping good people that ensures our future success.

DELIVERING FOR OUR CUSTOMERS

The most important way we can continue to grow our business is to meet and exceed the safety, operational and environmental expectations of our clients. To this end, we continue to focus on the innovative delivery of highly technical projects in a safe and low-impact manner.

Over recent years, Lucas has built a reputation for delivering specialised and technically challenging projects in a highly efficient manner. Continuing to invest in expanding our expertise and capacity in extended-reach directional drilling is one of the most important strategies we have for building business performance and sustainability. While directional drilling from horizontal boreholes is a relatively new and highly complex field, it has significant environmental, social, and commercial benefits.

Utilising extended-reach directional drilling means we can reduce the number of vertical boreholes we drill which saves significant time, money, resources and lowers the above-ground footprint of our operations. By investing in the tools and people required to become a leader in directional drilling, we are setting the business up to succeed well into the future.

OUR OUTSTANDING SAFETY RECORD

At Lucas we take tremendous pride in the focus we place on the health, safety, and wellbeing of our employees. Safety is not just a forethought or afterthought; it is ingrained in everything we do. Delivering safe workplaces where our employees can thrive, and grow is a key foundation of our entire corporate culture, and we relentlessly pursue ever-higher standards.

The key measure of success in this area, the Total Recordable Injury Frequency Rate (TRIFR), fell by 16% to 3.07. I am very pleased to report that for the first time in our history we achieved a TRIFR of ZERO on 100% of our customer sites. Given the scale and complexity of our operations, this is not just an industry-leading result for Australia but an exceptional outcome that cements us as a global leader in safety.

Safety improvement initiatives during the year were targeted to address exposure to our Top 10 Fatal Hazards and implementation of our HANDS OFF hand safety program.

OUTLOOK

We entered the current financial year with some optimism that the world was slowly returning to normal. While much of the hard work of reducing our costs has now been done, we will continue to be on the lookout for efficiencies and growing the gap between our revenue and costs.

We will carry a sizeable order book into the new year and are confident our customers who have faced operational delays will soon be back on track, creating new and exciting opportunities for Lucas.

In the year ahead we will continue to pursue any available options to extract value from our UK operations and begin the process of re-negotiating and, if required, re-structuring our debt profile. While we have no debt expiring in FY22 it is important we start this complex process well in advance of expiry and carefully manage the de-leveraging of the business.

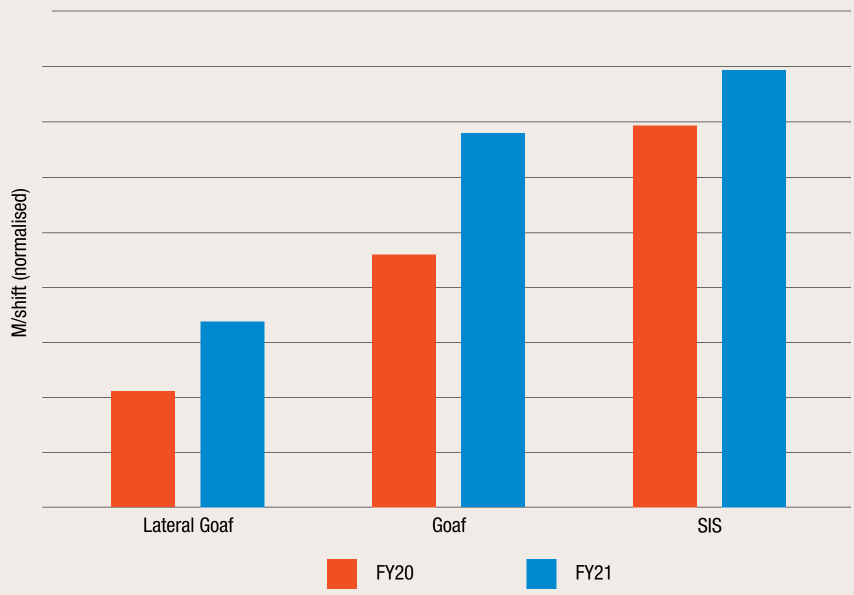
Lucas will continue to play an important role in the safe mining of high quality, cost-efficient metallurgical coal. The market for metallurgical coal is expected to continue to grow as economies emerge from COVID-19 and the contracting environment we operate in will remain positive.

I would like to thank our hard-working employees, our wonderful clients, the Board of Directors and the many other stakeholders who have made the last year, my first full year as a Group CEO a success.

Brett Tredinnick,
Group Chief Executive Officer

> Lucas will continue to play an important role in the safe mining of high quality, cost-efficient metallurgical coal.

Average Well Construction Rate



CUADRILLA CEO LETTER

FRANCIS EGAN
Chief Executive Officer of Oil and Gas Investment

FY21 has been a year like no other in the UK for the oil and gas and indeed for all other industries.

The COVID pandemic resulted in unprecedented changes to personal and business life with multiple local and national lockdowns occurring at various stages throughout the year. The impacts of the pandemic, coupled with the effects of the ongoing Moratorium on hydraulic fracturing in England, meant that there was little to no operational activity at our existing sites. There were, however, several important initiatives undertaken throughout the financial year as follows:

- Significant cost reductions were implemented at Cuadrilla and costs tightly managed to reflect an appropriate asset holding position, compatible with the reduced level of UK operations. Total UK net costs for FY21 were $1.1 million (2020: $1.0 million). The UK costs have been reduced significantly during the period of the moratorium despite Lucas' ownership share of Cuadrilla increasing from 46% to a 96% ownership in February 2020. Notwithstanding the cost reduction all UK licence commitments and obligations were adhered to, in addition to progressing the developments noted below.
- Cuadrilla successfully progressed a tax credit related to qualifying research and development expenditure on UK operations and received payment during FY21 of $4.3 million due from the UK tax authorities.
- During the FY Cuadrilla completed an assessment of the geothermal potential of its existing UK well stock and will utilise this as part of a broader assessment of potential alternative uses both for existing sites and wells.
- The UK Oil and Gas Authority (OGA) in Dec 2020 released the reports of four technical studies commissioned by it to investigate seismicity induced during Cuadrilla's PNR2 well hydraulic fracturing operations. Cuadrilla completed a technical review of the studies and responded to the OGA including in its response the following key observations:
- We agreed that the fault that generated the 2.9ML seismic event was not capable of being detected a-priori on the then existing 3D seismic and that the "strike-slip" nature of the fault makes detection on 3D seismic images difficult.
- We agreed with the conclusion that the well integrity at PNR was not compromised by the 2.9ML seismic event and would be unlikely to be compromised by the largest modelled seismic event of 4.5ML.
- We acknowledged and agreed with the conclusion that the ground motions measured for the two largest PNR1 well seismic events (1.1 and 1.5 ML) can be considered as imperceptible and below the level of vibration that people experience going about everyday activities.
- We agreed with the conclusion that the modelled property damage from the 2.9ML induced seismic event was de-minimis and that the intensity level of VI assigned by the British Geological Survey (BGS) to that event was "difficult to justify".
- We agreed with the conclusion that no property damage at all would be expected at the PNR location for induced seismic events up to and including the level of 2.5 ML.
- We agreed with the conclusion that induced seismic response is, at least partially, a function of local / heterogeneous conditions.

Since the publication of the above noted reports Cuadrilla has continued to engage with the Regulator and with other industry players on the definition of appropriate technical work-scopes concerning the prediction and management of seismicity induced by hydraulic fracturing. Agreement has not yet been reached on the extent of the work required, particularly given the markedly different regulatory approach been taken in the UK to the regulation and control of seismicity induced during onshore geothermal well operations. Nonetheless efforts continue to define an agreed path forward.

> Significant cost reductions were implemented at Cuadrilla and costs tightly managed to reflect an appropriate asset holding position, compatible with the reduced level of UK operations.

- The UK Climate Change Committee published its Sixth Carbon Budget reports in December 2020 and the Government's Energy White Paper was published later in the same month. Both publications emphasised the commitment to achieving the UK's legally binding target of Net Zero CO_2 by 2050 as well as defining various pathways and initiatives to reach that goal.

Whilst the role of natural gas is clearly envisaged to decline in the UK, it is still considered likely that there will be a significant gas demand out to 2050 and potentially beyond, for example as a fuel in generating back-up electricity and a feedstock for making hydrogen. Any CO_2 resulting from the burning of gas in such industrial applications will need to be captured and stored. The source of this gas is not identified but the underlying fall in domestic gas supply and increasing reliance on gas imports, particularly LNG imports, is an acknowledged, growing and worrying trend.

The Climate Change Committee's own scenarios show that the UK will have a natural gas import dependency of over 80% by 2050. The carbon intensity of onshore natural gas production has been forecast to be 13.8 gCO_2/kWh. By comparison, the carbon footprint of liquified natural gas (LNG) from Qatar has been calculated by University College London to be on average 60.7 gCO_2/kwh, making LNG over four times as carbon intensive, on a pre-combustion basis, as domestic onshore gas.

The material and ongoing growth in imports of LNG is incompatible with the need to address the UK's contribution to climate change. As regional gas production from the UKCS, Norway and the Netherlands declines further, more and more of the UK's annual gas supply will take the form of carbon intensive imported LNG. Failure to develop UK onshore natural gas could add an extra 145 million tonnes CO_2e to the UK's carbon footprint, simply due to provenance of LNG imports to the UK from the Middle East, US, North Africa or Russia.

The fluctuations in the availability and price of imported LNG are likewise an issue. By way of example, the spot-price of LNG in the Asian market increased to over $53/MMbtu ($US30/MMbtu) in January 2021, some 600% greater than the Brent indexed historical price at the end of 2020. This price increase was driven by cooler temperatures and a post-COVID restart of Asian economies which are heavily reliant on natural gas imports. The price difference created a clear incentive for LNG exporters to deliver their gas cargoes to Asia, instead of to the UK and Europe, highlighting LNG as a poor source of gas for UK energy security.

More recently, in July 2021, UK wholesale gas prices reached unprecedented levels of over UK£1 / per therm or approximately $16 per gigajoule, over double historical UK Summer gas pricing levels. This will inevitably feed through into higher consumer energy bills clearly demonstrating the economic consequences of an ever-increasing reliance on energy imports.

In August 2020 Angus Energy submitted a planning application to the West Sussex County Council for approval to remove drilling fluids and carry out an extended well test on the Balcombe z1 well. This proposal involved firstly pumping out previously used drilling fluids to ascertain the presence of dry oil in the well, followed by oil production and a twelve month extended well test.

The application was recommended for approval by the County Council Planning Officer. The application was however refused on 10th March 2021 by the Council's Planning Committee on the grounds that "The proposed development would represent major development in the High Weald Area of Outstanding Natural Beauty, for which there are no exceptional circumstances, and which is not in the public interest"

Angus Energy has the right to appeal the planning refusal and must exercise that right within 6 months of the Planning refusal and has publicly indicated that it is likely to do so. Licence obligations continue to be met and the licence continues to be current in the meantime.

In summary, the year has been one of navigating successfully through exceptionally difficult and challenging times both for the oil and gas and broader business sectors. We end the year fully integrated into the AJ Lucas Group with a substantial UK exploration licence, a very significant natural gas discovery and assessing additional development opportunities to broaden and diversify our operational scope.

Francis Egan
Chief Executive Officer
of Oil and Gas Investment

> In July 2021, UK wholesale gas prices reached unprecedented levels of over UK£1 / per therm or approximately $16 per gigajoule, over double historical UK Summer gas pricing levels.

SENIOR MANAGEMENT

AJL SENIOR MANAGEMENT POSSESS DEEP INDUSTRY EXPERIENCE WITH BROAD RELATIONSHIPS ACROSS KEY CUSTOMER DECISION MAKERS.

With a combined 110 years of commitment to AJL and over 180 years of industry experience the management team are highly experienced and deeply connected to the market they serve.

BRETT TREDINNICK

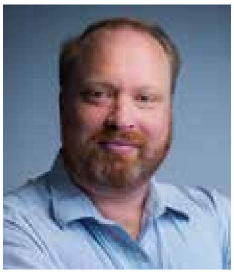
Group Chief Executive Officer

- 30 years industry experience, including 3 years with Rio Tinto Coal and 9 years with BHP
- Qualified metallurgist with an MBA degree from the University of Queensland
- Membership of the Australian Institute of Company Directors
- 20 years at Lucas

DAVID EKSTER

Group Chief Financial Officer

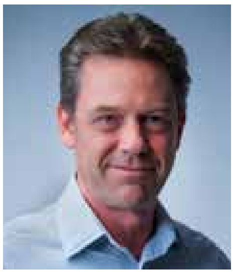
- 17 years experience across public practice, commerce and corporate restructuring in Australian and UK businesses which include Virgin Australia, Shell, Yahoo, EDF Energy, MFI and Talbot Hughes McKillop, as a qualified chartered accountant
- Previously Head of Finance in 2012, making him responsible for statutory financial and management reporting, working capital and treasury, financial systems, taxation, procurement and commercial
- 10 years at Lucas



GREG RUNGE

General Manager – Directional Drilling

- 20 years experience within engineering services, providing extensive technical, operational and field experience as an oilfield directional driller as well as a consulting engineer
- Holds a Bachelor of Petroleum from UNSW, a Master of Commerce and an MBA from UQ
- 16 years at Lucas



DANIEL SWEETING

General Manager – Large Diameter Drilling

- 30 years experience in the mining and infrastructure sectors, including time at Coffey Engineering Group and BAC systems
- Experienced project manager and has successfully delivered significant Pipeline and Drilling projects
- 18 years at Lucas

ANDREW McCORMACK

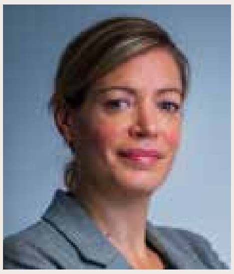
General Manager – Plant and Equipment

- 31 years experience in the offshore and onshore resource industry, over 17 years with Global Santa Fe Drilling in management roles for offshore rig projects in Australian top tier companies
- Qualified Electrical Engineer with additional tertiary qualifications in business, technology and management
- 1 year at Lucas

SIMON ARCHIBALD

General Manager – Exploration and HSEQ

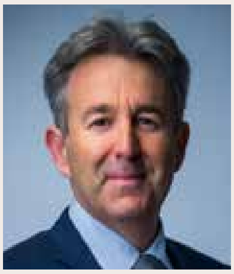
- 11 years experience in the resources and energy sector and 8 years experience in workplace health and safety, Simon has held senior positions in drilling, pipelines and civil construction
- A qualified HSE professional with a focus on fostering a zero harm culture, implementing change and risk management
- 13 years at Lucas



NICOLE McDONALD

General Manager – People and Performance

- 20 years experience in Human Resources and Industrial Relations across a diverse range of mining, energy and heavy industries
- Holds a Masters of Employment Relations and is highly experienced across a broad range of HR and IR functions
- 13 years at Lucas



DOUG HENDERSON

General Manager – Business Development

- 14 years industry experience, including senior executive roles in directional drilling, asset services, drilling operations and consultancy. Broad sector experience in Oil, Gas and Mineral resources
- Holds qualifications in leadership, instruments and downhole surveying
- 7 years at Lucas

MARCIN SWIERKOWSKI

Company Secretary and Commercial Manager

- 14 years experience in Senior Finance and governance positions in listed companies across mining, mining services, property investments and facilities management. Previous to this he started his career as a Chartered Accountant at Deloitte.
- Chartered Accountant with a Masters of Business Administration (exec) from the University of NSW, a Bachelor of Commerce from Flinders University of SA and a graduate member of Australian Institute of Company Directors
- 8 years at Lucas

FINANCIAL REPORT

CONTENTS

DIRECTORS' REPORT

for the year ended 30 June 2021

DIRECTORS

The Directors of AJ Lucas Group Limited (the "Company", the "Group" or "AJL") at any time during the financial year and up to the date of this report and their terms of office are as follows.

Name	Appointments
Andrew Purcell	Independent Non-Executive Chairman since 31 August 2020
	Independent Non-Executive Director since 3 June 2014 to 31 August 2020
Julian Ball	Non-Executive Director since 2 August 2013
Francis Egan	Executive Director since 13 May 2020
Austen Perrin	Non-Executive Director since 31 August 2020
	Executive Director since 1 January 2020 to 31 August 2021
Brett Tredinnick	Executive Director since 1 January 2020
Phillip Arnall	Retired 31 August 2020
	Independent Non-Executive Chairman since 3 June 2014
	Interim CEO and Executive Chairman since 28 January 2014 to 3 June 2014
	Independent Non-Executive Chairman since 29 November 2013 to 28 January 2014
	Independent Non-Executive Director since 10 August 2010 to 29 November 2013
John O'Neill	Resigned 15 November 2020
	Independent Non-Executive Director since 23 June 2015

Details of the current members of the Board, including their experience, qualifications, special responsibilities and directorships of other listed companies held in the past 3 years are set out below.

ANDREW PURCELL B Eng; MBA

Mr Purcell is an engineer by background and has had a distinguished career in investment banking working with Macquarie Bank and Credit Suisse, the latter both in Australia and Hong Kong. In 2005 he founded Teknix Capital in Hong Kong, a company specialising in the development and management of projects in emerging markets across the heavy engineering, petrochemical, resources and infrastructure sectors. Mr Purcell also has considerable experience as a public company director, both in Australia and in a number of other countries in the region, currently being the Chairman of Melbana Energy Limited.

Mr Purcell was a member of the Audit and Risk Committee up to 1 January 2020 and was appointed Chairman of the Human Resources and Nominations Committee on 1 January 2020 following the resignation of Mr Meares. On 31 August 2020 Mr Purcell was appointed Chairman of the Board following retirement of Phil Arnall, and Mr Purcell became a member of both the Audit and Risk and the Human Resources and Nominations Committees.

JULIAN BALL BA; FCA

Mr Ball is an independent consultant representing Kerogen Capital ("Kerogen"), based in Hong Kong, and has more than 30 years of experience in investment banking and private equity. Mr Ball trained as a chartered accountant at Ernst & Young in London before relocating to Hong Kong. He worked for many years as an investment banker at JP Morgan primarily covering the energy and natural resources sectors prior to working in private equity. He was a senior member of Kerogen for more than 10 years, prior to stepping down on a full time basis in 2020.

Mr Ball is a member of the Audit and Risk and was appointed the Chairman of the Human Resources and Nominations Committee, having been a member of that committee prior to 31 August 2020.

