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CHAIRMAN'S ADDRESS – 2022 ANNUAL GENERAL MEETING

9:00 AM Thursday, 10 November 2022

The Sebel, Brisbane

The year that has elapsed since we last met has been an eventful one.

The complicated energy situation in the UK that I described at last year's general meeting was made worse when renewable generators failed to contribute meaningfully to the electricity mix in the depths of the northern winter. The resultant increase in demand for coal, LNG and other sources of reliable fuel to heat homes and generate electricity laid bare the deeply structural flaws of rushing headlong to transform the energy networks that underpin the UK's economy and way of life before alternatives can be reliably brought online. It moreover made a mockery of the stated commitment to reduce global emissions of CO2, given the need to import LNG from the other side of the planet. That the US supply of this gas was recovered using fracking – a technological revolution that supplies that country with a cheap and secure domestic supply of energy – is poignantly ironic. For the UK, whose economy is already labouring under the headwinds of a post Brexit world and Covid, the additional cost associated with these imports will not help. The trending decline in households in fuel poverty up to 2020 will presumably reverse dramatically when more recent statistics become available.

Then Russia invaded Ukraine in early 2022 and the world, particularly Europe, awoke to the reality of vulnerable supply lines and its dependence on hydrocarbons from Russia. Price was then seemingly irrelevant, given the extraordinary heights to which prices soared, despite the crippling effect this would eventually inevitably have on household budgets, industries and food production. To offset the inflationary impact of these price rises, the UK Government was moved to subsidise consumers – at a time when budgets were already highly strained due to years of lower tax receipts and payment of significant subsidies due to COVID. To balance (or at least, offset) the books, the UK Government introduced an additional 25% levy on profits from the production of oil and gas. On top of the existing 40% headline rate of tax, this takes the combined tax rate on profits to 65%. This is unlikely to encourage a reversal of the trend of rapidly declining investment in the hydrocarbon sector.

Amidst all of these price and security shocks the UK Government appeared to suffer from a bout of rationalism when it concluded that perhaps the solution to its energy problems was to encourage more domestic supply. During the laboured transition of leadership of the governing Tory party, both candidates declared their conditional support for a lifting of the moratorium on fracking that had been in place in the UK since late 2019. We and our partners were naturally encouraged by these developments and then pleased when the moratorium was withdrawn in September of this year following the election of Liz Truss as Prime Minister. Our ambition to restart operations was short lived, however, when Prime Minister Truss's successor, Rishi Sunak, unexpectedly reimposed the moratorium on fracking. This was a profoundly disappointing decision, particularly coming from someone who had only recently declared his conditional support for its lifting, and a curt dismissal of the genuine and considerable good faith effort invested by Francis Egan, CEO of our UK operations, towards a restart of our operations.

Introduction of the moratorium was unfair, its reintroduction particularly so. We and our partners have invested significant amounts of money in the UK and have always performed in full compliance with our licence conditions. The reasons given for the moratorium was concern about unpredictable levels of surface seismicity, but given other extractive industries and geothermal wells are permitted to generate higher levels of surface seismicity one is forced to conclude that its real purpose is to provide a thin veil for a mindset of outsourcing fossil fuel production whilst loudly proclaiming green credentials to the domestic electorate.

The underlying problems facing the UK have not gone away. The rate at which it is trying to transition to renewable energy cannot be achieved without fossil fuels, particularly natural gas. The difficulty of reliably securing future supplies of these commodities (and at prices that allow the UK's industry to remain globally competitive) is palpable. Increasing domestic production of gas, should be a national priority. However, imposing windfall taxes on oil and gas production and a vacillating position on fracking only underscores the regulatory risks associated with making long term investment decisions in the UK.

To finish on a positive note, our business is fortunate to have an Australian business with capable and experienced people underpinning the Group's operations. I will leave the review of that business to Brett, our Group CEO, but I would like to thank him, his executive team and all our people at Lucas for the way they continually strive to improve the quality of the services we provide to our customers.

Finally, I wish to thank my fellow directors for their active and valuable support in managing the issues that have presented themselves this year. With their help, and in an environment where the outlook for energy and the extractive industries appears bright, I am optimistic about the domestic opportunities for your company in the year ahead.

ENDS