LUCAS

2024

ANNUAL REPORT

CONTENTS

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.

ABN 12 060 309 104

ABOUT AJ LUCAS

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

CHAIRMAN'S LETTER

ANDREW PURCELL
Chairman

Dear Shareholders,

I present to you herein the Company's annual report for the financial year ending 30 June 2024.

I am very pleased to report yet another strong increase in earnings, thanks mainly to our people listening to the needs of our customers then delivering solutions to them safely and reliably.

The strong demand for high-quality metallurgical coal we anticipated in last year's report was validated and this led to increasingly obvious investor interest in the sector given the high returns on offer. We have also seen (no doubt as a result) the continued emergence of a more balanced weighing of environmental and financial objectives by some members of the investment community, particularly given the fundamental importance of steel to the working of modern civilization and the time it might take for any effective alternative to appear at the necessary scale.

> "We continue to believe, therefore, that demand for metallurgical coal will remain strong – particularly that from Australia given its quality, proximity to major consumers and the long lead times for development of new mines and expansion of logistics pathways."

This underpins the demand for our services, which is why our Board decided last year to make a strong and multi-year commitment to the purchase of new equipment so we are ready to meet the requirements of our customers in the future.

We similarly predicted last year that economic reality would continue to force its way into the political equation regarding the most effective way to reach agreed climate goals. Australia, but also many other countries around the world, now openly recognises the importance of natural gas as a necessary transition fuel for building the new energy economy. This continues to drive competition for seaborne supplies of LNG, which will inevitably lead to more countries having to reconsider their position on the development of new sources of domestic supply.

> We look forward to the opportunity to work with the new UK Government to safely and quickly deliver the clean and large natural gas resource we have shown exists in our licence areas in the north of England.

To ensure we remain ready to do so, we continue to maintain a small but effective team in England who not only ensure we are compliant with our work commitments but who have also delivered in the reporting period new opportunities with the potential to generate revenue as well as giving us some exposure to further exploration success without requiring any material investment from the Company.

Successive years of strong earnings has not only allowed us to invest in new equipment, it has also allowed us to continue to pay down debt as we strive to return the Company to a less leveraged position. We are always exploring avenues to accelerate this process and we appreciate the constant and cooperative communications our lenders afford us and the concessions they have granted that would allow us to reduce the amount and overall cost of our debt if certain conditions can be satisfied.

I would like to conclude by congratulating Greg for his quick and effective transition into the CEO role. His many years of experience in the industry and in the Company have allowed him to successfully implement some fresh initiatives whilst constructively leveraging the experience and abilities of his team. We look forward to his creativity and leadership allowing the Company to continue to develop innovative solutions to the ever evolving needs of our customers.

Andrew Purcell
Chairman

COMMITTMENT TO SUSTAINABILITY

"At Lucas, we have a responsibility to positively impact the environment, the communities where we operate, and all our stakeholders. We know that having focused initiatives addressing these issues leads to a better and more resilient company as well as delivering a better world. As such, we are committed to being a sustainable and responsible corporate entity, updating all our stakeholders on our Environment, Social and Governance (ESG) initiatives.

Ultimately, we aim to use the natural and human resources available to us in an effective, conservative and a responsible manner while playing an appropriate role in local and global issues that impact future generations.

AJ Lucas is committed to creating an inclusive business that encourages and supports sustainability and social responsibity while delivering superior returns to our shareholders. The approach has three key focus areas:

At Lucas, our company values are at the heart of all that we do:"

WE CARE

- We do whatever it takes to keep people safe
- We look after our work environment
- We take pride in our work

WE ACT WITH INTEGRITY

- We do what we say we will do
- We are open and honest
- We hold each other to high principles and standards

WE ARE EFFICIENT

- We plan
- We look for better ways to do things
- We share our knowledge and resources

WE WORK AS A TEAM

- We encourage and support each other
- We communicate openly and honestly
- We listen and give everyone a fair go

WE SHOW RESPECT

- We value individual strengths
- We comply with rules and regulations
- We go out of our way to help

WORKPLACE HEALTH & SAFETY

We invest heavily in our people and their safety and well-being, promoting our “Lucas Safety Zone – Injury Free Every Day” philosophy across all workspaces. We understand the impact that poor safety and culture can have on not only our own business goals but those of our clients and stakeholders. This is achieved through:

- Setting high standards in all areas – equipment, processes and systems, and highly trained & engaged workforce;
- Investing heavily in people, resulting in a more engaged workforce with greater ownership of their roles, through;
  - Provision of professional development opportunities and sharing in the benefits of the organisation’s success;
  - Concern for mental health through the provision of Employee Assistance Programs extended to staff and their families.
- Policy development, adoption and improvement;
  - Ensuring policies are up to date, accepted and adhered to;
  - Equipping the organisation and staff with the knowledge to deal with things such as;
    - Anti Bribery and Corruption;
    - Modern Slavery;
    - Codes of Conduct; and
    - Continuous Disclosure, Safety and Diversity.
- Expect all our suppliers to adhere to our Supplier Code of Conduct.