DIRECTORS' REPORT (CONTINUED)

FRANCIS EGAN M Eng. MBA

Francis has over 36 years of diverse international experience in the upstream oil and gas industry, working in engineering and senior management roles. Prior to joining Cuadrilla as CEO in July 2012, Francis worked in Houston, Texas as President of Production for BHP Billiton Petroleum. He also held senior management roles at BHP in Algeria, Pakistan, UK and Australia over the course of a 20-year career. Prior to joining BHP Billiton, Francis spent eight years with Marathon Oil in a variety of engineering and commercial roles. He was educated in Ireland, obtaining a BE Civil Degree with First Class Honours and a Master of Engineering Science Degree. He spent time as a PhD student and research assistant at the California Institute of Technology (Caltech) in Los Angeles and also holds a MBA from the University of Warwick.

AUSTEN PERRIN B Econ. CA, GAICD

Mr Perrin was the Group Chief Financial Officer since December 2014 to 31 August 2020 when he retired from that position, but he continues to serve as a Director. Prior to joining AJL, he was the Chief Financial Officer for Whitehaven Coal Limited for nearly 6 years. He also previously held the group CFO roles with Asciano Limited and Pacific National Limited and was an executive director and divisional CFO of the listed Toll NZ Limited as well as holding various senior finance roles within the Toll Holdings group and TNT. Mr Perrin has considerable knowledge of transport, infrastructure, coal mining and oil and gas industries and has in depth experience across commercial, accounting and the finance spectrums. Prior to that he started his career with KPMG.

Mr Perrin was appointed as a member of the Audit and Risk Committee on 31 August 2020 and was appointed the Chairman of that Committee following the resignation of Mr O'Neill on 15 November 2020.

BRETT TREDINNICK MBA

Mr Tredinnick was appointed as the Group CEO in January 2020 having previously being the CEO of the Drilling Division and COO for the group. He has presided over the significant growth, restructuring and strategic initiatives for the Australian operations part of the business in recent years. Mr Tredinnick has been with the Group for over 20 years and during this time has seen multiple mining cycles. He has lead and implemented initiatives that have kept AJL's Australian business safe, profitable, innovative and a leader in its field of execution while highly regarded by its peers and customers in Coal, Oil and Gas. Prior to joining AJL, Mr Tredinnick held various operational and project management roles with Rio Tinto Coal and BHP. Mr Tredinnick holds qualifications in Metallurgy and an MBA from the University of Queensland, and is a member of the Australian Institute of Company Directors.

COMPANY SECRETARY

Mr Swierkowski B Com, CA, MBA (Exec) joined the company in June 2013, and was appointed to the position of Company Secretary on 23 June 2015. Prior to this he has held both senior finance and company secretarial positions in listed companies across mining, investments and facilities management.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) held during the financial year, during the period of each Director's tenure, and number of such meetings attended by each director are:

	Board of Directors		Audit and Risk Committee		Human Resources and Nominations Committee	
	Attended	Held	Attended	Held	Attended	Held
Andrew Purcell	12	12	5	5	2	2
Julian Ball	12	12	6	6	2	2
Austen Perrin	12	12	5	5	1	1
Brett Tredinnick	12	12	-	-	-	-
Francis Egan	12	12	-	-	-	-
Phillip Arnall	4	4	1	1	1	1
John O'Neill	6	6	1	1	-	-

PRINCIPAL ACTIVITIES

The Group is a leading provider of drilling services primarily to the Australian coal industry, and an operator, through its UK subsidiary Cuadrilla Resources Holdings Limited, of exploration and appraisal of conventional and unconventional oil and gas prospects in the United Kingdom ("UK").

For the year in review, the Group was structured into the following two principal operating segments:

Drilling: A leading provider of drilling services to the energy and resources sectors, but primarily focused on delivering a suite of degasification and exploration drilling and related services to Australian metallurgical coal mines. The division has superior capabilities in the provision of specialised Directional and Large Diameter drilling for degasification of coal mines.

UK Operations: Exploration of unconventional and conventional hydrocarbons in the United Kingdom.

OPERATING & FINANCIAL REVIEW

GROUP PERFORMANCE

	2021 $'000	2020 $'000	Change %
Total revenue from continuing operations	**111,086**	**146,746**	**(24.3%)**
Reported EBITDA – Australian operations	21,913	23,681	(7.5%)
Reported EBITDA – UK investments operations	(1,057)	(960)	(10.1%)
Total Reported EBITDA	**20,856**	**22,721**	**(8.2%)**
Depreciation and amortisation	(6,290)	(7,350)	14.4%
EBIT	**14,566**	**15,371**	**(5.2%)**
Net finance costs	(14,188)	(25,598)	44.6%
Income tax benefit (UK R&D Incentive)	2,977	1,343	(121.7%)
Net profit / (loss) for the year	**3,355**	**(8,884)**	**137.8%**
Basic profit / (loss) per share (cents)	0.3	(0.9)	133.3%

DIRECTORS' REPORT (CONTINUED)

	2021 $'000	2020 $'000	Change %
Total assets	232,001	238,564	(2.8%)
Net assets	94,443	86,949	8.6%

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

The Group has reclassified an amount of $1.34 million in UK research and development credits previously recorded as a benefit in other expenses to income tax benefit in the comparative period to align with current year accounting. This reclassification resulted in a decrease in Total Reported EBITDA, and an increase in income tax benefit. There is no change to Net profit/loss as a result of this reclassification.

OVERVIEW OF THE GROUP

The health, safety, and wellbeing of our employees is a critical factor to the success of Lucas. The key measure of success in this area, the Total Recordable Injury Frequency Rate (TRIFR) for the Australian business, fell by 16% to 3.07 in the year to 30 June 2021. Importantly, we achieved TRIFR of ZERO on all customer sites. Given the scale and complexity of our operations, this is not just an industry-leading result for Australia but an exceptional outcome that confirms Lucas as a global leader in safety.

Revenue for the year was impacted by client delays at several key client projects. The impact of the delays was more pronounced in the second half and resulted in a 24.3% decrease in total revenue to $111.08 from $146.74 million in the previous year. At the end of the first half revenue was down 20.9% on the previous half.

Despite a decrease in revenue, the company reported a net profit of $3.35 million compared to a net loss of $8.88 million in the previous year. The profit turnaround was generated by strong Group EBITDA, receipt of a tax benefit arising from UK R&D credits, lower financing charges as a result of refinancing OCP in October 2019 in the comparative period and positive foreign currency exchange gain of $3.3m compared to a $3.3 million loss in FY20.

Group EBITDA of $20.85 million represented a margin of 18.8%, a major improvement on the already strong previous year where the EBITDA margin was 15.5%. Group EBITDA margin as a result of strong underlying operations from the Australian Drilling business and lower corporate costs as a result of restructuring. Reported EBITDA from UK investment operations for the first time in FY21 included a full year of consolidated results from Cuadrilla over which the Group obtained control in February 2020.

A major contributor to the improvement in earnings were much lower finance costs. Net finance costs of $14.19 million in the year under review included a gain on foreign exchange of $3.26 million compared to a loss of $3.29 million in the prior year. Net finance costs of $25.60 million in the previous year also included costs related to refinancing of the OCP loans in October 2019 with lower interest facilities with new providers.

During the last two years several organisational changes were put in place reflecting the focus on the Australian operations and the increase in the Group's ownership interest in Cuadrilla. Brett Tredinnick, who was previously the Lucas Drilling division CEO, was appointed Group Chief Executive Officer and joined the Lucas Group Board in January 2020. Mr Egan, who remains the Cuadrilla CEO joined the Lucas Group Board in May 2020. Following the retirement of Austen Perrin in August 2020, who had already joined the Lucas Group Board in January 2020, Mr Ekster was appointed Group Chief Financial Officer.

The Group recognises the growing interest of our stakeholders in relation to the potential risks and opportunities posed to our business, and the community in general, as a result of climate change. Regulation of greenhouse gasses is also increasing globally.

The Group's ability to continue to operate and execute its business strategies may be impacted by physical effects of climate change, such as increased flooding which may cause client operations to be suspended, as well as the effect of regulations and public perceptions stemming from a transition to a lower carbon economy. While the Company is evaluating the potential impacts of climate change and possible responses to the risk and opportunities posed, the impacts on global markets, regulatory policies, and technologies are inherently unclear due to the wide range of issues and potential outcomes.

Further disclosure of climate change risk is described in the Corporate Governance Statement.

Australian Operations

Australian Business

	2021 $'000	2020 $'000	Change %
Revenue	111,086	146,746	(24.3%)
Underlying EBITDA – Drilling	21,913	27,960	
Underlying EBITDA – Corporate	–	(3,448)	
Corporate non-operating costs	–	(831)	
Reported EBITDA – Australian Operations	**21,913**	**23,681**	**(7.5%)**
EBITDA margin	19.7%	16.1%	

Lucas' core drilling operations performed well during the year despite facing a range of external challenges. Despite a generally positive contracting and tendering environment a number of key clients faced delays in their mining schedule. These delays had a knock-on effect to their requirements for the drilling services we provide. Despite the lower revenue the Board and management is optimistic the company is well positioned to maximise any opportunities from the strong contracting market that has developed throughout the 2021 calendar year.

Management responded quickly to these delays providing flexible solutions to client problems, with the resulting focus on greater proportion of more technical, higher margin work. This allowed the company to minimise the impact of lower revenues and report EBITDA from Australian operations of $21.91 million, compared to $23.68 million in the previous year. Cost savings included the reduction of operating costs and the closure of the Sydney office. Group corporate costs, which include all compliance and risk management activities, other than those directly related to the UK Oil and Gas Investments segment, are now included in results for our Australian Operations.

During the year, Lucas continued to build its reputation for delivering specialised and technically challenging projects in a highly efficient manner and the company continues to invest in expanding our expertise and capacity in directional drilling. While directional drilling from horizontal boreholes is a relatively new and highly complex field, it has significant environmental, social, and commercial benefits. Utilising directional drilling means we can reduce the number of horizontal boreholes we drill which saves significant time, money, resources and lowers the above-ground footprint of our operations.

Oil and Gas

FY21 has been a year like no other in the UK for the oil and gas and indeed for all other industries. The COVID pandemic resulted in unprecedented changes to personal and business life with multiple local and national lockdowns occurring at various stages throughout the year. The impacts of the pandemic, coupled with the effects of the ongoing Moratorium on hydraulic fracturing in England, meant that there was little to no operational activity at our existing sites. There were, however, several important initiatives undertaken throughout the financial year as follows:

- Significant cost reductions were implemented across the UK operations. Total UK net costs for FY21 were $1.1 million(2020: $1.0 million). The UK costs have been reduced significantly during the period of the moratorium despite Lucas' ownership share of Cuadrilla increasing from 46% to a 96% ownership in February 2020.
- Cuadrilla successfully progressed a tax credit related to qualifying research and development expenditure on UK operations and received payment during FY21 of $4.3 million due from the UK tax authorities.
- During the FY Cuadrilla completed an assessment of the geothermal potential of its existing UK well stock and will utilise this as part of a broader assessment of potential alternative uses both for existing sites and wells.

The UK Oil and Gas Authority (OGA) in Dec 2020 released the reports of four technical studies commissioned by it to investigate seismicity induced during Cuadrilla's PNR2 well hydraulic fracturing operations. Cuadrilla completed a technical review of the studies and responded to the OGA.

Since the publication of the above noted reports Cuadrilla has continued to engage with the Regulator and with other industry players on the definition of appropriate technical work-scopes concerning the prediction and management of seismicity induced by hydraulic fracturing. Agreement has not yet been reached on the extent of the work required, particularly given the markedly different regulatory approach been taken in the UK to the regulation and control of seismicity induced during onshore geothermal well operations. Nonetheless efforts continue to define an agreed path forward.

The UK Climate Change Committee published its Sixth Carbon Budget reports in December 2020 and the Government's Energy White Paper was published later in the same month. Both publications emphasised the commitment to achieving the UK's legally binding target of Net Zero CO_2 by 2050 as well as defining various pathways and initiatives to reach that goal.

Whilst the role of natural gas is clearly envisaged to decline in the UK, it is still considered likely that there will be a significant gas demand out to 2050 and potentially beyond, for example as a fuel in generating back-up electricity and a feedstock for making hydrogen. Any CO_2

resulting from the burning of gas in such industrial applications will need to be captured and stored. The source of this gas is not identified but the underlying fall in domestic gas supply and increasing reliance on gas imports, particularly LNG imports, is an acknowledged, growing and worrying trend.

The material and ongoing growth in imports of LNG is incompatible with the need to address the UK's contribution to climate change. As regional gas production from the UKCS, Norway and the Netherlands declines further, failure to develop UK onshore natural gas will mean that more and more of the UK's annual gas supply will take the form of carbon intensive imported LNG.

The fluctuations in the availability and price of imported LNG are likewise an issue. By way of example, the spot-price of LNG in the Asian market increased by some 600% to over $53/MMBtu ($US30/MMBtu) in January 2021. The price difference created a clear incentive for LNG exporters to deliver their gas cargoes to Asia, instead of to the UK and Europe, highlighting LNG as a poor source of gas for UK energy security.

More recently, in July 2021, UK wholesale gas prices reached unprecedented levels of over UK£1 / per therm or approximately $16 per gigajoule, over double historical UK Summer gas pricing levels. This will inevitably feed through into higher consumer energy bills allowing voters to clearly see the economic consequences of an ever-increasing reliance on energy imports.

In August 2020 Angus Energy submitted a planning application to the West Sussex County Council for approval to remove drilling fluids and carry out an extended well test on the Balcombe z1 well . The Angus Energy application was recommended for approval by the County Council Planning Officer. The application was however refused on 10th March 2021 by the Council's Planning Committee.

Angus Energy has the right to appeal the planning refusal and must exercise that right within 6 months of the Planning refusal and has publicly indicated that it is likely to do so.

In summary, the year has been one of navigating successfully through exceptionally difficult and challenging times. We end the year fully integrated into the AJ Lucas Group with a substantial UK exploration licence, a very significant natural gas discovery, and assessing additional development opportunities to broaden and diversify our operational scope.

REVIEW OF FINANCIAL CONDITION

Cash flow from operations increased from $2 million in the previous year to $19.6 million in the year to 30 June 2021. The strong cash flow in a year with significant client delays and the uncertainty of COVID 19 was critical to providing the Board and management with the ability to respond quickly to the changing needs of clients and adjust the Group's focus, structure and operations. Interest and finance costs paid in the previous year included $15.1 million in accrued interest costs paid on the extinguishment of the OCP loan note facility that was refinanced in October 2019.

Most of the $19.62 million in cash generated from operations was utilised to pay down debt. The repayment of debt, together with positive foreign exchange movements and capitalised interest on the Kerogen facility, resulted in a decrease in total interest-bearing liabilities of $7.2 million to $107.4 million at the end of the year. The senior syndicated facility will reach term in October 2022 followed by the Junior loan notes in April 2023 which is expected to be renegotiated or refinanced over the next 12 months.

Cash flows spent on investing activities were reduced during the year as the company focussed on deleveraging and managing the volatile external environment created by COVID-19 and customer issues. Only $1.65 million was spent on investment in plant and equipment. The reduction in planned capital expenditure is not significant and is not expected to impact maintenance costs in the short to medium term.

OUTLOOK & LIKELY DEVELOPMENTS

Lucas entered the new year with a sizeable order book and confidence that the customers who have faced operational delays will soon be back on track, creating new opportunities to grow revenue. The Company's cost base has been significantly lowered and any increase in revenue is likely to translate to better earnings in the current year.

We will continue to pursue available options to extract value from our UK operations. We will also begin the process of re-negotiating and, if required, re-structure our debt profile. We will continue the ongoing process of deleveraging the business by applying surplus cash to paying down debt.

The market for metallurgical coal is expected to continue to grow as economies emerge from COVID-19 and the contracting environment we operate in benefits from this growth.

IMPACT OF LEGISLATION AND OTHER EXTERNAL REQUIREMENTS

There were no changes in environmental or other legislative requirements during the year that significantly impacted the results or operations of the Group.

DIVIDENDS

No dividends have been declared by the Company since the end of the previous year (2020: Nil).

ENVIRONMENTAL REGULATIONS & NATIVE TITLE

AJL is committed to meeting stringent environmental and land use regulations, including native title issues. The Group is committed to identifying environmental risks and engineering solutions to avoid, minimise or mitigate such risks. The Group works closely with all levels of government, landholders, and other bodies to ensure its activities have minimal or no effect on land use and areas of environmental and cultural importance. Group policy requires all operations to be conducted in a manner that will preserve and protect the environment.

The Directors are not aware of any significant environmental incidents, or breaches of environmental regulations during or since the end of the financial year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Group both during the financial year and subsequent to the balance sheet date are as described in this report and the financial statements and notes thereto.

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial 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.

DIRECTORS' SHAREHOLDINGS AND OTHER INTERESTS

The relevant interest of each person who held the position of Director during the year, and their director-related entities, in the shares and options over shares issued by the Company, as notified by the Directors to the Australian Securities Exchange in accordance with Section 205G(1) of the Corporations Act 2001, at the date of this report are:

	Ordinary shares	Options
Andrew Purcell	527,105	–
Austen Perrin	300,062	–
Brett Tredinnick	345,722	–

Kerogen Investment No 1 (HK) Limited ("Kerogen") holds 779,888,166 ordinary shares in the Company (equivalent to 65.19% of issued shares). Julian Ball is a representative of Kerogen and is also a Director of AJL.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

Indemnification

The Company has agreed to indemnify all directors and officers of the Company against all liabilities including expenses to another person or entity (other than the Company or a related body corporate) that may arise from their position as directors or officers of the Company, except where the liability arises out of conduct involving a lack of good faith.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst and Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify EY during or since the financial year end.

Insurance premiums

Since the end of the previous financial year, the Company has paid premiums in respect of directors' and officers' liability and legal expenses insurance contracts for the year ending 31 May 2022.

NON-AUDIT SERVICES

During the year, EY, the Company's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services provided during the year by the auditor and in accordance with advice of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 '*Code of Ethics for Professional Accountants*', as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Payments due to the auditor of the Company and its related practices for non-audit services provided during the year, as set out in Note 9 of the financial statements, amounted to $60,200 (2020: $65,000).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 34 and forms part of the Directors' Report for the financial year ended 30 June 2021.

ROUNDING OFF

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 financial report and the directors' report have been rounded off to the nearest thousand dollars in accordance with that Corporate Instrument.

REMUNERATION REPORT – AUDITED

The Directors present the Remuneration Report ("the Report") for the Company and its controlled entities for the year ended 30 June 2021. The Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report outlines the remuneration policy for key management personnel ("KMP") comprising

1. The non-executive directors (NEDs)
2. Senior executives (the Executives)

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

NON-EXECUTIVE DIRECTORS' REMUNERATION

The Board's policy for setting fees for non-executive directors is to position them around the middle of market practice for comparable non-executive director roles in companies listed on the Australian Securities Exchange ("ASX"). Non-executive directors do not receive performance related remuneration and are not provided with retirement benefits apart from statutory superannuation. Options and other forms of equity are not provided to non-executive directors.

Total remuneration for all non-executive directors, last voted upon at the 2018 Annual General Meeting, is not to exceed $900,000 per annum. The remuneration for each non-executive director during the year was $100,000 per annum, with an additional $10,000 per annum for each director serving as chairman of a committee of the Board (in prior year the additional $10,000 per annum was paid to each director serving as a member of a committee). The change to remuneration of committee members was considered more reflective of the additional time commitment required. The Chairman of the Board, who is also a member of each Board Committee, receives $225,000 per annum, which was a reduction of $50,000 effected 1 January 2020.

The following table presents details of the remuneration of each non-executive director.

Non-executive director	Year	Board fees including superannuation $	Committee fees including superannuation $	Total $
Andrew Purcell(1)	2021	204,166	1,667	205,833
Andrew Purcell	2020	100,000	10,000	110,000
Julian Ball(2)	2021	100,000	8,333	108,333
Julian Ball	2020	100,000	20,000	120,000
Austen Perrin(3)	2021	83,333	5,833	89,166
Austen Perrin	2020	N/A	N/A	N/A
John O'Neill(4)	2021	37,500	3,750	41,250
John O'Neill	2020	100,000	10,000	110,000
Phillip Arnall(5)	2021	37,500	-	37,500
Phillip Arnall	2020	250,000	20,000	270,000
Ian Meares(6)	2021	N/A	N/A	N/A
Ian Meares	2020	50,000	5,000	55,000

1. Andrew Purcell was appointed Chairman of the Board from 31 August 2020 and a member of the Human Resources and Nominations Committee. He was previously the Chairman of the Human Resources and Nominations Committee
2. Julian Ball was appointed the Chairman of the Human Resources and Nominations Committee from 31 August 2020, having previously served as a member of the committee.
3. Austen Perrin retired from the office of Chief Financial Officer and Executive Director on 31 August 2020 and became a non-executive director on that date. On 15 November 2020 he was appointed chairman of the Audit and Risk Committee. Remuneration related to serving as an executive up to 31 August 2020 is not included in the table above, and instead is disclosed in the Executive and Officers Remuneration table on the following pages.
4. John O'Neill resigned as Director and Chairman of the Audit and Risk Committee effective 15 November 2020.
5. Mr Arnall resigned as chairman of the Board effective 31 August 2020.
6. Ian Meares resigned on 31 December 2019

EXECUTIVE REMUNERATION

Policy

The key principle of the Group's remuneration policy for key management personnel ("KMP") is to set remuneration at a level that will attract and retain appropriately skilled and motivated executives, including executive directors, and motivate and reward them to achieve strategic objectives and improve business results. The Remuneration Committee may obtain independent advice from time to time on the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Group's remuneration strategy.

The overriding philosophy of the remuneration structure is to reward employees for increasing shareholder value. This is achieved by providing a fixed remuneration component, together with performance-based incentives.

AJL aims to set fixed annual remuneration at market median levels for jobs of comparable size and responsibility using established job evaluation methods and to provide incentives to enable top performers to be remunerated at the upper end of the market range, subject always to the performance of the Group. The aim of the incentive plans is to drive performance to successfully implement annual business plans and increase shareholder value.

Fixed remuneration

Fixed remuneration consists of base remuneration which is calculated on a total cost basis and includes any allowances and fringe benefit tax charges related to employee benefits including motor vehicles as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually through a process that considers individual and segment performance of the Group. This process includes consultation with external consultants and review of external databases to benchmark remuneration levels with comparable companies.

Performance linked compensation

Performance linked remuneration may include short-term incentives that are designed to reward key management personnel for meeting or exceeding their financial and personal objectives.

The short-term incentive ("STI") is an 'at risk' bonus generally provided in the form of cash. Executives have the ability to earn an STI of up to a maximum of 63.75% of their fixed annual remuneration, based on achievement of certain criteria. Any portion of an STI over a hold point, being between 21% and 25.5% of remuneration in the case of KMP, will be held over and paid in 12 months provided the KMP continues to be employed by the Group. The criteria include a mix of:

1. Corporate performance targets, measured in reference to Drilling Divisions underlying EBITDA performance weighted commensurate with the employee's role;
2. Corporate sustainability and safety performance; and
3. Individual key performance indicators agreed annually between the Company and the individual.

Any STI payment is subject to review by the Board and it may on a case by case basis decide to award additional discretionary incentives to reward exceptional performance.

Relationship of remuneration to Company performance

In considering the Group's performance and benefits for shareholder value, the Human Resources and Nominations Committee has had regard to the following indices in respect of the current financial year and the previous four years.

	2021	2020	2019	2018	2017
Total revenue ($'000)(1)	**111,086**	146,746	143,442	124,702	73,374
Reported EBITDA(1)	**21,913**	23,681	9,086	21,127	(8,656)
Net profit / (loss) after tax attributable to members ($'000)	**3,339**	(8,867)	(39,390)	(16,271)	(39,030)
Profit/(loss) per share (cents)	**0.3**	(0.9)	(5.3)	(2.5)	(9.7)
Dividend per share (cents)	**-**	-	-	-	-
Share price at balance date	**$0.026**	$0.035	$0.08	$0.33	$0.22
Share price appreciation/(depreciation)	**(26%)**	(56%)	(76%)	50%	22%
STI to KMP in relation to the year's performance ($'000)	**0**	416	569	331	0

(1) In 2018 a decision was made to discontinue the Lucas Engineering and Construction division. Total revenue and Underlying EBITDA in the above table includes only results from continuing operations from FY 2017 and onwards.

As the Group's EBITDA did not exceed its targets in the 2021 financial year, no short term incentive bonus were incurred. $106,000 was paid in the 2021 financial year to Key Management Personnel, that related to a short term incentive bonus in respects of the 2020 financial year.

In the 2020 financial year the Group's Underlying EBITDA significantly exceeded the target, having improved over the preceding two years despite the impact of COVID-19 pandemic in the second half. As such, and noting the achievement of certain individual key performance indicators, bonuses totaling $416,000 for key management personnel were accrued in the 2020 financial year. $310,000 of those short term incentive bonuses were paid in September 2020, following the release of these 30 June 2020 audited Annual Financial Statements, and the remaining $106,000 was deferred and paid in June 2021.

Executive director's and officers' remuneration

Details of the nature and amount of each element of remuneration of each executive director of the Company and other key management personnel ("KMP") of the Group are:

		Short-term				Post employment		Other long term		
		Salary/ fees[1] $	Incentives accrued[2] $	Retentions accrued[3]	Total $	Super-annuation benefits $	Term-ination benefit $	Long term benefits (long service leave) $	Total $	Proportion of remu-neration perf-ormance related %
Executive officers										
Brett Tredinnick	2021	509,441		-	509,441	21,694	-	23,565	554,700	0.00%
Group CEO and Executive Director	2020	462,109	224,400	-	686,509	21,002	-	(7,924)	699,587	32.08%
Francis Egan[4]	2021	445,018	-	-	445,018	-	-	-	445,018	0.00%
CEO of Cuadrilla and executive Director	2020	53,348	-	-	53,348	-	-	-	53,348	0.00%
David Ekster[4]	2021	299,265	-	-	299,265	16,271	-	6,659	322,195	0.00%
CFO										
Austen Perrin[4]	2021	86,042		-	86,042	4,167	-	1,249	91,458	0.00%
CFO and executive Director	2020	493,891	191,754	40,000	725,645	21,002	174,368	7,558	928,573	20.65%

(1) Salary and wages earned including any allowances and accrued annual leave where the annual leave is cumulative and payable on termination by either party.

(2) Incentives in respect of the 2020 financial year were accrued in 2020 and paid in two tranches during the 2021 financial year. $310,000 was paid following the release of the 2020 annual audited financial statements and with $106,154 of the incentive attributable to the CEO deferred and paid in June 2021.

(3) A retention payment of $200,000 agreed in June 2018 became payable to the then Group Chief Financial Officer on 30 September 2019. A time-based proportionate amount of this retention was included in the 2020 financial year in the table above.

(4) The CEO of Cuadrilla was appointed to the Board as an executive Director on 13 May 2020 and became a KMP at this time.

On 31 August 2021 Austen Perrin retired from the office of CFO and moved into a non-executive Director role, and David Ekster was appointed CFO from that date. Remuneration in the table above represents remuneration payable for the period the relevant person was a KMP.

Service agreements

All key management personnel are employed under contract which outlines components of remuneration but does not prescribe how remunerations levels are modified year to year. The Board can provide discretionary benefits which may fall outside existing incentive programs under the terms of these contracts, for example, in relation to major projects. Remuneration levels are reviewed every year to take into account cost of living changes, any change in the scope of the role performed, any changes required to meet the principles of the remuneration policy and the Group's performance.

The service contracts are unlimited in term. All contracts with executive officers can be terminated with up to 9 months' notice by the Company. The Company can choose to forfeit the notice period with an equivalent amount of compensation payable to the employee.

External remuneration consultant advice

The Group's KMP remuneration is reviewed by a remuneration consultant every 2 years. Such a review was performed by Korn Ferry during FY20 for which the Group was charged $7,000. The review considered changes in KMP roles, with the recommendation taken in FY21.

Options over equity instruments granted as compensation

No options over ordinary shares in the Company were granted as compensation to key management personnel during the reporting period. There were no outstanding options at the beginning of the financial year.

Analysis of movements in shares

The movement during the reporting period in the number of ordinary shares of the Company held directly, indirectly or beneficially by each key management person, including their related parties, is as follows:

	Held at 30 June 2020	Net changes	Held at 30 June 2021
Director			
Andrew Purcell	527,105	-	527,105
Austen Perrin	300,062	-	300,062
Executives			
Brett Tredinnick	345,722	-	345,722

Signed in accordance with a resolution of the directors pursuant to s.298 (2) of the Corporations Act 2001.

Andrew Purcell,
Chairman

Dated at Sydney, this 27th day of August 2021

CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2021

The Board of directors ("The Board") is responsible for the corporate governance of the Group. The Board considers strong Corporate Governance to be core to ensuring the creation, the enhancement and protection of shareholder value. Accordingly, the Group has adopted the 4th Edition of the ASX Corporate Governance Principles and Recommendations from 1 July 2020.

The Board believes that a company's corporate governance policies should be tailored to account for the size, complexity and structure of the company and the risks associated with the company's operations. The ASX Corporate Governance Council allows companies to explain deviations from the Council's recommendations. Areas where the Group has deviated from the Council's recommendations at any time during the financial year are discussed below, however the Board believes the areas of non-conformance do not impact on the Group's ability to operate with the highest standards of Corporate Governance.

This statement outlines the main corporate governance practices of the Group. Unless otherwise stated, these practices were in place for the entire year.

FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Roles and responsibilities

The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The key responsibilities of the Board include the following:

- contributing to and approving the corporate strategy for the Group;
- monitoring the organisation's performance and achievement of its corporate strategy;
- approving and monitoring the progress of significant corporate projects, including acquisitions or divestments;
- reviewing and approving the annual business plan and financial budget;
- monitoring financial performance, including preparation of financial reports and liaison with the auditors;
- appointment and performance assessment of the executive directors;
- ensuring that significant risks have been identified and appropriate controls put in place;
- overseeing legal compliance and reporting requirements of the law; and
- monitoring capital requirements and initiating capital raisings.

The Board's responsibilities are documented in a written Board Charter which is available in the shareholder information section of the Company's website. The Board Charter details the functions reserved to the Board, the roles and responsibilities of the Chairman and the responsibilities delegated to management. Generally, the day-to-day management of the Company's affairs and implementation of its strategy and policy initiatives are delegated to the Group Chief Executive Officer and Senior executives, and in respects of UK investment activities the Managing Director of Cuadrilla Resources Holdings Limited, all of whom operate in accordance with Board approved policies, values and delegated limits of authority. The Board Charter also gives the Directors the right to seek independent professional advice, at the Group's expense, on matters relevant to carrying out their duties.

The Company Secretary is appointed by the Board and is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. Each Director can communicate directly with the Company Secretary and vice versa.

All Senior executives are employed under employment service agreement, while non-executive Directors are appointed under a letter of appointment, that detail their role and key terms of their engagement.

Appointment and Re-Election of Executives and Directors

Through periodic reviews of the Board composition and succession planning, the Board seeks to ensure that the skills, knowledge, experience, independence and diversity of the Board are appropriate for the present and future requirements of the Group. The Human Resources and Nominations Committee seeks to identify, and recommends to the Board for appointment, directors whose skills and attributes complement and enhance the effective operation of the Board.

Background checks are conducted prior to appointing any new Executive and / or Director, with each non-Executive Director being required to specifically acknowledge that they have and will continue to have the time to discharge their responsibilities to the Company. There was no new Executives or Directors appointed during the year that were not already employees of the Group having undergone relevant background checks in the past.

The constitution requires one third of all directors, to retire from office at each Annual General Meeting ("AGM") and can present themselves for re-election at which time the Board will provide direction to shareholders of support or otherwise. No Director can hold office for more than 3 years without presenting for re-election, and any Director appointed by the Directors during the year to fill a casual vacancy is required to also present for election at the first AGM following their initial appointment. All information relevant to a decision on whether or not to elect or re-elect a Director is included in the Notice of AGM.

Review of Performance

The Board continually assesses its performance, the performance of its committees and individual Directors through a structured annual review process. The last review took place during the year and in accordance with a continuous improvement mindset identified a number of areas for improvements which have been considered by the Board and actions have been agreed. The evaluation encompasses a review of the structure and operation of the Board and its Committees, the skills and characteristics required by the Board to maximise its effectiveness, the performance of its Committees and Directors, and the appropriateness of the Board's practices.

The performance of the CEO is reviewed annually by the Chairman of the Board, and in turn the CEO reviews annually the performance of all senior executives. These reviews happen in consultation with the Human Resources and Nominations Committee, with the last such review having taken place in August 2020.

Diversity

AJL is committed to a diverse and inclusive workplace which supports business objectives, delivers competitive advantages and benefits shareholders and customers. The Group is committed to ensuring all employees are treated fairly, equally and with respect no matter what their race, ethnicity, gender, sexual orientation, socio-economic status, culture, age, physical ability, education, skill levels, family status, religious, political and other beliefs and work styles. A copy of the Group's Diversity Policy is available in the shareholder information section of the Company's website.

While the Board is committed to achieving gender diversity it is of the view that imposed targets would not be of benefit and could result in hiring decisions that are contrary to the ultimate goal of "best fit" for purpose. As such, the Group's Diversity Policy does not at this time require the Company to set measurable objectives for achieving gender diversity.

The number of men and women on the Board, in senior management and other positions as reported in the Group's 2021 and 2020 Gender Equality Report is shown below:

	2021			2020		
Level	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Non-executive Directors	3	–	3	4	–	4
Executive leadership personnel	3	1	4	3	1	4
Other employees	271	20	291	356	19	375
TOTAL	**277**	**21**	**298**	**363**	**20**	**383**

The Company has a maternity leave scheme where a permanent employee who has been with the company for over 24 months can access paid maternity leave following the birth of a child. The Group has in place various other programs to foster career development including training sessions for line managers, sponsoring attendance at executive management training courses, implementation of flexible work place practices, and development and implementation of HR policies and practices to drive workforce participation rates of key diversity segments.

STRUCTURING THE BOARD TO ADD VALUE

Composition of the Board

The constitution of the Company requires between three and ten directors, ideally comprising majority independent directors. The Board considers and assess the independence of each Director regularly, and at least annually. Any changes in a Directors interest, positions or relationships needs to be reported by the Director. While the current composition is not majority independent, the Board considers it provides relevant continuity of experience and is appropriate under the current circumstances. Currently there are five directors, two of whom are executives and three of whom are non-executive, with one of the non-executive directors being independent. This follows during the year the retirement of Phil Arnall in August 2020 and the resignation of John O'Neill in November 2020, both of whom were independent Directors.

The table below sets out the independence status of each director as at the date of this annual report

Director	Status
Andrew Purcell	Chairman and Independent Non-Executive Director
Julian Ball	Non-Executive Director
Austen Perrin	Non-Executive Director
Francis Egan	Executive Director
Brett Tredinnick	Executive Director

The directors' skills and experience, and the period of their appointments with the Company is set out in the Directors' Report.

CORPORATE GOVERNANCE REPORT (CONTINUED) for the year ended 30 June 2021

Skills Matrix

The Board seeks to ensure that its membership includes an appropriate mix of skills and experience. A summary of the directors' skills and experience relevant to the Group as at the end of the Reporting Period is set out below:

	Andrew Purcell	Julian Ball	Francis Egan	Austen Perrin	Brett Tredinnick
Executive leadership	✔	✔	✔	✔	✔
Strategy and risk management	✔	✔	✔	✔	✔
Financial acumen	✔	✔	✔	✔	✔
Health and safety	–	–	✔	–	✔
Former CEO	✔	–	✔	–	–
Mining services	✔	✔	✔	✔	✔
Oil and gas	✔	✔	✔	–	–

Induction Program

The Company has induction procedures to allow new directors to participate fully and actively in Board decision making at the earliest opportunity which may involves briefings by the Chairman, the Managing Director, and Senior Executives as appropriate regarding the Group's strategy, culture and key areas of risk. Where possible new Directors are given the opportunity to attend Board meeting before becoming a Director. Where the Director is not an existing executive a checklist of information is prepared for the incoming directors, while Board members are also provided comprehensive information on a regular basis by Senior Executives so that they can discharge their director responsibilities effectively. The Company Secretary coordinates the timely completion and dispatch of such material to the Board.

Directors are encouraged, and are given the opportunity, to broaden their knowledge of the Group's business by visiting offices in different locations and engaging with management, although this has been difficult in the recent period as a result of boarder closures due to the Covid-19 pandemic. They are encouraged to remain abreast of developments impacting their duties and offered external training opportunities on an as required basis.

CULTURE OF ETHICAL AND RESPONSIBLE DECISION MAKING

The Company's values are disclosed on the Groups website and are the guiding principles that define the standards and behaviors expected of directors, executives and employees. The Company has a code of conduct to guide the directors and key executives. It includes disclosure of conflicts of interest and use of information not otherwise publicly known or available. Any director with an interest in matters being considered by the Board must take no part in decisions relating to those matters.

The Directors' Code of Conduct is available in the shareholder information section of the Company's website as is the employee Code of Conduct. These codes address the practices necessary to maintain confidence in the Company's integrity, to take account of legal obligations and expectations of stakeholders and the responsibility and accountability for reporting and investigating unethical practices. Any material breaches of the employee Code of Conduct must be reported to the Board, while concerns and / or breaches of the directors Code of Conduct should be reported to the Chairman who, after investigating the concern or breach will report it to the Board. No such Breaches have taken place during the reporting period.