REDUCING ENVIRONMENTAL IMPACT

Lucas recognises and understands the environment impact associated with our various activities and are therefore committed to act in a manner that protects the environment, driving continual improvements to minimise any impacts. Working closely with our clients, we strive to achieve the best possible environmental performance and outcomes, through:

- Adoption of a Responsible Environmental policy;
- Detailed planning on all projects to minimise environmental impacts;
- Investing in modern technologies and innovation and ensuring certifications and respected management systems are used;
- Customer collaboration on land and resources impact;
- Continuous monitoring and management of the impact Lucas has on the environment;
- Waste management through effective recycling practices and safe disposal methods; and
- Carbon emissions tracking for Scope 1 and Scope 2 emissions in line with NGER requirements.

BUILDING STRONG COMMUNITIES

Lucas understands the importance of building strong relationships both inside and outside the company. We value the communities that we operate within and look for opportunities to support these communities to grow and prosper in the long term:

During 2024 financial year Lucas proudly donated; sponsored and/or participated in the following community/ charity events:

- Kestrel Charity Golf Day;
- Peabody Movember fundraiser;
- Annual trackside sponsorship for Moranbah Race Club;
- St Johns Moonlight Fair, Roma;
- Brisbane Basket Brigade;
- Sponsorship in Australian Drilling Institute Association Drillfest 2023; and
- Moranbah Miners Memorial Race Day at the Moranbah Race Club.

AUSTRALIAN CEO'S REPORT

GREG RUNGE
Chief Executive Officer of Australian Operations

It is with pleasure I report on the 2024 financial year, my first as Chief Executive having taken on the role from 1 January 2024. The year saw the benefit of renewed focus on operational excellence and front-line safety leadership in a challenging industry environment. The drilling business enters the new year with strong customer demand, an increased recognition of the growth available in our markets, and a reinvigorated and optimistic operational team.

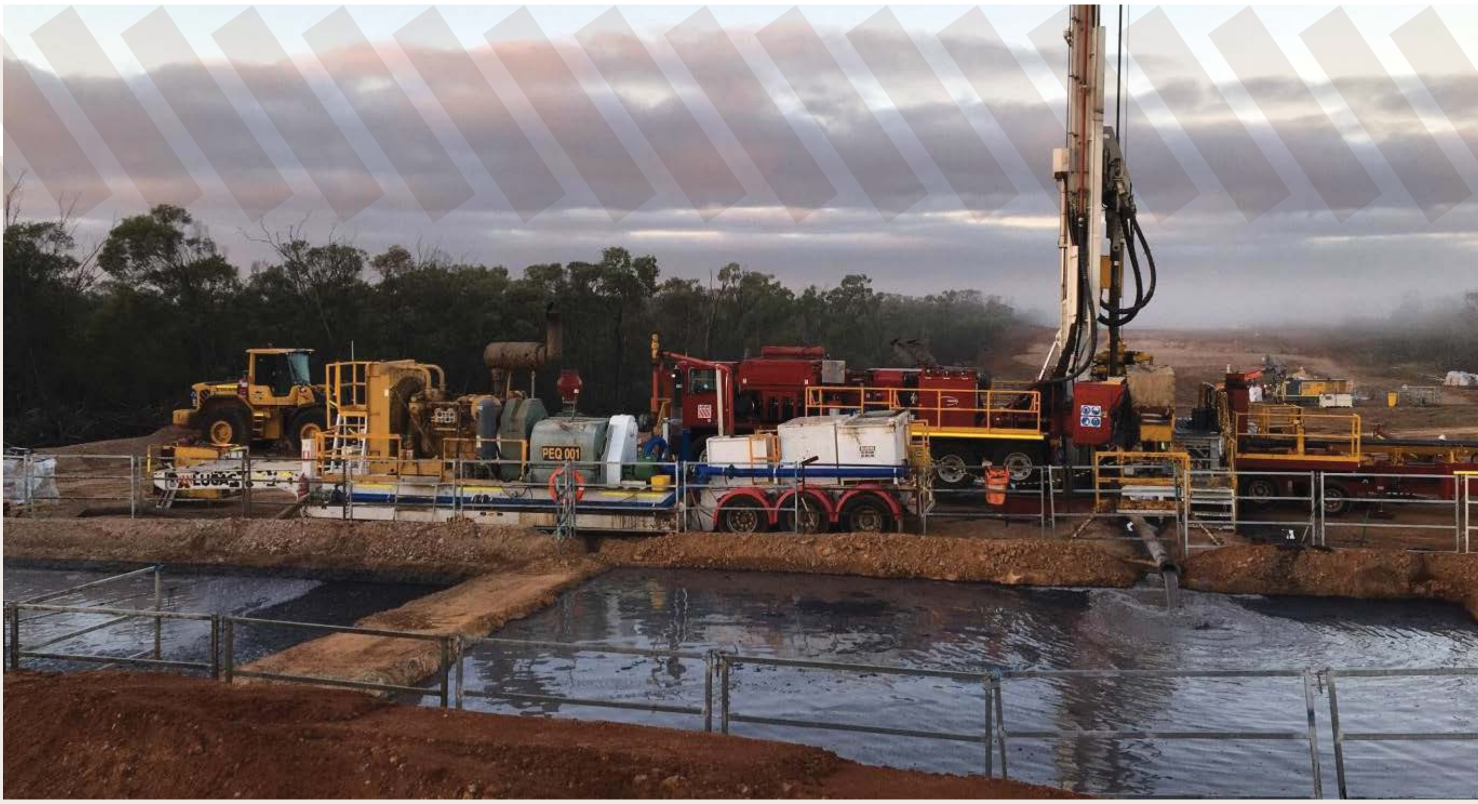
PEOPLE, SAFETY & ENVIRONMENT

Lucas is committed to the right of every employee to go to work and come home safely. Our business places safety at the centre of our operational approach to what we do, and this year I am proud to report that we have continued to maintain our industry leading Total Recordable Injury Frequency Rate (TRIFR) to 1.06 per million hours worked and zero environmental incidents. This is on the back of a strong reporting culture that encourages reporting and open investigation of incidents. In a high-risk industry, our teams have done a remarkable job maintaining the discipline and focus required to keep harm to a minimum and should be commended for the great work they do. I am proud to be part of a team that holds itself to such high standards.

> "Our ability to maintain safety effectiveness was underpinned this year by a refreshed focus on new employees and those new to the industry."

During the year the management team have implemented a number of initiatives to improve the safety and retention of new people and made significant additional investment in the training and development of our front-line workers. The retention issues were notable during the previous period and the changes have seen a reduction in operational non-conformances in the workforce and a corresponding reduction in voluntary resignations, especially amongst new starters to the Fly In Fly Out lifestyle, by 49% year on year. This is a remarkable achievement and now puts our retention performance significantly ahead of the industry average and makes Lucas a preferred employer in the market, and a reliable partner for our clients.

It is with great pleasure I can report that the 2024 financial year was a record for the Australian drilling business and sets a new benchmark for our performance.



FINANCIAL AND OPERATIONS REPORT

The financial performance of the Australian drilling services business was a record for Lucas. Our revenue of $159.1 million (2023: $157.6 million) was an increase of 0.9% to the previous period while the Australian Operations EBITDA for the 12 months was $31.2 million (2023: $26.0 million). This represents an increase of 19.9% on the previous year and was driven by an increased EBITDA margin of 19.6% compared to 16.5% achieved in the previous year.

> Operationally this year offered an opportunity for the Australian drilling business to expand our services in the coal market in Australia.

Through both our conventional exploration, degasification (pre and post mining), and service offering to the coal mining segment I am pleased to report we have re-entered coal seam gas drainage, leveraging our long experience and expertise drilling in coal assets and buoyed by increased market demand.

Both coal seam gas and quality Australian metallurgical (steelmaking) coal are increasingly recognised as critical component to the world's continuing development and urbanisation as well as an essential transitional resource in the value chain on the path to net zero. Our industry leading technical approach to coal services places Lucas at the forefront of these opportunities, and we are positioned to play an important role in the meaningful reduction of waste carbon in today's tightening regulatory framework.

Our forward order book remains historically strong, with new entrants into the coal market supporting our positive forward view. An increasingly difficult ESG environment for some of our key clients has seen ownership transition to newer participants who believe, like we do, that the market fundamentals remain robust and are looking to invest and expand operations. This drives demand of our key offerings, particularly in the pre and post drainage service segments that benefit from our technical expertise and superior execution.

As part of our continuous improvement journey this year saw the co-development of state-of-the-art multipurpose drilling rigs specifically designed for coal drilling. These assets present a step change in the market helping Lucas further enhance our operational performance but also build on our already strong safety culture by further removing people from the line of fire and leveraging assistance provided by automation.

> In addition, Lucas has embarked on development of new downhole drilling sensing equipment that will expand our offering and bring additional value to our clients by providing specific and timely information that can be utilised by the increasingly data driven mining process.

AUSTRALIAN CEO'S REPORT CONTINUED

Operationally a key highlight for the period was benefit of our focus on professional development and multi-skilling the workforce, particularly in our Large Diameter and Surface to inseam offerings. This enabled the business to remain agile in our asset deployments and to be able to scale operations as required to meet client demand while continuing to drive improvement to our key metrics such as net revenue per shift and bit time on bottom.

OUTLOOK

Our future operational and financial performance centres on our ability to meet and exceed our expectations in transitional periods for our customers. As some key client sites are further developed, or change ownership, the timing of scopes of work potentially challenge optimisation of our fleet and services as those transitions take place and the day to day customer priorities of work scopes shift. None the less, we remain confident that the operating platform we have continued to refine, should overcome the vast majority of potential obstacles in the forward period and we believe we are well placed to deliver a consistent performance forward into the future.

Lastly, I would like to note my great appreciation for all the support I have received in the transition to my new role from within the company and from outside, particularly in the introduction of our new business initiatives. I believe these changes better position the company in the years ahead and I look forward to this exciting next chapter for the business.

Greg Runge
Chief Executive Officer of Australian Operations

Below: New co-developed state of the art multi-purpose drilling rig


CAT
DIESEL
GAS ALARM
MICROPHONE

CUADRILLA CEO'S LETTER

The political and policy environment governing the exploration, appraisal and development of the UK's shale gas resource deteriorated in 2023 financial year with the re-introduction of a moratorium on hydraulic fracturing in October 2022, just a few weeks after that moratorium had been lifted. That backdrop has, if anything, worsened in the past year. The policy focus of the new UK Labour Government is very much on accelerating onshore and offshore wind and onshore solar power. The oil and gas sector offshore and onshore has been subject to "windfall" taxation and enjoys little political support. This is even though it is widely acknowledged that the UK will require significant volumes of oil and gas for decades to come. Failing to invest in indigenous production will increase the reliance on long distance, higher emitting, hydrocarbon imports with all the attendant price and security of supply risks that entails.