The Group does not tolerate unlawful behavior. This includes a zero-tolerance approach to all forms of bribery and corruption, whether direct or indirect. As such the Group has Anti-Bribery and Corruption and Whistleblower policies also available in the shareholder information section of the Company's website. The Anti-Bribery and Corruption policy prevents:

- making or acceptance of facilitation payments or kickbacks of any kind
- payments to trade unions or their officials
- any donations to political parties or charitable donations, for the purpose of gaining commercial advantage and
- the giving or receipt of any gifts or hospitality if it could in anyway be intended, or reasonably interpreted, as a reward or encouragement for a favour or preferential treatment.

Any concerns that cannot be raised with the immediate manager can be raised to the Board Chairman or the Audit and Risk Committee Chairman, who will ensure whistleblowers do not suffer detrimental treatment as a result of raising a genuine concern.

Any material breaches of the Anti-Bribery and Corruption policy, and any concerns raised under the whistleblower policy are reported to the Board.

INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit and Risk Committee which provides assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control systems, risk management systems, regulatory compliance and external audit. The Audit and Risk Committee is governed by the Audit and Risk Committee Charter which is available in the shareholder information section of the Company's website.

The Committee must have at least three members, all of whom are non-executive directors and the majority of whom are independent. The Committee must be chaired by an independent chair, who is not chair of the board. At least one member must have financial expertise and some members shall have an understanding of the industry in which the Company operates.

Members of the Audit and Risk Committee as at the date of this report are set out in the following table. Their qualifications and experience are set out in the Directors' Report.

Committee member	Status
Austen Perrin	Committee Chairman and Non-Executive Director
Andrew Purcell	Independent Non-Executive Director
Julian Ball	Non-Executive Director

Mr O'Neill was the Audit and Risk Committee Chairman, and an independent director until his resignation effective 15 November 2020. Phil Arnall was a member of the Audit and Risk Committee and independent Director until 31 August 2020 when he retired from the Group.

While the Committee Chairman and the majority of Committee members are not independent, they are all non-executive. The Board has formed the opinion that, given the extensive finance experience of its member and their knowledge of the Company and industry that it operates in, the current composition of the committee is the most qualified and appropriate during this time.

The principal roles of the Committee are to:

- assess whether the accounting methods and statutory reporting applied by management are consistent and comply with accounting standards and applicable laws and regulations;
- make recommendations on the appointment of the external auditors, assess their performance and independence and ensure that management responds to audit findings and recommendations;
- discuss the adequacy and effectiveness of the Company's internal control systems and policies to assess and manage business risks, its legal and regulatory compliance programmes; and
- ensure effective monitoring of the Company's compliance with its codes of conduct and Board policy statements.

The Audit and Risk Committee meets with the external auditors at least twice a year. The Committee is authorised to seek information from any employee or external party and obtain legal or other professional advice.

The Committee co-operates with its external auditors in the selection, appointment and 5 yearly rotation of external audit engagement partners.

The Company discloses in the shareholder information section of the Company's website the process it uses to verify any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

TIMELY AND BALANCED DISCLOSURE

The Company has established policies and procedures designed to ensure compliance with ASX listing rules, continuous disclosure requirements and accountability for compliance at a senior level so that investors have equal and timely access to material information that in the opinion of the Board is likely to have an impact on an investment decision in the Company or impact on the Company's share price.

The Company has a Continuous Disclosure and Communications Policy, a copy of which is in the shareholder information section of its website. All material market announcements are provided to all Directors by the Company Secretary, who reviews all announcements. Where a new and substantive investor or analyst presentation is given, such a presentation is first releases to the ASX.

COMMUNICATION WITH SECURITY HOLDERS

The Board keeps shareholders informed of all material information relating to the Company by communicating to shareholders through:

- continuous disclosure reporting to the ASX;
- its annual reports;
- media releases and other investor relations publications on the Group's website; and
- general information about the Group, its corporate governance practices and its Directors and Executives.

All company announcements lodged with the ASX are available in the shareholder information section of the Company's website. Shareholders have the option to receive communications from, and send communications to, the Company's Share Registry electronically, including the annual report and the notice of annual general meeting. Additionally, shareholders and potential investors are able to post questions to the company through the Company's website or by telephone. The Board and senior management endeavor to respond to queries from shareholders and analysts for information in relation to the Group provided the information requested is not price sensitive or is already publicly available.

The Company has a website which provides useful and easy to find information about the Company, its directors and management, its operations and investments.

The Company provides the Notice of AGM to all shareholders and makes it available on the Company's website. The AGM is the key forum for two-way communication between the Company and its shareholders. At the meeting, the Chairman encourages questions and comments from shareholders and seeks to ensure that shareholders are given ample opportunity to participate. Further, the Company's external auditor attends the annual general meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. Due to the geographically dispersed shareholder base the Company held the 2020 AGM virtually with all shareholders able to access the meeting via online means. The company again intends to hold a virtual AGM in 2021. All substantive resolutions at meetings of security holders are decided by poll rather than show of hands.

RISK IDENTIFICATION AND MANAGEMENT

AJ Lucas recognises that the management of risk is a critical component in achieving its purpose of delivering growth in shareholder value. The Company has a framework to identify, understand, manage and report risks. As specified in its Board Charter, the Board has responsibility for overseeing AJ Lucas' risk management framework and monitoring its material business risks. The Board continues to be committed to embedding risk management practices to support the achievement of business objectives. As such the Board has established the Audit and Risk Committee which is responsibility for reviewing and overseeing the risk management strategy of the Group and for ensuring it has an appropriate corporate governance structure. The Audit and Risk Committee discusses with management and the external auditors, at least bi-annually:

- Internal controls systems;
- Policies and procedures to assess, monitor, and manage business, economic, environmental and social sustainability risks;
- Insurance program having regard to the insurable risks and the cost of this cover; and
- Legal and regulatory compliance programs.

As part of the AJ Lucas risk management structure, risk registers are maintained and reported to the Audit and Risk Committee periodically and at least annually, detailing likelihood and severity of risks occurring. Management undertakes a review of its insurable risks each year in order to fully consider potential impacts and how they are financed in terms of limits and scope under the Group's insurance program. Both these reviews took place during the year.

Further details of the structure, membership and responsibilities of the Audit and Risk Committee are provided under the "Integrity in Financial Reporting" heading in this Corporate Governance Statement.

Within this framework, management has designed and implemented a risk management and internal control system to manage material business risks. Both the Group Chief Executive Officer and Chief Financial Officer provide representation to the Audit and Risk Committee and the Board that the risk management system is operating effectively in all material respects in relation to financial reporting risks.

The Company has, in accordance with the Australian Standard on risk management AS/NZS ISO 31000:2009, developed a risk statement and underlying procedures for the key risk areas of People, Environment, Business and Reputation. The Company has had a number of external audits of particular types of risk during the year. A copy of the risk statement and the risk management policy are available in the shareholder information section of the Company's website.

The Group does not currently have an independent internal audit function, the Board being of the view that the size and complexity of the Company does not warrant such a function. The Group's operations and facilities are however subjected to regular audits, performed by a mix of internal safety and auditing experts, and external consultants, under an annual program of Health, Safety, Environment and Quality audits. In addition, the Audit and Risk Committee engages external consultants to review areas of the business as it sees fit, with a number of these performed during the year.

Given the nature of AJ Lucas' operations, there are many factors that could impact the Group's operations and results. The material business risks that could have an adverse impact on AJ Lucas' financial prospects or performance include economic risks, health, safety and environmental risks, community and social licence risks and legal risks. These may be further categorised as external risks, operational risks, UK business and licencing risks, sustainability risks and financial risks. A description of the nature of the risk and how such risks are managed is set out below. This list is neither exhaustive nor in order of importance.

The Group's material exposures to risk, and how the Group responds and manages these risks is detailed below.

Material Risks	Risk Management Approach
External Risks	
Risks may arise from the flow through of commodity demand or pricing from major markets into our customer base as well as foreign exchange, regulatory and political events that may impact the long-term sustainability of our customers' business model.	Client focused organisational design, with a focus on regular communication with key clients addressing various matters including safety, contract performance and clients future work programs. Continual repositioning of the business, and a relentless focus on efficiency and cost reduction to meet current client expectations on existing work programs, whilst anticipating upcoming changes in customer demand. Where appropriate the broadening of our portfolio of service offerings, commodity and geographical exposure is considered to reduce the effect of volatility introduced by these external risks where it makes sense to do so.
UK Business Risks	
Risks include the risk of funding the identification and proving reserves relating to our unconventional assets.	The Company will seek to raise additional capital to support ongoing needs for the exploration and development of these unconventional assets as needed.
Financial Risks	
Volatility in commodity markets may adversely impact future cash flows and, as such, our credit rating and ability to source capital from financial markets. In addition, our commercial counterparties may as a result of adverse market conditions fail to meet their commercial obligations.	The Company recently completed a refinancing of its existing senior loan notes facility to provide a longer-term finance facility to provide a more stable balance sheet. The company also raised additional capital from equity markets during the year. The Company will continue to raise equity as required to fund exploration and development activities of its unconventional assets in the UK. We seek to continuously improve our credit rating and key financial ratio analysis to monitor potential volatility in this area. Similarly, all customers and key suppliers credit limits are reviewed before services are established.
Operational Risks	
Cost pressures and reduced productivity could negatively impact both operating margins and our market competitiveness. Similarly, a significant adverse and unexpected natural or operational event could impact operations in a materially negative manner, as could a breach in IT and other security processes.	We seek to maintain adequate operating margins across our business by monitoring in absolute and relative terms the performance of all assets against both internal and external commercial benchmarks. Our concentrated effort to reduce costs and hence maintain competitiveness and margin has yielded tangible results in reducing our controllable costs. This includes initiatives to standardise processes and control systems across the Group. The Lucas Management System ("LMS") is an integrated process by which we manage this standardised approach. Through the regular application of our risk management procedures we identify the potential for significant and or unexpected risks and implement the controls appropriate to remove or mitigate them. Business continuity plans are developed for all our IT systems such that the integrity of our systems allows us to recover from a "disaster event" with little impact on the daily operations. With the sale of the Group's Engineering and Construction assets in 2018 and the wind down of associated business activity, operational exposure to the pipeline and construction industry has been eliminated.

CORPORATE GOVERNANCE REPORT (CONTINUED) for the year ended 30 June 2021

Material Risks	Risk Management Approach
Sustainability Risks	
Injuring employees, damaging the environment or having material regulatory or governance failures may put at risk our social licence to operate or significantly impact our reputation such that customers and / or capital markets may shun us.	The LMS puts in place a significant set of requirements to ensure the safe work environment of our employees, and the operation of our assets and equipment. Inclusive in this are the control and governance requirements required of good finance and accounting procedures. A broad range of policies and procedures outline both expected and required actions and behaviours of management and staff to achieve these objectives. Maintenance of a safe working environment is a principal accountability of all levels of management. The Board holds itself to account against the standards outlined in the ASX Corporate Governance Principles and Recommendations 3rd edition as an example of good governance and reporting procedures and requirements.
UK Licence Risk	
The risk of loss of Government support for the development of shale gas in the UK.	Cuadrilla, the Operator of the UK shale gas exploration licences works closely with the various Government departments to ensure legal and regulatory compliance and maintains strong working relationships with local and national authorities. The UK Government implemented a moratorium on onshore shale gas fracturing in England during the year. It is seeking technical assurances from explorers that drilling and fracturing in England is safe, sustainable and of minimal disturbance to those living and working nearby. Despite the moratorium, the UK Government continues to support the potential benefits from local shale gas, including its role as an important new domestic energy source reducing the level of gas imported.
Cyber Risk	
The risk of financial loss, disruption or damage to the reputation of the Group.	The integrity, availability and confidentiality of data within the Group's information and operational technology systems may be subject to intentional or unintentional disruption (for example, from a cyber security attack). A cyber event may lead to adverse disruption to the Group's critical business processes, potential breachs of privacy and theft of commercially sensitive information impacting the Group's profitability and reputation. Cyber security risk management is incorporated into the Group's risk management and assurance processes and practices across the Company's business and operational information management systems. The Group has and continues to invest in robust processes and technology, supported by specialist cyber security skills to prevent, detect, respond and recover from such attacks should one occur. In addition the Company continues to expanded validation of existing controls through periodic penetration testing, phishing simulations and cyber exercises.
Pandemic Risk	
The risk of disruption to our operations, customers and supply chain caused by the outbreak.	Large scale pandemic outbreak of a communicable disease such as COVID-19 has the potential to affect personnel, production and delivery of projects. The Company employs its crisis and emergency management plans, health emergency plans and business continuity plan to manage this risk including ongoing monitoring and response to government directions and advice. This enables the Company to take active steps to manage risks to the Company's staff and stakeholders and to mitigate risks to production and progress of growth projects.
Climate Change	
Physical risk of climate change and the transition risk of moving to a low carbon economy.	AJ Lucas is likely to be subject to increasing regulations and costs associated with climate change and management of carbon emissions. Strategic, regulatory and operational risks and opportunities associated with climate change are incorporated into the Company's policy, strategy and risk management processes and practices. The Company actively monitors current and potential areas of climate change risk and takes actions to prevent and/or mitigate impacts on its objectives and activities. Reduction of waste and emissions is an integral part of delivery of cost efficiencies and forms part of the Company's operations.

REMUNERATION

The Human Resources and Nominations Committee reviews the remuneration of the non-executive directors, and key executives. The Human Resources and Nominations Committee is responsibilities are documented in the Human Resources and Nominations Committee Charter which is available in the shareholder information section on the Company's website. The number of meetings and who attended those meeting throughout the year is disclosed in the Directors' report.

The Human Resources and Nominations Committee currently consists of following membership:

Committee member	Status
Julian Ball	Committee Chairman and Non-Executive Director
Andrew Purcell	Independent Non-Executive Director
Austen Perrin	Non-Executive Director

Mr O'Neill was also a member of the Committee from 31 August 2020 until he resigned from the Board effective 15 November 2020. Prior to 31 August 2020 when Mr Arnall resigned as Chairman of the Board the committee membership was:

Committee member	Status
Andrew Purcell	Committee Chairman and Independent Non-Executive Director
Phillip Arnall	Independent Non-Executive Director
Julian Ball	Non-Executive Director

While the Committee Chairman and the majority of Committee members are not independent, they are all non-executive. The Board has formed the opinion that, given the experience and skills of its member, the current composition of the committee is the most qualified and appropriate during this time.

The remuneration of non-executive directors is based on a benchmarked of a selection of comparable peer companies as well as the average and medium remuneration paid by the top 300 ASX listed companies. The level of non-executive director remuneration was altered with effect from 1 July 2018 to be more in line with the average level of ASX 300 companies. Remuneration of Directors is disclosed in the Remuneration Report.

The Company's non-executive directors receive fees for acting as a director of the Company. Additional fees were payable for being a member of a Board committee, however from January 2020 the additional fee was only provided for being a chairman of a Board committee as this was considered a better recognition of additional time and effort required. Additional fees may in certain circumstances be payable for representing the Group in specific matters from time to time. Senior executives are remunerated based on a fixed wage plus incentive payments. The policies and practices for remuneration of Key Management Personnel is disclosed in the Remuneration Report. There is currently no minimum shareholding requirement to be a director, and there a no equity based incentive schemes in place.

Trading in Company securities

The Company has in place a Securities Trading Policy which restricts the times and circumstances in which directors, senior executives and certain employees may buy or sell shares in the Company. These persons are required to seek approval from the Company Secretary prior to trading.

Directors must also advise the Company, which advises the ASX on their behalf, of any transactions conducted by them in the Company's securities within five business days after the transaction occurs. The Securities Trading Policy is available in the shareholder information section of the Company's website.

AUDITOR'S INDEPENDENCE DECLARATION for the year ended 30 June 2021

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of the financial report of AJ Lucas Group Limited for the financial year ended 30 June 2021, 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 audit*;* and