Against this backdrop, we have written down the carrying value of our UK exploration assets but continue to believe and maintain that this is a significant UK natural gas resource available for development and use, subject to the required political will and policy support. We retain our shale gas exploration Licence in Lancashire (the largest onshore licence in the UK) on a "care and maintenance" basis.

At our Preston New Road, Lancashire shale gas exploration site, we have continued to prepare for the plugging and abandonment of the two exploration wells, as required by the oil and gas regulator. Whilst this will render the wells themselves inoperable, the underlying gas resource and associated exploration licence will remain unaffected.

At our Elswick conventional gas site in Lancashire we have successfully refurbished the gas processing facilities and replaced the failed gas engine and electricity generator. Gas was successfully re-introduced into the facility in June 2024 and, following commissioning of the gas engine and generator, we are planning to generate and export electricity to the local grid during September 2024. Our Elswick Joint Venture partner, Elswick Energy Limited "EEL" (a subsidiary of Spirit North Sea Gas) has withdrawn from the Elswick Licence and in January 2024 the Regulator approved the transfer of EEL's 25% Licence interest to the remaining Cuadrilla / Lucas Parties. As such all future revenue from electricity sales will be for Lucas's account.

FRANCIS EGAN

Chief Executive Officer of Oil and Gas Investment

During 2024 financial year Cuadrilla's focus has been on maintaining its prime UK shale gas exploration licences at minimum cost to the Group, whilst progressing a number of onshore conventional gas opportunities capable of generating near-term revenue.

> In 2024 financial year we also successfully concluded an agreement with another UK onshore operator, Egdon Resources, to combine two adjacent onshore exploration Licences in Yorkshire.

Egdon will operate the combined Licences and hold a 75% operated interest. Cuadrilla will hold the remaining 25% non-operated interest. In July 2024 the oil and gas regulator approved a three-year extension to the Initial Term for both Licences, out to July 2027. In this three-year period Egdon will execute and fund the full cost of a work programme to plan, permit and drill an appraisal well on a significant discovered gas resource that spans both Licences. The well will also be tested, if successful, or plugged and abandoned if not, with Egdon to fund the costs in either case.

On the Balcombe Licence in Southern England, operated by Angus Energy and in which Lucas holds a 75% carried interest, progress in testing the existing conventional gas well has been stalled by ongoing legal challenges. Permission to test the well was confirmed in a High Court judgement handed down on in October 2023 rejecting the case brought by a local protest group. The group in question has now sought leave to appeal the High Court judgement the Court of Appeal is expected to hear the case in early 2025.

A number of our shale gas exploration Licences in Yorkshire and the Midlands reached the end of their Initial Exploration Terms in July 2024. We applied for an extension to these Licences on the grounds that the moratorium on fracturing had prevented us from effectively fulfilling the exploration work programmes. The oil and gas regulator declined our extension application, as it also did for other onshore operators, and these Licences have therefore terminated. This does not impact on our Lancashire shale exploration Licence which runs until mid-2039.

In summary we continue to maintain a low-cost presence in the UK, with the objective of increasingly "self-funding" that position through conventional gas production whilst continuing to hold an option on a very significant discovered shale gas accumulation.

Francis Egan
Chief Executive Officer
of Oil and Gas Investment

FINANCIAL REPORT

CONTENTS

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 resigned effective 31 August 2023

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 (ASX: MAY).

Mr Purcell was a member of the Audit and Risk Committee up to 1 January 2020 and has previously served as Chairman of the Human Resources and Nominations Committee from 1 January 2020 to 31 August 2020. On 31 August 2020 Mr Purcell was appointed Chairman of the Board and became a member of both the Audit and Risk and the Human Resources and Nominations Committees.

JULIAN BALL BA; FCA

Mr Ball is 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. Mr Ball was previously a consultant representing Kerogen Capital ("Kerogen") a substantial shareholder.

Mr Ball is a member of the Audit and Risk Committee and was appointed the Chairman of the Human Resources and Nominations Committee, on 31 August 2020, having been a member of that committee since January 2014.

FRANCIS EGAN M Eng; MBA

Mr Egan has over 40 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. Before joining BHP Billiton, Francis spent eight years with Marathon Oil in various 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 was a PhD student and research assistant at the California Institute of Technology (Caltech) in Los Angeles and holds an MBA from the University of Warwick.

AUSTEN PERRIN B Econ CA, GAICD

Mr Perrin was the Group Chief Financial Officer from December 2014 to 31 August 2020 when he retired from that position, but he continues to serve as a Director. He is also a Non-executive Director of Andromeda Metals Ltd (ASX: AND). 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 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. On 9 May 2023 Mr Tredinnick resigned from his positions of Group Chief Executive Officer and Director, effective from 31 August 2023, in order to pursue new opportunities.

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 and is currently the Chief Commercial Officer. He served as the interim Group CEO between 1 September 2023 and 31 December 2023. 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	
	Held	Attended	Held	Attended	Held	Attended
Andrew Purcell	11	11	6	6	2	2
Julian Ball	11	11	6	6	2	2
Austen Perrin	11	11	6	6	2	2
Brett Tredinnick	3	2	-	-	-	-
Francis Egan	11	10	-	-	-	-

PRINCIPAL ACTIVITIES

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

The Group is structured with 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.

Oil & Gas Operations: Exploration of unconventional and conventional hydrocarbons in the UK.

OPERATING & FINANCIAL REVIEW

GROUP PERFORMANCE

	2024 $'000	2023 $'000	Change %
Total revenue from continuing operations	**159,105**	157,610	0.9%
Reported EBITDA – Australian operations	**31,217**	26,046	19.9%
Reported EBITDA – UK investments operations	**(2,054)**	(2,422)	15.2%
***Total Reported EBITDA**	**29,163**	23,624	23.4%
Depreciation and amortisation	**(7,470)**	(7,180)	(4.0%)
* EBIT (excluding impairment of exploration assets)	**21,693**	16,444	31.9%
Impairment of exploration assets	**–**	(157,324)	n/a
***EBIT**	**21,693**	(140,880)	115.4%
Net finance costs	**(22,407)**	(23,327)	3.9%
Income tax benefit	**–**	10,954	n/a
***Net profit / (loss) for the period (excluding impairment of exploration assets)**	**(714)**	4,071	(117.5%)
Net profit / (loss) for the period	**(714)**	(153,253)	99.5%

* The non-IFRS financial information presented in this document has not been audited or reviewed in accordance with Australian Auditing Standards. Reported EBITDA refers to earnings before net financing costs, depreciation and amortisation, impairments and tax expense.

OVERVIEW OF THE GROUP

The Group reported EBITDA of $29.2 million (2023: $23.6 million), on revenue of $159.1 million (2023: $157.6 million).

These results are driven by the Australian operations which delivered a divisional EBITDA of $31.2 million (2023: $26.0 million). The Australian operations have been delivering significant EBITDA improvements for many years and reflect the superior capability of the business when compared to its competitors is unmatched in the Australian coal industry. The ability to deliver bespoke drilling solutions, backed by internal engineering capabilities and back office technical support is unmatched in the industry. This is further supported by the strategic focus on delivering operational excellence, risk management and capital discipline.

The Group's UK operations incurred administration and other holding expenses of $2.0 million which included $0.2 million related to the revaluation of future decommissioning obligations and licence costs associated with extending licences.

Taking account of depreciation and amortisation of $7.5 million (2023: $7.2 million) as well as net finance costs of $22.4 million (2023: $23.3 million) the Group delivered a net loss after tax of $0.7 million (2023: $153.3 million). The prior year included an income tax benefit of $11.0 million and a non-recurring impairment of exploration assets of $157.3 million.

The Group's reviewed its deferred tax asset, recognised in the 2023 financial year, and concluded there was sufficient evidence to support the continued recognition of a deferred tax asset of $11.0 million, supported by a probable level of future Australian taxable profits against which carried forward income tax losses may be utilised. This represents a portion of the Group total income tax losses that are available to be carried forward subject to continued compliance with certain tests, and which are disclosed in the financial statements.

Australian Operations

	2024 Year $'000	2024 2nd Half $'000	2024 1st Half $'000	2023 Year $'000	Change %
Revenue	**159,105**	**81,533**	**77,572**	157,610	0.9%
Reported EBITDA – Australian Operations	**31,217**	**19,110**	**12,107**	26,046	19.9%
EBITDA margin	**19.6%**	**23.4%**	**15.6%**	16.5%	

The Group's main operating business provides various drilling solutions to its Australian based customers. The Australian operations delivered a divisional EBITDA of $31.2 million (2023: $26.0 million), which represents a 19.9% increase on the previous year and is on top of the 36.6% increase reported in 2023 compared to 2022. While the improvement in the previous year was predominantly driven by an increase in overall drilling activity and metres drilled, the current year increase was more a result of improved drilling efficiency while still maintaining a focus on controlling costs. The Australian Operations have consistently delivered improvements in drilling times leading to faster delivery of wells for our clients, something that will continue to be a focus for management into 2025 financial year.

During the year the concentration of the Group's customer continues to improve. Revenue from the Group's largest customer reduced from 52.7% to 41.7% and will likely to reduce further in 2025 financial year due to mine operating issues. There was an increase in revenue from the Group's other key customers and the acquisition of new customers which have potential to grow substantially further in the future.

The positive results were delivered while continuing the Group's focus on achieving industry leading safety performance with further reduction in reportable injury frequency from the previous year.

Oil and Gas

We continue to maintain a low-cost presence in the UK, with the objective of increasingly "self-funding" that position through conventional gas production whilst continuing to hold an option on a very significant discovered shale gas accumulation.

At our Elswick conventional gas site in Lancashire we have successfully refurbished the gas processing facilities and replaced the failed gas engine and electricity generator. Gas was successfully re-introduced into the facility in June 2024 and, following commissioning of the gas engine and generator, we are planning to generate and export electricity to the local grid during September 2024. Our Elswick Joint Venture partner, Elswick Energy Limited "EEL" (a subsidiary of Spirit North Sea Gas) has withdrawn from the Elswick Licence and in January 2024 the Regulator approved the transfer of EEL's 25% Licence interest to the remaining Cuadrilla / Lucas Parties. As such all future revenue from electricity sales will be for Lucas's account.