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

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

Ernst & Young

Ryan Fisk
Partner
27 August 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Continuing operations			
Revenue from contracts with customers	6	111,086	146,746
Total revenue		**111,086**	**146,746**
Other income		64	420
Operating costs of Australian operations		(88,665)	(122,234)
Depreciation and amortisation	8	(6,290)	(7,350)
Realisation of exchange differences on acquisition of Cuadrilla		–	42,265
Write back of non-cost items in equity accounted investment		–	(38,275)
Other expenses	8	(1,629)	(5,039)
Results from operations		**14,566**	**16,533**
Net finance costs	7	(14,188)	(25,598)
Share of loss of equity accounted investees		–	(1,162)
Profit / (loss) before income tax		**378**	**(10,227)**
Income tax benefit	10	2,977	1,343
Net profit /(loss) for the period		**3,355**	**(8,884)**
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		4,139	(41,177)
Total items that may be reclassified subsequently to profit and loss		4,139	(41,177)
Other comprehensive income / (loss) for the period		**4,139**	**(41,177)**
Total comprehensive income / (loss) for the period		**7,494**	**(50,061)**
Net profit / (loss) for the period attributable to:			
Shareholders of AJL		3,339	(8,867)
Non-controlling interest		16	(17)
		3,355	**(8,884)**
Total comprehensive income / (loss) attributable to:			
Shareholders of AJL		7,452	(49,961)
Non-controlling interest		42	(100)
		7,494	**(50,061)**
Earnings per share:			
Basic and diluted (loss)/earnings per share (cents)	11	0.3	(0.9)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	12	5,142	4,478
Cash in trust	12	1,510	-
Trade and other receivables	13	14,481	20,521
Contract assets	15	4,941	8,475
Inventories	14	6,540	5,577
Other assets		1,379	1,181
Total current assets		**33,993**	**40,232**
Non-current assets			
Plant and equipment	16	31,129	33,838
Right-of-use assets	17	4,488	5,517
Exploration assets	18	162,391	158,977
Total non-current assets		**198,008**	**198,332**
Total assets		**232,001**	**238,564**
Current liabilities			
Trade and other payables	20	16,148	20,604
Contract liabilities	15	370	1,020
Interest-bearing loans and borrowings	21	31,969	36,693
Decommissioning provision	23	5,690	-
Employee benefits	24	5,050	5,933
Total current liabilities		**59,227**	**64,250**
Non-current liabilities			
Interest-bearing loans and borrowings	21	75,422	77,865
Decommissioning provision	23	2,107	8,455
Employee benefits	24	802	1,045
Total non-current liabilities		**78,331**	**87,365**
Total liabilities		**137,558**	**151,615**
Net assets		**94,443**	**86,949**
Equity			
Share capital	25	495,986	495,986
Reserves	25	6,369	2,256
Accumulated losses		(409,088)	(412,427)
Total equity attributable to equity holders of the Company		93,267	85,815
Non-controlling interest	25	1,176	1,134
Total equity		**94,443**	**86,949**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Note	Share capital $'000	Translation reserve $'000	Option reserve $'000	Employee equity benefits reserve $'000	Non-controlling interest $'000	Accumulated losses $'000	Total equity $'000
		25	25	25	25	25	25	
Balance 1 July 2020		495,986	(2,414)	637	4,033	1,134	(412,427)	86,949
Total comprehensive income								
Profit for the period		–	–	–	–	16	3,339	3,355
Other comprehensive income								
Foreign currency translation differences		–	4,113	–	–	26	–	4,139
Total comprehensive income		**–**	**4,113**	**–**	**–**	**42**	**3,339**	**7,494**
Transactions with owners recorded directly in equity								
Issue of ordinary shares, net of transaction costs		–	–	–	–	–	–	–
Total contributions by and distributions to owners		–	–	–	–	–	–	–
Balance 30 June 2021		**495,986**	**1,699**	**637**	**4,033**	**1,176**	**(409,088)**	**94,443**
Balance 1 July 2019		467,753	38,679	637	4,033	–	(403,560)	107,542
Total comprehensive income								
Loss for the period		–	–	–	–	(17)	(8,867)	(8,884)
Other comprehensive income								
Non-controlling interest on acquisition		–	–	–	–	1,235	–	1,235
Foreign currency translation differences		–	(41,093)	–	–	(84)	–	(41,177)
Total comprehensive income/(loss)		**–**	**(41,093)**	**–**	**–**	**1,134**	**(8,867)**	**(48,826)**
Transactions with owners recorded directly in equity								
Issue of ordinary shares, net of transaction costs		28,233	–	–	–	–	–	28,233
Total contributions by and distributions to owners		28,233	–	–	–	–	–	28,233
Balance 30 June 2020		**495,986**	**(2,414)**	**637**	**4,033**	**1,134**	**(412,427)**	**86,949**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Cash receipts from customers		130,043	174,327
Cash paid to suppliers and employees		(108,505)	(152,154)
Cash from operations		21,538	22,173
UK Research and Development incentive		4,258	-
Interest and other costs of finance paid		(6,174)	(20,169)
Net cash from operating activities	30	**19,622**	**2,004**
Cash flows from investing activities			
Payments for equity accounted investees		-	(5,806)
Payments for interest in exploration assets		-	(5,207)
Acquisition of plant and equipment	16	(1,731)	(9,797)
Proceeds from sale of plant and equipment		77	1,061
Net cash used in investing activities		**(1,654)**	**(19,749)**
Cash flows from financing activities			
Proceeds from borrowings		126,304	187,645
Repayment of borrowings		(140,262)	(175,865)
Transaction costs on borrowings		-	(3,866)
Proceeds from share issues		-	4,106
Transaction costs on share issue		-	(662)
Repayment of leases		(1,922)	(2,699)
Net cash from / (used in) financing activities		**(15,880)**	**8,659**
Net increase in cash and cash equivalents		2,088	(9,086)
Net foreign exchange difference		86	24
Cash balances acquired on gaining control of Cuadrilla		-	3,385
Cash and cash equivalents at beginning of the period		4,478	10,155
Cash and cash equivalents and cash in trust at end of the period	**30**	**6,652**	**4,478**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2021

1. REPORTING ENTITY

AJ Lucas Group Limited ("AJL" or "the Company") is a company domiciled in Australia. The address of the Company's registered office is Level 22, 167 Eagle Street, Brisbane, QLD, 4000. The consolidated financial statements of the Company as at and for the financial year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as 'Group entities').

AJL is a for-profit leading drilling services provider, primarily to the Australian coal industry. It is also involved in the exploration and appraisal of conventional and unconventional oil and gas prospects in the UK.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") including Australian interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB"). The consolidated financial statements were authorised for issue by the Board of Directors on 27 August 2021.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis.

(C) 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 raise doubt about the entities ability to continue as a going concern:

- The Group is in a net current liability position of $25.2 million (June 2020: $24 million). However, of this $20.6 million (June 2020: $23.7 million) is due to the classification of the Senior syndicated loan facility which is a 3-year revolving asset-based loan provided by Investec and which expires in October 2022 as a current liability;
- The Group generated a profit before tax for the year of $0.4 million (June 2020: $10.2 million loss) and generated net cash flows from operating activities of $19.6 million (June 2020: $2.0 million);
- The Group's interest bearing finance facilities mature in October 2022, April 2023 and October 2023 respectively, with the loan facilities having covenant requirements, where the Australian operations and the Group is required to meet certain key financial ratios. The Group expects to meet relevant covenant requirements and debt servicing obligations as reflected in Note 21;
- The COVID-19 pandemic has impacted our customer's mine plans, leading to changes in demand for our drilling services. However, to date the Lucas Drilling Business has continued to operate profitably throughout the pandemic and is well placed to capitalise on continued strong demand for its services. Continued strong performance is dependent on extension or renewal of existing contracts, and, as with all businesses the future impact of the pandemic is unknown and cannot be reasonably predicted; and
- At balance date the Group held interests in a number of UK exploration licences which remain valid and current. On 2 November 2019 the UK Government imposed a moratorium on hydraulic fracturing. The Government has stated that lifting of the moratorium would require technical assurances that hydraulic fracturing would meet Government policy aims of ensuring it is safe, sustainable and of minimal disturbance to those living and working nearby. Cuadrilla and other UK shale gas operators are now working together and with the UK regulators to address these technical issues, so that the moratorium can be lifted.
- The Group will be required to continue to fund UK operations, including maintaining of licence interests, as well as meeting any rehabilitation liabilities and progressing efforts to address the issues raised by the moratorium. Under its Senior syndicated and Junior loan notes facilities as disclosed in Note 21, Australian operations cash flows cannot be used for investment in any of the UK shale gas assets.

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

- The strong financial performance of the Drilling Division, noting that continued strong financial performance is dependent on extension or renewal of existing contracts;
- The ability of the Group to raise additional debt and / or equity with the support of its financiers and shareholders;
- The Group's focus on managing the cash flows associated with exploration and rehabilitation activities in the UK.

In light of the uncertainties above, if the Company 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.

(D) FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Australian dollars which is the Company's functional currency. 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 financial statements have been rounded off to the nearest thousand dollars in accordance with that Corporations Instrument.

(E) USE OF ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the

2. BASIS OF PREPARATION (CONTINUED)

reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 3 (d) – Leases
- Note 3 (e) – Decommissioning;
- Note 14 – Inventories;
- Note 18 – Carrying value of exploration assets;
- Note 19 – Recognition of deferred tax asset;
- Note 26 – Valuation of financial instruments; and
- Note 28 – Contingencies and commitments.

(F) CHANGES IN ACCOUNTING POLICIES

All accounting policies set out in Note 3 have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all Group entities. There have not been any amendments and interpretations that apply for the first time during the financial year that have a material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Comparative information has been reclassified where relevant for consistency with current period presentation. In the 30 June 2020 comparative statement of comprehensive income, the Group has reclassified amounts of $1,343,000 recorded as a benefit in other non operating expenses to income tax benefit in the prior period. Thisamount relates to UK research and development credits. The reclassification results in a decrease in Results from operations, and an increase in income tax benefit. There is no change to Net profit/loss for the period as a result of this reclassification.

(A) BASIS OF CONSOLIDATION

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable net assets acquired. The excess of consideration transferred over the fair value of net assets acquired is recognised as goodwill and is tested annually for impairment. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Step acquisition

When acquisitions are achieved in stages in a transaction considered to be an asset acquisition rather than a business combination, the group utilises a cumulative cost approach. Under this approach, the transaction is viewed as if the entity is purchasing the additional interest while retaining the initial interest (non-exchange view). As a result, the purchase consideration (to allocate to the assets acquired) will be determined as the consideration paid for the initial interest (original consideration), plus the consideration paid for the additional interest (over time). This treatment results in previous equity accounted profits being reversed.

In asset acquisitions with contingent consideration, the cost of the asset does not initially include any amount relating to the contingent element. Any subsequent payments made in relation to the contingent element are either adjusted against the cost of the asset (once paid) or recognised in profit or loss as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Power is determined in relation to rights that give the Group the current ability to direct the activities that significantly affect returns from the Group's investment. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in equity accounted investees

The Group's interest in equity accounted investees comprised interests in joint ventures and an associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Jointly ventures are those entities over whose activities the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. A partial redemption of equity interests is accounted for as a reduction in the investment value equal to the cash redemption.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Joint operations

A joint operation is an arrangement whereby the parties that jointly control the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated financial statements include the Group's share of assets and liabilities held jointly and the Group's share of expenses incurred and income earned jointly.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(B) FOREIGN CURRENCY

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are not retranslated. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of financial instruments held at fair value through comprehensive income or qualifying cash flow hedges, which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income and are presented in the translation reserve in equity.

(C) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends are recognised as a liability in the period in which they are declared.

(D) LEASES

At inception of an arrangement, the Group determined whether the arrangement is or contains a lease. Under the Group's accounting policy a right-of-use asset and a corresponding lease liability is recognized for all leases with a term of more than 12 months, unless the underlying asset is of low value. The right-of-use assets are recognised based on the amount equal to the lease liabilities, adjusted for previously recognised prepaid and accrued lease payments. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term, calculated using the Group's incremental borrowing rate at the commencement of the lease if the interest rate implicit in the lease is not readily determinable. The lease payments include fixed payments less any lease incentives receivables. The lease payments would also include the exercise price of any purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term would reflect the Group exercising the option to terminate. Variable lease payments that do not depend on an index or rate, where present, would be recognised as an expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

iii) Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases of plant and machinery to terminate the lease providing 30 days notice for no penalty. Where there will be significant negative effect on operations if a replacement is not readily available the Group applies judgement in evaluating the likely lease term (between 1 and 3 years). That is, it considers all relevant factors that create an economic incentive for it to continue the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) any option to terminate or renew (e.g., a change in business strategy).

(E) DECOMMISSIONING

Where a material liability for the future removal of facilities an site restoration at the end of operations exists, a provision for decommissioning is recognised. The amount recognised is the estimated future expenditure, determined in accordance with local conditions and requirements. Discounting is used to the extent it is material. An asset, of an amount equivalent to the provision is also added to the applicable exploration asset. Changes in estimates are recognised prospectively, with corresponding adjustments to the provision and associated asset. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate future liability. The estimates are regularly reviewed to take account of any material changes in assumptions. Actual decommissioning costs will ultimately depend upon future costs for decommissioning which will reflect market conditions and regulations at that time.

(F) REVENUE

Sales revenue related to the transfer of promised goods or services is recognised when control of the goods or services is transferred to the customer. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods or services.

Sales revenue for services is recognised on individual sales when control transfers to the customer. In most instances the title, risks and rewards transfer to the customer when the service is provided to the customer, as evidenced by a survey of work performed.

The Group provides the majority of its services and associated consumables and materials on an as required basis, where the Group provides drilling services based on a total hourly rate as defined for each project, or on a meter drilled basis, as defined for each drill hole (dependant on the contract terms). Under these methods, services rendered are consistent with performance of those services and confirmed by a survey of work performed and agreed with its customer. Under these terms, revenue is recognised over time as the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs.

The Group's services are sold to customers under contracts which vary in tenure and pricing mechanisms, primarily being hourly or meter rates specific to each contract.

Contract balances are explained below.

Contract assets

A contract asset is initially recognised for revenue earned from the provision of drilling services in accordance with contractual arrangements and represents all revenue recognised that remain unbilled at balance date. Such revenue is normally invoiced to the customer and reclassified into Trade Receivables in the month following completion of performance obligations.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer for which the relevant performance obligation has not been fulfilled. Contract liabilities are recognised as revenue when the Group performs or otherwise extinguishes the relevant performance obligation.

(G) FINANCE INCOME AND FINANCE COSTS

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings including leases, unwinding of the discount on provisions, amortisation of pre-paid fees, foreign currency losses and losses on financial instruments. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(H) INCOME TAX

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax unpaid at the end of the year is recognised as an income tax liability. Also included in income tax liability is outstanding current tax liabilities in relation to prior periods where contractually agreed payment plans have been put in place.

Deferred tax

Deferred tax is recognised in respect of deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- relating to investments in subsidiaries and associates and joint arrangements to the extent that it is probable that they will not reverse in the foreseeable future; and
- arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation – wholly owned Australian entities

The Company and its wholly owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is AJ Lucas Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the group allocation approach.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements – wholly owned Australian entities

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivables/(payables) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

(I) EARNINGS PER SHARE

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares where applicable. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(J) SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segment operating results are regularly reviewed by the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Board is the primary decision-making body responsible for the day to day management of the business.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly certain corporate borrowings and income tax assets and liabilities.

(K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

(L) FINANCIAL INSTRUMENTS

Financial assets

At initial recognition, financial assets are measured at fair value. Subsequent to initial recognition, financial assets are classified into one of two categories consistent the business model for managing the financial assets and the contractual terms of the related cash flows. The two categories comprise those subsequently measured at fair value (either through Other Comprehensive Income ("OCI"), or profit or loss) and those to be held at amortised cost.

Financial assets are derecognised when the contractual rights to the cash flows from the asset either expire or are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest created or retained by the Group in such a transfer, is recognised as a separate asset or liability.

For contract assets and trade and other receivables, the Group has applied the standard's simplified approach and has calculated Expected Credit Losses ("ECLs") based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

The Group's financial liabilities currently include trade and other payables and interest-bearing loans and borrowings. At initial recognition, financial liabilities are measured at fair value and classified as financial liabilities at fair value through profit or loss or financial liabilities at amortised costs (loans and borrowings). Financial liabilities at fair value through profit and loss include are remeasured at each reporting date, with gains or losses recognised in the statement of profit and loss. Interest bearing loans and liabilities are measured at amortised cost using the EIR method. Gains and losses are recognised in profit and loss when the liabilities are derecorgnised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit and loss.

The Group derecognises its financial liabilities when its contractual obligations are discharged, cancelled or expire.

(M) INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition are included in the cost of inventory. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

(N) PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes cost of materials and direct labour, the costs of dismantling and removing the items and restoring the site on which they are located and any other costs attributable to bringing the assets to a working condition for their intended use. Cost may also include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. In respect of borrowing costs relating to qualifying assets, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Sale of non-current assets

The net gain or loss on disposal is included in profit or loss at the date control of the asset passes to the buyer, usually when an unconditional contract for sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is capitalised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation and amortisation

Depreciation and amortisation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, using the straight-line method over the estimated useful life from the time the asset is first available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation and amortisation is recognised in the profit and loss.

Estimated useful lives for the current and comparative periods are as follows:

	Years
Buildings	10-40
Plant and equipment	3-15
Enterprise development	6
Right of use of plant and equipment	1-5
Right of use of office space	1-10

The residual value, useful life and depreciation and amortisation method applied to an asset are adjusted if appropriate at least annually.

(O) INTANGIBLE ASSETS

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

(P) EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained legal rights to explore an area are recognised in profit or loss.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability, and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

In applying the exploration and evaluation asset recognition policy, and in determining recoverable amount management are required to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

Where the Group is party to a farm-in arrangement any proceeds or non-cancellable expenditure funded by the purchaser is recognised as disposal proceeds. The non-cancellable expenditure to be funded by the purchaser is recognised as a receivable carry asset within exploration assets in accordance with the Group's interest percentage.

The assets disposed per the terms of the farm-in arrangement are treated as costs of disposal, alongside any other costs incurred, with the net profit or loss recognised in the income statement as incurred.

The cancellable portion of deferred consideration, and consideration contingent on a future event is disclosed as a contingent asset and is not recognised by the Group until it has actually been incurred or becomes non-cancellable, at which point, additional profit will be recognised in the profit and loss for these amounts.

(Q) IMPAIRMENT

Non-financial assets

The carrying amounts of the Group's non-financial assets (other than inventories, construction work in progress and deferred tax assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Group's of assets ("the cash generating unit" or "CGU"). The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(R) EMPLOYEE BENEFITS

Superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. The Group does not participate in any defined benefit funds.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods and related on costs. Benefits are discounted to determine their present value, using the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(S) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

4. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

There have been a number of amendments and revisions to accounting standards that have recently been issued or amended but are not yet effective and have not been early adopted by the Group for the period ended 30 June 2021. The following amendments and revisions have been identified that may have an impact on the Group's financial performance or financial position.

Amendments to AASB 3: Reference to Conceptual Framework

In June 2020, the Australian Accounting Standards Board ("AASB") issued Amendments to AASB 3 Business Combinations. The amendments, among other things, add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets or Interpretation 21 Levies, if incurred separately. The exception requires entities to apply the criteria in AASB 137 or Interpretation 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to AASB 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments become effective for the Group for the period beginning 1 July 2022, and are not expected to have a significant impact

Amendments to AASB 137: Onerous Contracts – Costs of Fulfilling a Contract

In June 2020, the AASB issued amendments to AASB 137 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments become effective for the Group for the period beginning 1 July 2022 and are not expected to have a significant impact on the Group's consolidated financial statements.

Amendments to AASB 101: Classification of Liabilities as Current or Non-current

In March 2020, the AASB issued amendments to AASB 101 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification.

These amendments are effective for the Group for the reporting period beginning on 1 July 2023 and are not currently expected to have a significant impact on the Group's consolidated financial statements.

Amendments to AASB 108: Definition of Accounting Estimates

In March 2021 the AASB issued amendments to AASB108 Accounting Policies, Changes in Accounting Estimates and Errors introducing a new definition of accounting estimates. The amendments clarify that the effect on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from correction or prior period errors. The current definition of a change in accounting estimate specifies that changes in accounting estimates may result from new information or new development. The amendments are effective for the Group for the reporting period beginning 1 July 2023 and while they provide clarity as to the definition of accounting estimates they are not expected to have a material impact on the Group's consolidated financial statements.

5. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes as described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

PROPERTY, PLANT AND EQUIPMENT

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Current replacement cost estimates reflect adjustment for physical deterioration as well as functional and economic obsolescence.

INVENTORIES

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

NON-DERIVATIVE FINANCIAL LIABILITIES

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

6. OPERATING SEGMENTS

The Group has two reportable segments, as described below, which are the Group's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Board reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Drilling: This business segment encompasses the Australian Drilling business and the Group's head office and corporate costs. In previous years corporate costs associated with the now closed Sydney head office, as well as certain other expenses were not allocated to reportable segments. The Australian Drilling business provides integrated professional drilling services, predominantly for exploration and degasification of coal mines but may also include the recovery and commercialisation of coal seam gas, and associated services

Oil & gas: Exploration and development of unconventional and conventional hydrocarbons in the United Kingdom.