At our Preston New Road, Lancashire shale gas exploration site, we have continued to prepare for the plugging and abandonment of the two exploration wells, as required by the oil and gas regulator. Whilst this will render the wells themselves inoperable, the underlying gas resource and associated exploration licence will remain unaffected

In 2024 financial year we also successfully concluded an agreement with another UK onshore operator, Egdon Resources, to combine two adjacent onshore exploration Licences in Yorkshire. Egdon will operate the combined Licences and hold a 75% operated interest. Cuadrilla will hold the remaining 25% non-operated interest. In July 2024 the oil and gas regulator approved a three-year extension to the Initial Term for both Licences, out to July 2027. In this three-year period Egdon will execute and fund the full cost of a work programme to plan, permit and drill an appraisal well on a significant discovered gas resource that spans both Licences. The well will also be tested, if successful, or plugged and abandoned if not, with Egdon to fund the costs in either case.

On the Balcombe Licence in Southern England, operated by Angus Energy and in which Lucas holds a 75% carried interest, progress in testing the existing conventional gas well has been stalled by ongoing legal challenges. Permission to test the well was confirmed in a High Court judgement handed down on in October 2023 rejecting the case brought by a local protest group. The group in question has now sought leave to appeal the High Court judgement the Court of Appeal is expected to hear the case in early 2025.

A number of our shale gas exploration Licences in Yorkshire and the Midlands reached the end of their Initial Exploration Terms in July 2024. We applied for an extension to these Licences on the grounds that the moratorium on fracturing had prevented us from effectively fulfilling the exploration work programmes. The oil and gas regulator declined our extension application and these Licences have therefore terminated. This does not impact on our Lancashire shale exploration Licence which runs until mid-2039.

We continued to tightly manage our costs whilst maintaining our Licences and sites and progressing conventional gas development opportunities.

REVIEW OF FINANCIAL CONDITION

The Group's finance facilities include a senior secured asset-backed lending facility ("Senior facility"), a junior noted facility ("Junior facility") and a subordinated facility with the Company's largest shareholder, Kerogen Capital.

The Senior facility is a revolving facility, available to be drawn up to $35 million. The Junior facility is a term loan with scheduled principal repayment obligation, and was originally drawn in 2019 for $50 million, with the principal having been reduced to $20m by June 2024. Both facilities were extended in April 2023 and currently mature in April 2025.

The subordinated facility matures in October 2025, or 9 months after the Junior facility is repaid in full if earlier. The subordinated facility accrues interest at 18% with incentives of up to a maximum of 8% backdated to 24 April 2023 in the event that either or both the principal balance is reduced below certain thresholds and interest is paid in cash. These conditions have not been achieved in the reporting period and therefore all interest has been accrued at 18%. At balance date the combined principal and interest outstanding under the subordinated facility is $76.9 million.

The Group has engaged with a number of advisors to assist it to refinance or extend its secured liabilities as will be determined appropriate.

The Group is in a net liability position of $57.8 million (2023: $57.1 million), impacted by the impairment of exploration assets recognised in 2023 for $157.3 million. This book value position is arrived at in accordance with Accounting Standards and the historic cost convention which does not recognise the value of internally generated intangible assets that drive future performance such as customer and industry relationships, internal processes and procedures which drive safe and efficiently.

OUTLOOK & LIKELY DEVELOPMENTS

Strong metallurgical coal prices continue to drive strong demand for degasification and exploration drilling services for our clients and the industry, creating new opportunities that the Group will continue to pursue in order to expand and / or diversify its services, where it makes sense to do so.

In the UK, the Group will continue to pursue strategies to encourage the removal of the moratorium on shale gas exploration and thus allow us the opportunity to develop our licences. We remain resolute in our view that shale gas has an important role to play as a potential transition fuel as the United Kingdom moves towards its Net Zero target by 2050. We will maintain a cost-effective operation to comply with licence conditions and evaluate and implement options that may deliver shareholder value.

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 (2023: 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 its clients predominantly, as well a government, landholders, and other bodies when appropriate 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	-

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 2025.

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 $125,364 (2023: $37,000).

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 31 and forms part of the Directors' Report for the financial year ended 30 June 2024.

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 2024. 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 at or near the 50th percentile 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. The Chairman of the Board, who is also a member of each Board Committee, receives $225,000 per annum. The current arrangements have been unchanged since 2020 financial year.

The Group may, from time to time, in the ordinary course of business receive or provide services to entities that are related parties of the Directors on normal commercial terms. Such amounts are not included in the table of remuneration following but are disclosed in Note 31 of the Financial Statements.

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	2024	225,000	–	225,000
Andrew Purcell	2023	225,000	–	225,000
Julian Ball	2024	100,000	10,000	110,000
Julian Ball	2023	100,000	10,000	110,000
Austen Perrin	2024	100,000	10,000	110,000
Austen Perrin(1)	2023	100,000	15,000	115,000

1. In 2023 financial year, Austen Perrin agreed to undertake additional duties related to evaluating a potential transaction. The transaction did not proceed however Mr Perrin was paid $5,000 as compensation of additional time required.

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 Human Resource and Nominations 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 either or both a consultation with external consultants and review a of external databases to benchmark remuneration levels with comparable companies.

Variable compensation

Variable compensation includes performance linked remuneration in the form of 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. During the period the STI program was reviewed and amended. Subject to achievement of certain criteria, Management have the potential to earn between 2.25% and 4.50% of their fixed annual remuneration, depending on their positions, for every $1.0 million EBITDA exceeds the targeted EBITDA, up to a pre-determined hold point where EBITDA target is exceeded by $4.0 million. For every $1.0 million in excess of the hold point, up to a maximum of $4.0 million in excess of hold point, management can earn between 3.375% and 6.750% of their fixed annual remuneration. Any portion of an STI over the hold point will be held over and paid in 12 months provided the employee continues to be employed by the Group.