The accounting policies of the reportable segments are the same as described in Note 3.

Information regarding the results of each reportable segment is included below. Performance is assessed based on segment earnings before interest, income tax, depreciation and amortisation ("EBITDA") and segment profit before interest and income tax and segment net profit or loss. Inter-segment pricing is determined on an arm's length basis.

	Lucas Drilling $'000	UK Oil & Gas Investments $'000	Reportable Segments $'000	Unallocated $'000	Total $'000
2021					
Reportable segment revenue					
Services rendered	111,086	-	111,086	-	111,086
Total consolidated revenue	**111,086**	**-**	**111,086**	**-**	**111,086**
EBITDA continuing operations	**21,913**	**(1,057)**	**20,856**	**-**	**20,856**
Depreciation and amortisation	(6,290)	-	(6,290)	-	(6,290)
Net finance cost	(9,807)	-	(9,807)	(4,381)	(14,188)
Income tax benefit	-	2,977	2,977	-	2,977
Reportable segment profit / (loss)	**5,816**	**1,920**	**7,736**	**(4,381)**	**3,355**

	Lucas Drilling $'000	UK Oil & Gas Investments $'000	Reportable Segments $'000	Unallocated $'000	Total $'000
2020					
Reportable segment revenue					
Services rendered	146,746	-	146,746	-	146,746
Total consolidated revenue	**146,746**	**-**	**146,746**	**-**	**146,746**
EBITDA continuing operations	**27,960**	**(960)**	**27,000**	**(4,279)**	**22,721**
Depreciation and amortisation	(7,125)	(225)	(7,350)	-	(7,350)
Net finance cost	(15,909)	-	(15,909)	(9,689)	(25,598)
Income tax benefit	-	1,343	1,343	-	1,343
Reportable segment profit / (loss)	**4,926**	**158**	**5,084**	**(13,968)**	**(8,884)**

	Drilling $'000	Oil & Gas $'000	Reportable Segments $'000	Corporate/ unallocated $'000	Total $'000
2021					
Segment assets	66,424	165,577	232,001	–	232,001
Segment liabilities	(88,260)	(8,411)	(96,671)	(40,887)	(137,558)
Capital expenditure	1,731	–	1,731	–	1,731
2020					
Segment assets	73,771	161,827	235,598	2,966	238,564
Segment liabilities	(100,722)	(10,722)	(111,444)	(40,171)	(151,615)
Share of profit of equity accounted investees	–	(1,162)	(1,162)	–	(1,162)
Capital expenditure	9,797	–	9,797	–	9,797

GEOGRAPHICAL INFORMATION

	Revenues		Non-current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Australia	111,086	146,746	35,617	39,355
United Kingdom	–	–	162,391	158,977
	111,086	**146,746**	**198,008**	**198,332**

7. FINANCE INCOME AND FINANCE COSTS

	2021 $'000	2020 $'000
Net Interest expense	15,132	18,429
Finance costs charged on lease liability	275	294
Extinguishment of OCP loan note liability(1)	–	2,349
Amortisation of prepaid fees on debt facilities	2,042	1,239
Net foreign exchange loss / (gain)	(3,261)	3,287
Net finance costs recognised in profit and loss	**14,188**	**25,598**

(1) Extinguishment of OCP loan notes liability represents the remaining unamortised upfront borrowing costs which were expensed on repayment of the loan in October 2019.

8. OTHER EXPENSES

	2021 $'000	2020 $'000
Depreciation of plant and equipment	4,434	4,636
Amortisation of right-of-use asset	1,856	2,714
Total depreciation and amortisation	**6,290**	**7,350**
UK overhead costs	1,170	4,208
Restructuring and redundancy costs	142	508
Net (profit) / loss on sales of assets	(72)	323
Other	389	-
Total other expenses	**1,629**	**5,039**

9. AUDITOR'S REMUNERATION

	2021 $	2020 $
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	319,520	343,529
Fees for other services		
– Tax compliance	60,200	65,000
Total fees to Ernst & Young (Australia) (A)	**379,720**	**408,529**
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of any controlled entities	140,910	161,410
Total fees to overseas member firms of Ernst & Young (Australia) (B)	**140,910**	**161,410**
Total auditor's remuneration (A)+(B)	**520,630**	**569,939**

10. INCOME TAX

	2021 $'000	2020 $'000
Recognised in profit or loss		
Current tax (expense)/ benefit		
Current year expense	965	2,337
Tax losses not recognised and temporary differences derecognised in current year	–	-
Prior year tax losses utilised	(4,332)	(2,515)
UK Research and Development incentive	(2,977)	(1,343)
Prior year adjustments	406	466
Prior year tax losses not recognised	(406)	(466)
	(6,344)	**(1,521)**
Deferred tax expense recognised in profit or loss		
Origination and reversal of temporary differences	3,367	178
Prior year adjustment	1,288	1,158
Prior year tax losses not recognised	(1,288)	(1,158)
Total income tax (benefit) in profit or loss	**(2,977)**	**(1,343)**
Current tax benefit recognised in the statement of changes in equity		
Current year	–	(2,842)
Prior year adjustments	–	(439)
Total income tax benefit in equity	**–**	**(3,281)**
Numerical reconciliation between tax benefit and pre-tax net profit/(loss)		
Accounting profit/ (loss) before income tax	378	(10,227)
Prima facie income tax benefit calculated at 30%	113	(3,069)
Adjustment for:		
Equity accounted (gain)/loss	–	(198)
Non-deductible expenses	324	588
UK Research and Development incentive	(2,977)	(1,343)
Equity raising cost debited to equity	–	92
Non-deductible foreign operations	–	129
Non-deductible finance cost	3,895	4,973
Prior year tax losses utilised	(965)	(2,337)
Current year temporary differences not recognised	(3,367)	(178)
Income tax (benefit) attributable to operating loss	**(2,977)**	**(1,343)**

An income tax benefit of $2.9 million (FY20: $1.3m million) has been recognised in the Statement of Comprehensive Income which relates to UK research and development credits.

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2021 was based on the profit after tax attributable to ordinary shareholders of $3,339,000 (2020: loss after tax $8,867,000) divided by a weighted average number of ordinary shares outstanding calculated as follows:

	2021 Number	2020 Number
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	1,196,286,636	750,097,230
Accelerated rights offer	–	269,332,850
Equity placements	–	944,152
Weighted average number of ordinary shares (basic) at 30 June	**1,196,286,636**	**1,020,374,232**

Diluted earnings per share

There were no dilutive potential ordinary shares outstanding at 30 June 2021 or 30 June 2020, therefore no adjustments have been made to basic earnings per share to arrive at diluted earnings per share.

12. CASH, CASH EQUIVALENTS AND CASH IN TRUST

	2021 $'000	2020 $'000
Bank balances	5,141	4,045
Share of joint operations cash	1	433
Total cash and cash equivalents	**5,142**	**4,478**
Cash in trust	1,510	–
Total cash in trust	**1,510**	**–**

Share of Joint Operations cash

Represents the Group's share of joint operation cash balances. These cash balances are available to be utilised within the joint operation until such time as the partners resolve to distribute the cash.

Cash in trust

Represents restricted cash allocated as security under the Junior loan notes disclosed in Note 21. These cash balances can only be utilised in accordance with the senior loan note facility and primarily comprise future interest obligations to be debited by the lenders' agent.

13. TRADE AND OTHER RECEIVABLES

	2021 $'000	2020 $'000
Current		
Trade receivables	13,735	19,654
Deposits supporting bank guarantees	746	867
	14,481	**20,521**

Trade receivables are non-interest bearing and generally on terms of 30 to 90 days. No credit losses related to trade receivables have been or are expected to be recognised at balance date. Further information on credit risk shown in Note 26.

14. INVENTORIES

	2021 $'000	2020 $'000
Materials and consumables	6,540	5,577
Total inventories	**6,540**	**5,577**

15. CONTRACT BALANCES

	2021 $'000	2020 $'000
Contract assets	4,941	8,475
Contract liabilities	370	1,020

Contract assets represent revenue recognised as earned but which remains unbilled at balance date. Such revenue is normally invoiced to the customer and reclassified into Trade Receivables in the month following completion of performance obligations.

Contract liabilities represent amounts invoices to customers for which the relevant performance obligation has not been fulfilled. The full amount of the Contract liability balance in 2020 was recognised as revenue in 2021. No credit losses related to contract assets have been recognised at balance date. Further information on credit risk shown in Note 26.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment $'000	Enterprise development $'000	Total $'000
30 June 2021			
At cost	107,556	12,578	120,134
Accumulated depreciation/amortisation/impairment	(76,929)	(12,076)	(89,005)
Carrying amount at 30 June 2021	**30,627**	**502**	**31,129**
30 June 2020			
At cost	106,039	12,578	118,617
Accumulated depreciation/amortisation/impairment	(72,915)	(11,864)	(84,779)
Carrying amount at 30 June 2020	**33,124**	**714**	**33,838**

RECONCILIATIONS

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

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2020	33,124	714	33,838
Additions	1,731	–	1,731
Disposals	(6)	–	(6)
Depreciation and amortisation	(4,222)	(212)	(4,434)
Carrying amount at 30 June 2021	**30,627**	**502**	**31,129**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2019	28,789	926	29,715
Additions	9,797	–	9,797
Cuadrilla acquisition	361	–	361
Disposals	(1,399)	–	(1,399)
Depreciation and amortisation	(4,424)	(212)	(4,636)
Carrying amount at 30 June 2020	**33,124**	**714**	**33,838**

An independent expert was engaged to perform an independent valuation of the Group's plant and equipment as at 30 June 2021. No impairment charge was recognised as a result of this process.

17. RIGHT-OF-USE ASSETS

	Plant & equipment $'000	Enterprise development $'000	Total $'000
30 June 2021			
At cost	4,485	2,794	7,279
Accumulated depreciation/amortisation/impairment	(1,837)	(954)	(2,791)
Carrying amount at 30 June 2021	**2,648**	**1,840**	**4,488**
30 June 2020			
At cost	5,301	2,794	8,095
Accumulated depreciation/amortisation/impairment	(2,094)	(484)	(2,578)
Carrying amount at 30 June 2020	**3,207**	**2,310**	**5,517**

A reconciliation of the carrying amount of each class of right-of-use assets is set out below.

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2020	3,207	2,310	5,517
Additions	1,179	–	1,179
Amortisation	(1,386)	(470)	(1,856)
Remeasurement	(352)	–	(352)
Carrying amount at 30 June 2021	**2,648**	**1,840**	**4,488**

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2019	2,073	3,129	5,202
Additions	3,228	-	3,228
Amortisation	(2,094)	(620)	(2,714)
Remeasurement	–	(199)	(199)
Carrying amount at 30 June 2020	**3,207**	**2,310**	**5,517**

18. EXPLORATION ASSETS

	2021 $'000	2020 $'000
Opening carrying amount	158,977	47,962
Acquisition of Cuadrilla	–	113,519
Remeasurement of decommissioning provision	(790)	-
Exploration expenditure capitalised	–	6,005
Foreign exchange movement	4,204	(8,509)
Closing value	**162,391**	**158,977**

The exploration assets represent exploration expenditure incurred in relation to the Group's equity interest ("direct interest") in UK exploration licences. The Group was historically beneficially entitled to an additional interest ("indirect interest") in these licences through its shareholding in the equity accounted associate, Cuadrilla Resources Holding Limited ("Cuadrilla") which it gained control of during the 2020 financial year:

Description	Licence	Partners	Interest 2021	Interest 2020
Bowland	PEDL165	Spirit Energy 25% (1)	75.00%	75.00%
Elswick	EXL269	Spirit Energy 22.75% (1)	77.25%	77.25%
Balcombe (Bolney)	PEDL244	Angus Energy 25%	75.00%	75.00%
Weald	EXL189	Altwood Petroleum 4%	96.00%	96.00%
14th round – Gainsborough	PEDL276	N/A	100.00%	100.00%
14th round – Yorkshire	PEDL288	INEOS 30%	70.00%	70.00%
14th round – Yorkshire	PEDL346	INEOS 30%	70.00%	70.00%
14th round – Yorkshire	PEDL287	INEOS 30%	70.00%	70.00%
14th round – Yorkshire	PEDL342	INEOS 30%	70.00%	70.00%
14th round – Yorkshire	PEDL347	N/A	100.00%	100.00%
14th round – Yorkshire	PEDL290	N/A	100.00%	100.00%
14th round – Yorkshire	PEDL333	N/A	100.00%	100.00%

(1) Spirit has advised the Group that it intends to exit the licence and transfer its interests in the Bowland and Elswick licences back to the Group for a nominal sum.

Licence 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 licence may require partial relinquishment of the licence area or be withdrawn. Applications can be made to alter or extend exploration licence conditions. Cuadrilla has to date met all its milestones in respect of UK licences.

18. EXPLORATION ASSETS (CONTINUED)

Significant judgement

Recoverability of exploration and evaluation expenditure and UK Moratorium on Hydraulic Fracturing

The recoverability of the capitalised exploration and evaluation expenditure recognised as a non-current asset is dependent upon the successful exploration, development, or alternatively sale, of the respective tenements which comprise the assets.

On 2 November 2019, the UK Government imposed a moratorium on hydraulic fracturing in England, stating that lifting of the moratorium would require technical assurances that hydraulic fracturing would meet Government policy aims of ensuring it is safe, sustainable and of minimal disturbance to those living and working nearby. Cuadrilla and other UK shale gas operators are now working together and with the UK regulator to address these technical issues, so that the moratorium can be lifted.

As a result of the current moratorium, exploration activities have been impacted, and significantly reduced until such time that the moratorium is lifted. The recoverability of exploration and evaluation assets has been assessed on the basis that the moratorium would be lifted in the future. In the event the moratorium is not lifted, and hydraulic fracturing is not allowed to recommence the recoverable amount of exploration assets significantly differ to the amounts stated in the statement of financial position.

19. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Tax Assets		Tax Liabilities		Net	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Consolidated						
Inventories	-	-	(1,962)	(1,674)	(1,962)	(1,674)
Property, plant and equipment	4,925	5,764	-	-	4,925	5,764
Provisions for employee benefits	1,891	2,250	-	-	1,891	2,250
Provisions for restructuring	-	43	-	-	-	43
AASB16 Leases	91	111	-	-	91	111
Trade creditors	12	12	-	-	12	12
Share raising costs	226	422	-	-	226	422
Blackhole expenditure	106	158	-	-	106	158
Borrowing costs	94	130	-	-	94	130
Other creditors and accruals	2,200	2,894	-	-	2,200	2,894
Unrealised foreign exchange differences	-	723	(503)	-	(503)	723
Deferred tax asset not recognised	(7,080)	(10,833)	-	-	(7,080)	(10,833)
Tax assets/(liabilities)	**2,465**	**1,674**	**(2,465)**	**(1,674)**	**-**	**-**
Set off of tax	(2,465)	(1,674)	2,465	1,674	0	-
Net assets/(liabilities)	**-**	**-**	**-**	**-**	**-**	**-**

Movement in temporary differences during the year:

	Balance 01 Jul 20 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Balance 30 June 21 $'000
2021				
Inventories	(1,674)	-	(288)	(1,962)
Property, plant and equipment	5,764	-	(840)	4,925
Provisions for employee benefits	2,250	-	(359)	1,891
Provisions for restructuring	43	-	(43)	-
AASB16 Leases	111	-	(20)	91
Trade creditors	12	-	-	12
Share raising costs	422	134	(330)	226
Blackhole expenditure	158	-	(52)	106
Borrowing costs	130	-	(36)	94
Other creditors and accruals	2,894	-	(694)	2,200
Unrealised foreign exchange differences	723	-	(1,226)	(503)
Deferred tax asset not recognised	(10,833)	(134)	3,887	(7,080)
	-	-	-	-

	Balance 01 Jul 19 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Balance 30 June 20 $'000
2020				
Inventories	(1,237)	-	(437)	(1,674)
Equity accounted investments	(2,613)	2,613	-	-
Property, plant and equipment	6,922	-	(1,158)	5,764
Provisions for employee benefits	2,014	-	236	2,250
Provisions for restructuring	-	-	43	43
AASB16 Leases	-	-	111	111
Trade creditors	13	-	(1)	12
Share raising costs	24	668	(270)	422
Blackhole expenditure	202	-	(44)	158
Borrowing costs	53	-	77	130
Other creditors and accruals	2,684	-	210	2,894
Unrealised foreign exchange differences	826	-	(103)	723
Deferred tax asset not recognised	(8,888)	(3,281)	1,336	(10,833)
	-	-	-	-

Unrecognised deferred tax assets

As at 30 June 2021, the Group had not recognised deferred tax assets of $60,846,013 (2020: $60,610,270) in relation to income tax losses in Australia, $104,440,965 (2020: $98,225,922) in relation to accumulated income tax and pre trading losses in the UK and $7,073,000 capital losses in the UK.

20. TRADE AND OTHER PAYABLES

	2021 $'000	2020 $'000
Current		
Trade payables	6,822	8,007
Other payables and accruals	9,326	12,597
	16,148	**20,604**

Trade payables are non-interest bearing and are generally settled on 30-60 days terms. Other payables and accruals represent costs incurred but not yet invoiced from suppliers, accrued payroll and taxation expenses.

21. INTEREST-BEARING LOANS AND BORROWINGS

	Jun 2021 $'000	Jun 2020 $'000
Current		
Senior syndicated facility	20,609	23,721
Junior loan notes	9,084	10,517
Lease liabilities	2,276	2,455
	31,969	**36,693**
Non-current		
Junior loan notes	31,929	37,203
Lease liabilities	2,515	3,432
Loans from related party	40,887	37,141
Other	91	89
	75,422	**77,865**

(a) Loans and borrowing terms and maturities

Senior syndicated facility-Investec

The Senior syndicated facility is a senior ranking revolving asset-based loan provided initially by Investec Bank Plc and transitioned to Balmain in May 2021, which is secured by the Drilling Division's plant and equipment, billed receivables and unbilled receivables represented by contract assets in the Statement of Financial Position (together the "Security Assets"). The Senior syndicated facility can be drawn at any time up to an upper limit of $30 million, or $35 million if Junior lender consent is firstly obtained, but in all cases subject to a sufficient level of Security Assets. Interest is calculated on the daily balance outstanding at the bank bill swap rate plus a margin, and is payable monthly in arrears. The current interest rate is approximately 5.58% (2020: 5.65%).

While the Senior syndicated facility is a 3-year facility maturing in October 2022, in accordance with accounting standards it is shown in the Statement of Financial Position as current because of its revolving nature. Each repayment and subsequent draw down is separately disclosed in the Cash Flow Statement as Repayment of Borrowings and Proceeds from Borrowings, respectively. The facility is subject to financial covenants which have been complied with. Subsequent to balance date, Lucas Drilling has agreed with the senior lender to temporary revise a financial covenant and the Group expects to continue to meet the covenant obligation for the foreseeable future.

Junior Loan notes-HSBC

The Junior loan notes are secured by a second ranking charge over the Security Assets and a first ranking charge over the Group's remaining assets. Under this agreement scheduled principal repayments of $8 million per annum are required, payable in quarterly instalments over the 3.5-year life of the loan notes, with the balance repayable at maturity. The Junior Loan notes mature 6 months after the maturity or repayment of the

Senior syndicated facility. Interest is charged at the bank bill swap rate plus a margin and is payable quarterly in arrears. The current interest rate is approximately 13.64% (2020: 13.92%).

The facility is subject to financial covenants which have been complied with.

Lease liability

Further information regarding lease liability is available in Note 22.

Loans from related party-Kerogen

The Loans from related party is provided by Kerogen, which at 30 June 2021 holds 65.4% of the shares of the Company. Kerogen's facility is subordinated and ranks behind the Senior syndicated facility and Junior loan notes, and matures 6 months after the Junior loan notes.

During the prior financial year the Company completed a capital raising as detailed in Note 25, consisting of a 19 for 20 entitlement offer. Kerogen participated for its full pro rata entitlement of $24.7 million which was satisfied by part conversion of the loans provided by Kerogen, including accrued interest.

Interest is charged at 18% of the balance outstanding, and compounds quarterly if unpaid.

22. LEASES

Group as lessee

The Group has lease contracts for various items of plant, machinery, vehicles and office space used in its operations. Leases of plant and machinery generally have lease terms between 1 and 3 years, while motor vehicles have lease terms between 1 and 5 years. The Group's obligations under lease terms on office space are up to 10 years in respect of the Brisbane head office.

The carrying amounts and the movements during the period of right of use assets is set out in Note 17. The maturity analysis of lease liabilities is disclosed in Note 26. Expenses relating to short term leases of $5,235,414 (2020: $5,668,213) have been included in operating costs of Australian operations.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2021 $'000	2020 $'000
Opening balance 1 July	5,887	0
Initial application of AASB 16 Lease	–	5,236
Additions during the year	1,179	3,350
Accretion of interest	275	294
Remeasurement	(352)	-
Payments	(2,198)	(2,993)
As at 30 June	4,791	5,887
Current	2,276	2,455
Non-Current	**2,515**	**3,432**

23. DECOMMISSIONING LIABILITY

	2021 $'000	2020 $'000
Current	5,690	-
Non-current	2,107	8,455
Closing value	**7,797**	**8,455**

A reconciliation of the carrying amount of decommissioning liability is set out below.

	2021 $'000	2020 $'000
Carrying amount at 1 July	8,455	1,611
Decommissioning liability assumed as a result of gaining control of Cuadrilla	-	7,402
Remeasurement of decommissioning asset	(790)	-
Foreign Exchange movement	132	(558)
Closing value	**7,797**	**8,455**

24. EMPLOYEE BENEFITS

	2021 $'000	2020 $'000
Provision for employee benefits, including on-costs:		
Current	5,050	5,933
Non-current	802	1,045
	5,852	**6,978**

The amount of employee benefits recognised as an expense during the financial year was $41,553,000 (2020: $51,960,000).

SUPERANNUATION PLANS

Benefits provided under the superannuation funds to which the Group contributes are based on accumulated contributions and earnings for each employee in accordance with the Superannuation Guarantee Charge legislation. The amount recognised as an expense for the financial year was $3,279,000 (2020: $3,805,000).

25. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders of the parent is detailed below.

SHARE CAPITAL – ORDINARY SHARES

Details of the share placements, entitlements, exercise of options and associated costs recognised directly in equity are as follows:

	Issue Price Per Share (Cents)	No. of Shares	$'000
2021			
On issue at 1 July 2020		1,196,286,635	495,986
On issue at 30 June 2021		**1,196,286,635**	**495,986**

	Issue Price Per Share (Cents)	No. of Shares	$'000
2020			
On issue at 1 July 2019		750,097,230	467,753
Entitlement offer	6.5c	443,112,481	28,802
Placement	6.5c	3,076,924	200
Transaction costs incurred	N/A		(769)
On issue at 30 June 2020		**1,196,286,635**	**495,986**

Entitlement shares were allotted under a non-underwritten 19 for 20 pro rata accelerated entitlement offer at an issue price of $0.065 which was launched on 7 November 2019. Kerogen participated for its full entitlement under the entitlement offer with its subscription satisfied by the conversion of $24.7 million interest and principal as required under the terms of the Kerogen loan facility.

In March 2020 shares were issued under a placement pursuant to corporate advisory services in connection with the refinance of the Group's Senior Loan Notes.

Holders of ordinary shares are entitled to receive dividends and, in the event of a winding up of the Company, to any proceeds of liquidation after all creditors and other stockholders have been paid in full.

On a show of hands, every holder of ordinary shares present at a shareholder meeting in person or by proxy is entitled to one vote and upon a poll, each share is entitled to one vote.

NATURE AND PURPOSE OF RESERVES

Non-Controlling interest

	2021 $'000	2020 $'000
Carrying amount at 1 July	1,176	1,134

In February 2020 Company's subsidiary AJ Lucas Cuadrilla Pty Ltd acquired Riverstone's interest in Cuadrilla Resources Holdings Limited, increasing its voting interest from approximately 48% to 96% and thereby gaining control. The remaining 4% is owned by a number of private individuals.

Employee equity benefits reserve

The employee equity benefits reserve represents the expense associated with equity-settled compensation under historic employee management rights incentive plans. There are no equity-settled compensation plans currently in operation, and no rights outstanding under previous plans.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations into Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

25. CAPITAL AND RESERVES (CONTINUED)

OPTIONS

There are no options over ordinary shares outstanding at the balance sheet date.

DIVIDENDS

No dividends in respect of the 2021 or 2020 financial years have been declared or paid.

DIVIDEND FRANKING ACCOUNT

The balance of franking credits available to shareholders of the Company as at 30 June 2021 $60,852,374 (2020: $60,852,374).

26. FINANCIAL INSTRUMENTS

OVERVIEW

The Group's activities expose it to the following risks from their use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk (including currency and interest rate risks); and
- Operational risk.

RISK MANAGEMENT FRAMEWORK

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring risk management policies. The Committee reports regularly to the Board of Directors on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or the counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and contract assets.

Trade and other receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's customer base consists of principally major blue-chip corporations. The demographics of the Group's customer base, including the default risk of the industry and location in which the customers operate, has less of an influence on credit risk.

New customers are analysed individually for creditworthiness, taking into account credit ratings where available, financial position, past experience and other factors. This includes all major contracts and tenders approved by the Audit and Risk Committee. The Group has assessed historical loss experience and adjusts it for forward looking factors specific to each debtor and the economic environment. An allowance for expected credit losses is recorded on initial recognition of a trade receivable and re-evaluated at each reporting period.

In monitoring customer credit risk, customers are grouped by their receivable ageing profile. Ongoing monitoring of receivable balances minimises exposure to bad debts.

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021 $'000	2020 $'000
Trade and other receivables	14,481	20,521
Contract assets	4,941	8,475
Bank balances	6,652	4,478
	26,074	**33,474**

Impairment

Maximum exposure to credit risk for trade and other receivables at the reporting date by business segment was:

	2021 $'000	2020 $'000
Drilling	13,308	17,359
Oil and gas	640	2,463
Corporate / unallocated	533	699
	14,481	**20,521**

The ageing of the Group's trade and other receivables at the reporting date was:

	Gross 2021 $'000	Impairment 2021 $'000	Gross 2020 $'000	Impairment 2020 $'000
Not past due	12,356	-	14,454	-
Past due up to 30 days	2,125	-	2,097	-
Past due 31 to 120 days	-	-	3,970	-
Past due 121 days to one year	-	-	-	-
Past due more than one year	-	-	-	-
	14,481	**-**	**20,521**	**-**

An allowance for expected credit losses ("ECL") is recognised after considering historic experience adjusted for forward looking factors specific to each counterparty and the economic environment. The allowance does not include debts past due relating to customers with a good credit history where future credit losses are not expected to eventuate. When the Group is satisfied that no recovery of the amount owing is possible, the amounts considered irrecoverable are written off directly against the financial asset.

26. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity is managed to ensure, that sufficient funds are available to meet liabilities when they fall due, under both normal and stressed

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2021							
Non-derivative financial liabilities							
Trade and other payables	16,148	(16,148)	(16,148)	-	-	-	-
Senior syndicated facility	20,609	(21,463)	(21,463)	-	-	-	-
Junior loan notes	41,013	(50,177)	(6,841)	(6,450)	(36,886)	-	-
Lease liabilities	4,791	(5,161)	(1,260)	(1,257)	(930)	(1,251)	(463)
Loans from related party	40,887	(62,765)	-	(481)	(573)	(61,711)	-
Other loans	91	(97)	(10)	(10)	(20)	(57)	-
	123,539	**(155,811)**	**(45,722)**	**(8,198)**	**(38,409)**	**(63,019)**	**(463)**

	Carrying amount $'000	Total $'000	6 months or less $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
2020							
Non-derivative financial liabilities							
Trade and other payables	20,604	(20,604)	(20,604)	-	-	-	-
Senior syndicated facility	23,721	(25,341)	(25,341)	-	-	-	-
Junior loan notes	47,720	(64,764)	(9,985)	(6,932)	(12,920)	(34,927)	-
Lease liabilities	5,887	(6,486)	(1,407)	(1,331)	(1,347)	(1,519)	(882)
Loans from related party	37,141	(68,429)	-	(437)	(521)	(67,471)	-
Other loans	89	(91)	-	-	(91)	-	-
	135,162	**(185,715)**	**(57,337)**	**(8,700)**	**(14,879)**	**(103,917)**	**(882)**

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

CURRENCY RISK

The Group operates internationally and is exposed to currency risk on receivables, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily with respect to the US dollar (“USD”), Great British Pounds (“GBP”).

The Group’s financial instruments exposed to movements in foreign currency primarily relates to borrowings. Exchange gains or losses on borrowings are accounted for through the profit and loss account.

The Group’s exposure to foreign currency risk at the balance sheet date was as follows, based on notional amounts in Australian dollars (in thousands):

	2021 Exposure to GPB $’000	2020 Exposure to GPB $’000	2021 Exposure to USD $’000	2020 Exposure to USD $’000
Cash balances	2,476	387	–	–
Trade and other receivables	640	2,463	–	–
Trade payables	(523)	(2,178)	–	–
Interest-bearing liabilities	(91)	(89)	(40,917)	(37,141)
Net Financial Instrument exposure	**2,502**	**583**	**(40,917)**	**(37,141)**
Value of Exploration assets	162,391	158,977	–	–
Decommissioning liability	(7,797)	(8,455)	–	–
Net balance sheet exposure	**157,096**	**151,105**	**(40,917)**	**(37,141)**

The table above includes items that are not Financial Instruments but have been included due to their material nature to provide a more complete analysis of the Group’s exposure to foreign exchange movements.

At 30 June, had the Australian dollar weakened/strengthened by 10% against the respective foreign currencies with all other variables held constant, the impact on Group’s post-tax loss and equity would have been:

	10% strengthened		10% weakened	
	2021	**2020**	**2021**	**2020**
AUD/USD	0.8498	0.7549	0.6953	0.6177
AUD/GBP	0.5972	0.6145	0.4886	0.5027
Post-tax loss (higher) / lower	3,492	3,323	(4,268)	(4,062)
Net equity higher / (lower)	(10,562)	(10,360)	12,909	12,663

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2021	**2020**	**2021**	**2020**
USD	0.7440	0.6712	0.7725	0.6863
GBP	0.5547	0.5326	0.5429	0.5586

INTEREST RATE RISK

The Group’s main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. The majority of the Group’s borrowings are at variable rates. The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss for the Group.

26. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate exposure is detailed as follows:

At reporting date, the Group was predominantly exposed to variable interest rate borrowings.

	2021 $'000	2020 $'000
Fixed rate instruments		
Financial assets	747	867
Financial liabilities	(45,769)	(43,028)
	(45,022)	**(42,161)**
Variable rate instruments		
Financial assets	5,142	4,478
Financial liabilities	(61,622)	(71,441)
	(56,480)	**(66,963)**

During the year, had the variable interest rate weakened/strengthened by 100 basis points with all other variables held constant, the impact on Group's post-tax loss would have been:

	Strengthened 100 basis points		Weakened 100 basis points	
	2021	2020	2021	2020
Financial liabilities	(656)	(484)	656	484

FAIR VALUES

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the consolidated statement of financial position, are as follows:

Jun-21	Carrying amount $'000	Fair value $'000
Bank balances	5,142	5,142
Trade and other receivables	14,481	14,481
Trade and other payables	(16,148)	(16,148)
Senior syndicated facility	(20,609)	(21,439)
Junior loan notes	(41,013)	(41,842)
Loans from related party	(40,887)	(40,887)
Other	(91)	(91)
	(99,125)	**(100,784)**

Jun-20	Carrying amount $'000	Fair value $'000
Bank balances	4,478	4,478
Trade and other receivables	20,521	20,521
Trade and other payables	(20,604)	(20,604)
Senior syndicated facility	(23,721)	(25,182)
Junior loan notes	(47,720)	(49,181)
Loans from related party	(37,141)	(37,141)
Other	(89)	(89)
	(104,276)	**(107,198)**

Management have assessed that the fair values of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these assets and liabilities. The fair value of the financial assets and liabilities is included at the amount which could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The fair value of assets and liabilities are derived with reference to Note 5.

Fair value hierarchy

Management have analysed the financial instruments carried at fair value, by valuation method (as discussed in Note 5). The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following methods and assumptions were used in estimating the fair values of financial instruments:

- Loans and borrowings – Level 2 – present value of future principal and interest cash flow, discounted at the market rate of interest at the reporting date; and
- Trade and other receivables and payables – carrying amount approximates fair value.

Capital management

The Board policy is to maintain a capital base so as to provide sufficient financial strength and flexibility to conduct its business and maintain its investments in UK shale gas whilst maximising shareholder returns. The Board therefore seeks to have a level of indebtedness to leverage return on capital having regard to the Company's cash flow and the ability to service these borrowings.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

	2021 $'000	2020 $'000
Total liabilities	137,558	151,615
Less: cash and cash equivalents	(6,652)	(4,478)
Net debt	**130,906**	**147,137**
Total equity	94,443	86,949
Net debt to equity ratio at 30 June	**1.39**	**1.69**

27. CONSOLIDATED ENTITIES

The financial statements at 30 June 2021 include the following controlled entities. The financial years of all the controlled entities are the same as that of the parent entity.

Name of entity	Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Parent entity – AJ Lucas Group Limited			
Controlled entities			
Australian Water Engineering Pty Limited*	Australia	–	100
AJ Lucas Operations Pty Limited	Australia	100	100
AJ Lucas Plant & Equipment Pty Limited*	Australia	–	100
AJ Lucas Drilling Pty Limited*	Australia	–	100
Lucas Shared Services Pty Limited	Australia	100	100
AJ Lucas Testing Pty Limited*	Australia	–	100
Lucas Operations (WA) Pty Limited*	Australia	–	100
Lucas Engineering and Construction Pty Limited	Australia	100	100
AJ Lucas Joint Ventures Pty Limited*	Australia	–	100
AJ Lucas (Hong Kong) Limited*	Hong Kong	100	100
Lucas Drilling Pty Limited	Australia	100	100
Mitchell Drilling Corporation Pty Limited	Australia	100	100
Lucas Contract Drilling Pty Limited	Australia	100	100
McDermott Drilling Pty Limited	Australia	100	100
Jaceco Drilling Pty Limited	Australia	100	100
Geosearch Drilling Service Pty Limited	Australia	100	100
257 Clarence Street Pty Limited*	Australia	–	100
Lucas SARL*	New Caledonia	–	100
Lucas Energy (Holdings) Pty Limited*	Australia	–	100
Lucas (Arawn) Pty Limited*	Australia	–	100
Lucas Energy (WA) Pty Limited*	Australia	–	100
Lucas Power Holdings Pty Limited*	Australia	–	100
Lucas Cuadrilla Pty Limited	Australia	100	100
Lucas Holdings (Bowland) Limited	England	100	100
Lucas Bowland (UK) Limited	England	100	100
Lucas Bowland (No. 2) Limited	England	100	100
Elswick Power Limited	England	100	100
Lucas Holdings (Bolney) Limited	England	100	100
Lucas Bolney Limited	England	100	100

Name of entity	Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Cuadrilla Resources Holdings Limited	England	96	96
Cuadrilla Resources Limited	England	96	96
Cuadrilla Bowland Limited	England	96	96
Cuadrilla Elswick Limited	England	96	96
Cuadrilla Balcombe Limited	England	96	96
Cuadrilla Weald Limited	England	96	96
Cuadrilla Services Limited	England	96	96
Cuadrilla Well Services Limited	England	96	96
Cuadrilla Elswick (No 2) Limited	England	96	96
Cuadrilla South Cleveland Limited	England	96	96
Cuadrilla North Cleveland Limited	England	96	96
Cuadrilla Gainsborough Limited	England	96	96

* The Group has undertook to simplify its structure and voluntarily deregistered a number of Australian subsidiaries marked above, and undertook a formal liquidation of Lucas SARL. In the case of AJ Lucas (Hong Kong) Limited the deregistration process has commenced and is ongoing.

28. CONTINGENCIES AND COMMITMENTS

CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of the following matters, as it is not probable that a future sacrifice of economic benefits will be required, or the amount is not capable of reliable measurement.

(i) Under the terms of the Class Order described in Note 32, the Company has entered into approved deeds of indemnity for the cross-guarantee of liabilities with participating Australian subsidiary companies.

(ii) Under the terms of the Group's purchase of additional equity in Cuadrilla Resources Holdings Limited and the resultant gaining of Control, the Group has agreed to pay to the seller an additional amount of between $5 million and $10 million if the Group sells 25% or more of its interest in its exploration assets within 3 years for the equivalent of at least US $100 million of the Company's 100% interest. The Company does not have a plan in place to sell those assets and as such no liability has been recognised.

(iii) The ATO, as part of its ordinary processes performs streamline and other reviews on a selection of business taxpayers taking into account their size and complexity. The ATO is currently undertaking a routine streamline review of certain taxation matters for the period 2016 to 2020. The streamline review is currently in the information gathering stage. The Company does not believe there will be any adverse findings resulting from the review.