The criteria for earning an STI includes 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.

The CEO of Cuadrilla is entitled to a modified STI tailored to the Group's UK activities. He is entitled to 1.75% of certain proceeds received in relation to the Group's UK licenses. $0 has been recorded in the 2024 financial year.

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, or to adjust outcomes for significant factors that are considered outside the control of management that contribute positively or negatively to results.

Following the resignation of the Group Chief Executive Officer and Director, Brett Tredinnick, on the 9 May 2023 the Board decided to award certain employees, including KMP, one-off retention benefits payable in June 2025 subject to the employee not resigning from their position with the Group. This was determined in the Group's best interest given the difficulties in attracting labour in the current market and the need for stability during this time of transition. In exchange the select employees had agreed to extend their existing notice period to 6 months.

In respect of the Chief Financial Officer, the retention bonus is $150,000, with an additional $50,000 at the discretion of the Chairman.

In respect of the UK Chief Executive Officer retention benefit is GBP250,000.

In respect of the Chief Executive Officer of Australian Operations and the Interim Chief Executive Officer the retention bonus was $100,000.

Retention bonuses are accrued over the service period from the date of award to 30 June 2025 and have been included in the executive directors and officers remuneration table in accordance with the period of time each person was a KPM on a proportionate basis.

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 financial years.

Year ended 30 June	2024	2023	2022	2021	2020
Total revenue ($'000)	**159,105**	157,610	123,231	111,086	146,746
Reported EBITDA Australian operations	**31,215**	26,046	19,064	21,913	23,681
Net profit / (loss) after tax attributable to members ($'000)	**(702)**	(152,059)	(11,321)	3,339	(8,867)
Loss per share (cents)	**(0.1)**	(11.8)	(0.9)	0.3	(0.9)
Dividend per share (cents)	**–**	-	-	-	-
Share price at balance date	**$0.010**	$0.013	$0.054	$0.026	$0.035
Share price appreciation/(depreciation)	**(23%)**	(76%)	108%	(26%)	(56%)
STI to KMP in relation to the year's performance ($'000)	**175**	374	-	-	416
Retention retention benefit to KMP ($'000)	**440**	-	-	-	-
Discretionary bonus approved for KMP	**–**	-	138	-	-

The Group's underlying EBITDA significantly exceeded the current year target. In addition, KMP achieved certain individual Key Performance Indicators and accordingly bonuses totaling $174,930 for KMP were accrued in respect of the period KPM was performing the role of KMP. Of this, $119,550 will be payable following the release of these 30 June 2024 audited annual financial statements which has been fully accrued in 2024 financial year. The remaining $55,380 will be payable on 30 June 2025, provided the KMP does not leave the Group, which has been accrued over the 2-year period June 2023 to June 2025.

In addition, $440,173 was accrued during the period in relation to retention bonuses in respect of the period KPM was performing the role of KMP.

In 2023 financial year the Group's underlying EBITDA also exceeded the target as well as significantly exceeding prior years. In accordance with the key performance indicators that were achieved bonuses totaling $374,000 for employees that were KPM in 2023 financial year were awarded with respects to that year's financial results. Of this, $220,000 was paid following the release of the 30 June 2023 audited annual financial statements. The remaining $153,942 was paid on 30 June 2024, provided the KMP had not left the Group, and in the case of the CEO who had tendered his resignation, his deferred component was paid following a restraint period, being 31 May 2024.

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 paid $	Incentives accrued $	Total $	Super-annuation benefits $	Termination benefit $	Long term benefits (long service leave) $	Total $	Proportion of remuneration performance related %
Executive officers: 2024									
Brett Tredinnick[2] *Group CEO and Executive Director*	110,342	-	-	110,342	13,699	-	(10,478)	113,563	0.00%
Marcin Swierkowski[2] *Interim CEO*	121,577	-	89,732	211,309	6,850	-	2,097	220,256	40.74%
Gregory Runge[2] *CEO of Australian Operations*	232,203	-	59,435	291,638	12,501	-	16,874	321,013	18.51%
Francis Egan *CEO of Cuadrilla and Executive Director*	551,803	-	273,506	825,309	-	-	-	825,309	33.14%
David Ekster *Group CFO*	426,607	-	193,059	619,666	27,398	-	(17,018)	630,046	30.64%
Total: 2024	**1,442,532**	**-**	**615,732**	**2,058,264**	**60,448**		**(8,525)**	**2,110,187**	
Executive officers: 2023									
Brett Tredinnick[2] *Group CEO and Executive Director*	521,244	-	138,082	659,326	25,292	96,657	7,163	788,438	29.77%
Francis Egan *CEO of Cuadrilla and Executive Director*	505,085	-		505,085		-		505,085	0.00%
David Ekster *Group CFO*	383,765	-	110,544	494,309	25,292	-	8,942	528,543	24.98%
Total: 2023	**1,410,094**	**-**	**248,626**	**1,658,720**	**50,584**	**96,657**	**16,105**	**1,822,066**	

(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 and the cash out of any annual leave in excess of 6 weeks requested by individual.