COMMITMENTS

At 30 June 2021, the Group had no commitments contracted but not provided (2020: nil) for the purchase of new plant and equipment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

for the year ended 30 June 2021

29. PARENT ENTITY DISCLOSURES

As at 30 June 2021 and 2020, and throughout the financial years then ended, the parent entity of the Group was AJ Lucas Group Limited.

	2021 $'000	2020 $'000
Results of the parent entity		
Loss for the year	(4,380)	(17,877)
Total loss for the year	**(4,380)**	**(17,877)**
Financial position of the parent entity at year end		
Current assets	402	365
Total assets	40,655	41,320
Current liabilities	61	92
Total liabilities	40,948	37,233
Total equity of the parent entity comprises:		
Share capital	495,992	495,992
Employee equity benefit reserve	4,670	4,670
Accumulated losses	(500,955)	(496,575)
Total equity	**(293)**	**4,087**

Parent entity commitments and contingencies

The parent entity has guaranteed, to various unrelated parties, the performance of various subsidiaries in relation to various contracts. In the event of default, the parent entity undertakes to meet the contractual obligations of the relevant subsidiary.

PARENT ENTITY GUARANTEES IN RESPECT OF DEBTS OF ITS SUBSIDIARIES

The Company has entered into a Deed of Cross Guarantee, as disclosed in Note 32, with the effect that the Company guarantees debts in respect of its subsidiaries, and the subsidiaries may provide financial assistance to the Company.

30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	2021 $'000	2020 $'000
(a) Reconciliation of cash		
For the purposes of the consolidated statement of cash flows, cash includes cash at bank, cash on hand and bank overdrafts.		
Cash and cash equivalents	5,142	4,478
Cash in trust	1,510	–
Total cash	**6,652**	**4,478**
(b) Reconciliation of cash flows from operating activities		
Profit / (Loss) for the year	3,355	(8,884)
Adjustments for:		
Interest on capitalised leases	(275)	(294)
Interest payable settled through equity raising	–	2,122
Amortisation of borrowing costs	2,042	3,588
Increase / (decrease) in accrued and capitalised interest	9,384	(3,435)
(Profit) / loss on sale of non-current assets	(72)	323
(Profit) / loss on foreign currency loans	(3,261)	3,336
Exchange rate changes on the balance of cash held in foreign currencies	86	24
Share of loss of equity accounted investees	–	1,162
Realisation of exchange differences on acquisition of Cuadrilla	–	(42,265)
Write back of non-cost items in equity accounted investment	–	38,275
Depreciation and amortisation	6,290	7,350
Operating profit before changes in working capital and provisions	**17,549**	**1,302**
Change in receivables	6,040	7,959
Change in other current assets	(198)	(270)
Change in inventories	(963)	(1,455)
Change in contract assets and liabilities	2,884	6,490
Change in payables related to operating activities	(4,564)	(12,676)
Change in provisions for employee benefits	(1,126)	654
Net cash provided by operating activities	**19,622**	**2,004**

(c) Non-cash financing and investment activities

Kerogen's subscription to an equity raising in November 2019, as disclosed in note 25, was satisfied by the conversion of $24.7 million of the related party loans owned to Kerogen, including accrued interest.

(d) Financing arrangements

Refer to Note 21.

30. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)

(e) Reconciliation of liabilities arising from financing activities

	As at 1 July 2020	Cash flow(1)	Non-cash Debt for equity $'000	Finance costs(2)	Other $'000	As at 30 June 2021 $'000
Interest bearing liabilities	114,558	(22,054)	–	14,188	699	107,391

(1) Comprises proceeds from borrowings of $126.3 million less repayments of borrowings of $140.3 million, $1.9 million repayment of leases and $6.2 million in interest and other costs of finance paid.

(2) Comprise interest costs disclosed in Note 7.

	As at 1 July 2019	Cash flow(1)	Non-cash Debt for equity(2) $'000	Finance costs(3)	Other $'000	As at 30 June 2020 $'000
Interest bearing liabilities	119,700	(14,987)	(24,696)	25,631	8,910	114,558

(1) Comprises proceeds from borrowings of $187.6 million less repayments of borrowings of $175.9 million, $2.7 million repayment of leases, transaction costs on borrowings of $3.9 million and $20.2 million in interest and other costs of finance paid.

(2) Refer to Note 25.

(3) Comprise lease liability recognised on initial application of AASB 16 Leases, additional lease liability recognised during the year of $3.4 million and prepaid annual loan fees on Kerogen recognised in other assets.

31. RELATED PARTIES

ENTITY WITH CONTROL

Kerogen has provided financing facilities throughout the year as described in Note 21. Interest and borrowing costs incurred and recognised as an expense during the period totaled $7,287,461 (2020: $7,688,967), with balances outstanding at the balance sheet date disclosed in Note 21.

Kerogen Investments No. 1 Limited ("Kerogen") participated in the accelerated entitlement offer announced by the Company in November 2019 for its full pro rata entitlement. In total $24.7 million was raised from Kerogen and settled by the part conversion of the related party loan facility as disclosed in Note 21, including outstanding principal and interest.

Julian Ball is a representative of Kerogen and a Director of the Company.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

	2021 $	2020 $
Short-term employee benefits	1,849,928	2,130,502
Other long-term benefits	31,473	(366)
Post-employment benefits	42,132	42,004
Termination benefits	–	174,368
	1,923,533	**2,346,508**

Information regarding individual director and executives' compensation disclosures, as required by the Corporations Act chapter 2M, is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

KEY MANAGEMENT PERSONNEL TRANSACTIONS WITH THE COMPANY OR ITS CONTROLLED ENTITIES

A number of key management persons, or their related parties, hold or held positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or its subsidiaries in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

Services were provided through the contracting entity. Such services were provided in the ordinary course of business and on normal terms and conditions in all instances. The amount payable for these services is included in the amounts disclosed in the Remuneration Report.

The aggregate amounts recognised during the year relating to key management personnel and their related parties, were as follows:

Key management person	Contracting entity	Transaction	2021 $	2020 $
Phillip Arnall	Felix Ventures Pty Ltd	Non-Executive director services	37,500	270,000
Julian Ball	HR Services Limited	Non-Executive director services	108,333	-
Julian Ball	Kerogen Capital Limited	Non-Executive director services	–	120,000
Ian Meares	Autonome Pty Ltd	Non-Executive director services	–	55,000
Andrew Purcell	Lawndale Group Pty Ltd	Non-Executive director services	205,833	110,000

Francis Egan, the CEO of Cuadrilla was appointed to the Board of AJ Lucas as an executive Director on 13 May 2020 and became a KMP at that time. Francis retains an interest in Cuadrilla Resourcing Holdings Limited, obtained prior to becoming a Key management personnel, owning 173,354 Class A Ordinary shares (representing 0.22% of that Class) and 163,257 Class A Preference Shares (representing 0.25% of that Class) at 30 June 2020.

OTHER RELATED PARTIES

The Group has a related party relationship with its subsidiaries (see Note 27). These entities trade with each other from time to time on normal commercial terms. No interest is payable on inter-company balances.

32. DEED OF CROSS GUARANTEE

On 16 June 2008, several of the entities in the Group entered into a Deed of Cross Guarantee. In May 2020 these Group entities entered a deed which released certain dormant Group entities from the obligations under the Deed of Cross Guarantee allowing those entities to be subsequently closed down and undergo a voluntary deregistration as disclosed in Note 29. Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, the Group's wholly owned subsidiaries entering into the Deed are relieved from the Corporations Act 2001 requirements to prepare, have audited and lodge financial reports, and directors' reports.

The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed at 30 June 2021 are:

Name of entity	
AJ Lucas Group Limited	McDermott Drilling Pty Limited
Lucas Drilling Pty Limited	Lucas Contract Drilling Pty Limited
Jaceco Drilling Pty Limited	Lucas Shared Services Pty Limited
Geosearch Drilling Service Pty Limited	AJ Lucas Operations Pty Limited
Mitchell Drilling Corporation Pty Limited	Lucas Engineering & Construction Pty Limited

32. DEED OF CROSS GUARANTEE (CONTINUED)

A consolidated summarised statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2021 are set out below:

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2021 $'000	2020 $'000
Loss before income tax	1,430	(9,366)
Income tax expense	–	-
Loss after tax	**1,430**	**(9,366)**
Accumulated losses at the beginning of the year	(415,468)	(406,103)
Accumulated losses at the end of the year	**(414,038)**	**(415,469)**

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2021 $'000	2020 $'000
CURRENT ASSETS		
Cash and cash equivalents	2,666	4,087
Cash in trust	1,510	-
Trade and other receivables	13,841	20,521
Contract asset	4,941	8,475
Inventories	6,540	5,577
Other Assets	1,309	1,181
Total Current Assets	**30,807**	**39,841**
NON-CURRENT ASSETS		
Trade and Other Receivables	149,344	146,884
Property, plant and equipment	31,129	33,838
Right-of-use assets	4,488	5,517
Total Non-Current Assets	**184,961**	**186,239**
Total Assets	**215,768**	**226,080**
CURRENT LIABILITIES		
Trade and other payables	15,622	18,419
Contract liability	370	1,020
Interest bearing loans and borrowings	31,969	36,693

	2021 $'000	2020 $'000
Employee benefits	5,050	5,933
Total current liabilities	**53,011**	**62,065**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	75,331	77,776
Employee benefits	802	1,045
Total Non-Current Liabilities	**76,133**	**78,821**
Total Liabilities	**129,144**	**140,886**
Net Assets	**86,624**	**85,194**
EQUITY		
Share capital	495,983	495,983
Reserves	4,679	4,679
Retained earnings	(414,038)	(415,468)
Total Equity	**86,624**	**85,194**

33. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

There has not arisen in the interval between the end of the financial 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.

DIRECTORS' DECLARATION

for the year ended 30 June 2021

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

(a) the consolidated financial statements and notes, that are contained in pages 35 to 75 and the Remuneration Report included in the Directors' Report, set out on pages 22 to 25, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

2 There are reasonable grounds to believe that the Company and the group entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

3 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chairman and Chief Financial Officer, for the financial year ended 30 June 2021.

4 The directors draw attention to note 2(A) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Andrew Purcell,
Chairman

27th day of August 2021

INDEPENDENT AUDITOR'S REPORT for the year ended 30 June 2021

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of AJ Lucas Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is 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 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2c in the 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 2c, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

EY
Building a better working world

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Carrying value of exploration assets

Refer to Note 18 Exploration Assets

Why significant	How our audit addressed the key audit matter
The Group's exploration assets of $162.4m as at 30 June 2021 represent 70% of total assets of the Group. Exploration assets are initially recognised at cost and any additional expenditure is capitalised to the exploration asset in accordance with the Group's accounting policy as outlined in Note 3(P). There were no additional costs capitalised to Exploration Assets in the year to 30 June 2021. At each reporting date the Directors' assess the Group's exploration assets for indicators of impairment. The decision as to whether there are indicators that require the Group's exploration assets to be assessed for impairment in accordance with AASB 6 involved judgment, including whether; the rights to tenure for the areas of interest are current; the Group's ability and intention to continue to evaluate and develop the area of interest; and whether the results of the Group's exploration and evaluation work to date are sufficiently progressed for a decision to be made as to the commercial viability or otherwise of the area of interest.	Our procedures to address the Group's assessment of impairment indicators for exploration assets included: ▸ Understanding the current exploration program and any associate risks through discussions with management in Australia and the United Kingdom ("UK"); ▸ Considering the Group's right to explore in the relevant exploration area, which included obtaining and assessing supporting documentation such as license agreements; ▸ Considering the Group's intention to carry out significant exploration and evaluation activity in the relevant areas of interest, which included an assessment of the Group's cash-flow forecast models, and discussions with senior management and Directors as to the intentions and strategy of the Group; ▸ Assessing whether the methodology used by the Group to identify indicators of impairment met the requirements of Australian Accounting Standards;

Why significant	How our audit addressed the key audit matter
The Directors have performed this assessment with the expectation that the moratorium on hydraulic fracturing in the United Kingdom (the "moratorium") will be lifted and have outlined in Note 18 the reasons for this conclusion. Should the moratorium not be lifted this may significantly impact the carrying value of the exploration assets. We have therefore considered this a Key Audit Matter due to the value of the exploration assets relative to total assets; the judgment involved in the assessment of indicators of impairment and the significant uncertainty as to whether the moratorium will be lifted. For the same reasons we consider it important that attention is drawn to the information in Note 18 in assessing the recoverability of the exploration assets at 30 June 2021.	▶ Considering announcements made by the UK Government and UK Oil and Gas Authority regarding the current moratorium on hydraulic fracturing in the UK and any changes to the current moratorium position; and ▶ Evaluating the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

2. Recognition and Measurement of Revenue from Contracts with Customers

Refer to Note 6 Operating Segments

Why significant	How our audit addressed the key audit matter
The Group recognises revenue from contracts with customers when control of the goods or services is transferred to the customer. The amount of revenue recognised reflects the consideration to which the Group is or expects to be entitled in exchange for those goods or services. The Group's drilling services and associated consumables and materials are sold to customers under contracts which vary in tenure and pricing. Services are provided primarily on hourly or metre rates specific to each contract. The accurate recording of revenue is highly dependent on the following factors: ▶ Appropriate knowledge of individual contract characteristics and status of work. Key characteristics would be the length and type of contract (lump sum basis or time and materials basis);	▶ We assessed whether the methodology used to recognise revenue met the requirements of Australian Accounting Standards; ▶ We tested the effectiveness of the Group's controls in the following areas: - Initiation, processing and approval of new customers and/or contracts; - review and approval of project costs incurred; - authorisation of project variations; - review and assessment of significant changes in work in progress balances; and - review of unapproved variations and claims. ▶ We selected a sample of contracts based on qualitative and quantitative factors and performed the following procedures:

EY
Building a better working world

Why significant	How our audit addressed the key audit matter
▶ Determination of variations and claims provided to customers including an assessment of when the Group believes it is probable that amounts will be approved and can be recovered from the customer; and ▶ Determination of claims received from customers, including an assessment of when the Group believes it is probable that such claims will result in an outflow of economic resources. This matter has been considered as a Key Audit Matter given the complexity of the contracts and the level of judgement required to estimate the value of revenue recognised.	- reviewed contract terms and conditions and assessed whether the individual characteristics of each contract were appropriately accounted for; - assessed the Group's ability to deliver forecast contract margins by analysing the historical accuracy of forecasting margins and the relationship of contract cost versus billing status; and - agreed material contract revenue and cost variations and claims to information provided by customers and other relevant third parties; ▶ We also assessed the effect of contract performance, in the period since 30 June 2021 to the date of this report, on revenue recognised at year end; and ▶ We evaluated the adequacy of the related disclosures in the financial report including those made with respect to judgements and estimates.

Information Other than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

EY
Building a better working world

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of AJ Lucas Group Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
27 August 2021

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION

for the year ended 30 June 2021

DISTRIBUTION OF ORDINARY SHAREHOLDERS (AS AT 31 JULY 2021)

Securities held	Number of shareholders	Number of shares
1 – 1,000	534	244,914
1,001 – 5,000	607	1,670,998
5,001 – 10,000	277	2,195,264
10,001 – 100,000	724	28,198,320
100,001 and over	315	1,163,977,139
Total	**2,457**	**1,196,286,635**

1,605 shareholders held less than a marketable parcel of 17,858 shares at 31 July 2021.

TOP 20 SHAREHOLDERS (AS AT 31 JULY 2021)

Name	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1 (HK) Limited	779,888,166	65.19
Mr Paul Fudge	54,101,840	4.52
Amalgamated Dairies Limited	41,636,217	3.48
RODITI (DC & O) 2017 INVESTMENTS LIMITED	40,500,050	3.39
CS Third Nominees Pty Limited <HSBC CUST NOM AU LTD 13 A/C>	14,567,094	1.22
HSBC Custody Nominees (Australia) Limited	14,208,174	1.19
National Nominees Limited	12,188,656	1.02
Inkese Pty Ltd	12,000,000	1.00
Mr Robert Alexander Hoad+Ms Jacquelyn Maria Hoad <SUNSHINE INVESTMENTS A/C>	8,688,000	0.73
ADEMSA PTY LTD	8,500,367	0.71
Ms Melissa Mary Stephens	8,400,000	0.70
Avenue 8 Pty Limited <Gan Super Fund A/C>	6,778,630	0.57
Mr Paul Sze Yuen Sheung + Mrs Pauline Kwok Sim Cheung	6,687,140	0.56
Mr Ramazan Gunes	5,678,065	0.47
Mr Jay Hughes + Mrs Linda Hughes <INKESE SUPER A/C>	5,500,000	0.46
Mr Michael Jefferies + Mrs Julie Jefferies <THE JEFFERIES SUPER FUND A/C>	5,085,708	0.43
Citicorp Nominees PTY Limited	4,027,539	0.34
Kaufman Blair & Associates Limited	3,981,924	0.33
Mr Robert Alexander Hoad	3,590,000	0.30
Mrs Lenore Ann Hanks + Mr Micheal David Hanks <BROADWILL FAMILY A/C>	2,900,000	0.24
	1,038,907,570	**86.84**

AUSTRALIAN SECURITIES EXCHANGE ADDITIONAL INFORMATION

for the year ended 30 June 2021

SUBSTANTIAL SHAREHOLDERS

Name	Number of ordinary shares held	% of issued shares[1]
Kerogen Investments No. 1(HK) Limited	779,888,166	65.19

VOTING RIGHTS

Ordinary shares – Refer to note 25 of the financial statements.

Options – There are no options outstanding.

CORPORATE DIRECTORY

for the year ended 30 June 2021

COMPANY SECRETARY

Marcin Swierkowski – BA Com, CA, MBA (exec)

Registered office

Level 22, 167 Eagle Street
BRISBANE QLD 4000
Tel +61 2 3363 7333

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 5, 115 Grenfell Street
ADELAIDE SA 5000
GPO Box 1903
ADELAIDE SA 5001

Enquiries within Australia: 1300 556 161

Enquiries outside Australia: +61 3 9615 5970

Email: web.queries@computershare.com.au

Website: www.computershare.com

STOCK EXCHANGE

The Company is listed on the Australian Securities Exchange with the code 'AJL'. The Home Exchange is Sydney.

AUDITORS

Ernst & Young
200 George Street
SYDNEY NSW 2000

QUALITY CERTIFIERS (AS/NZS ISO 9001:2015)

Compass Assurance Services

AUSTRALIAN BUSINESS NUMBER

12 060 309 104

OTHER INFORMATION

AJ Lucas Group Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

www.lucas.com.au