(2) Brett Tredinnick resigned 9 May 2023 effective from 31 August 2023 with Marcin Swierkowski appointed interim CEO from 31 August 2023 to 31 December 2023. Gregory Runge was appointed CEO effective 1 January 2024. Figures in the above table represent the portion of the costs for the individual during their time in service as 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 employee of 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 annually by the Human Resources and Nominations Committee. The review was based on market data obtained from Korn Ferry, a global organizational consulting firm, for the industry in line with review processes of all employees within the Group. The fixed remuneration of the newly appointed CEO in 2024 was determined in accordance with this review, and in respects of the CFO a modest adjustment of 3.5% was made in September 2023.

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 2023	Net changes	Held at 30 June 2024
Director			
Andrew Purcell	527,105	-	**527,105**
Austen Perrin	300,062	-	**300,062**

Kerogen Investment No 1 (HK) Limited (“Kerogen”) holds 779,888,166 ordinary shares in the Company (equivalent to 56.67% of issued shares).

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

Andrew Purcell,
Chairman

Dated 30th day of August 2024

CORPORATE GOVERNANCE REPORT

for the year ended 30 June 2024

CORPORATE GOVERNANCE STATEMENT

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 CEO 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, which details 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. The Roles of the Interim CEO and the CEO of Australian Operations, becoming available following the departure of the Group CEO effective from 31 August 2023, were filled by existing executives of the Group.

Brett Tredinnick, the former Director and Group CEO resigned from his positions with the Group effective from 31 August 2023. Mr Swierkowski, the Group's Chief Commercial Officer and Company Secretary filled the position of CEO on an interim basis while the Board completed an external search and evaluation process of internal and external candidates, supported by a global organizational consulting firm. Following the search and evaluation process, Mr Runge was appointed the CEO of Australian Operations effective from 1 January 2024. Mr Egan continues to be CEO of Cuadrilla, with Both Mr Runge and Mr Egan reporting directly to the Board.

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, except where applicable a person filling the role of Managing Director can hold office for a period greater than 3 years without re-election. 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 General Meeting.

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 a summary of results was presented to the Directors, who considered and discussed them and determined actions for improvement as considered appropriate. 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 and September 2023.

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 Gender Equality Reports is shown below:

	2024			**2023**		
Level	**Male**	**Female**	**Total**	**Male**	**Female**	**Total**
Non-executive Directors	**3**	**–**	**3**	3	–	3
Executive leadership personnel	**3**	**–**	**3**	3	1	4
Other employees	**306**	**22**	**328**	339	14	353
TOTAL	**312**	**22**	**334**	345	15	360

\# The newly appointed CEO included in the executive leadership personnel, the interim CEO who filled the role for only four months of the year is included in other employees.

The Company has a parental leave scheme where a permanent employee who has been with the company for over 24 months can access paid parental leave following the birth or adoption of a child. Unpaid leave of up to 12 months is also available to certain employees. 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 workplace 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 Director's interest, positions or relationships needs to be reported by the Director. Following the most recent review in August 2024, it was determined that Julian Ball is independent. The Board determined that the significant passage of time from the time Mr Ball's employment had ended with Kerogen Capital, a significant shareholder of the Company, was sufficient to consider him independent. As such, following the resignation of Brett Tredinnick effective in August 2023, and the reassessment of Julian's independence in August 2024, there are four directors, three of whom are independent and one of whom is an executive.

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	Independent Non-Executive Director
Austen Perrin	Independent Non-Executive Director
Francis Egan	Executive Director
Brett Tredinnick	Executive Director – resigned effective August 2023

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

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	–	–	✔	–	✔
Current or 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 Group CEO, 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. 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 Group's 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 Modern slavery, bribery and corruption, whether direct or indirect. As such the Group has policies covering Anti-Bribery and Corruption, and Whistleblowing, and reports in an Annual Modern Slavery statement its approach, all of which are 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.

The Group also has a Supplier Code of Conduct detailing conduct that the Group does not tolerate within its supply chain. All new suppliers are required to agree to abide by the Supplier Code of Conduct.

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

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 independent directors. The Committee must be chaired by an independent director, 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 at date of report
Austen Perrin	Committee Chairman and Independent Director
Andrew Purcell	Independent Director
Julian Ball	Independent Director

Following the Board's assessment of Julian Ball as Independent in August 2024, the Committee Chairman and the Committee members are all independent. Prior to August 2024 the Committee's Chairman and one of the remaining two members were considered independent, however all were non-executive. The Board continues to be of 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 released 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. The Company held a virtual AGM in 2023. All substantive resolutions at meetings of shareholders are decided by poll.

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 responsible 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, with this year's review taking place in May 2024. 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.

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 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 in the past undertaken external audits or reviews engagements of particular types of risk as deemed appropriate. 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. We have an intentional strategy of focusing our business development efforts on new and growing existing customers. We have reduced reliance on our largest customer from 52.7% to 41.7% and looks almost certain to reduce further in 2025 financial year. 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.
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 will raise equity as required to fund exploration and development activities of its unconventional assets in the UK. The Group's key finance facilities were refinanced in April 2023 and currently mature between April and October 2025. The Company has engaged advisors to assist it to determine the best options available and extend or refinance its financial liabilities at that stage. The company has also raised additional capital from equity markets in 2023 and will consider raising further equity if the Board forms a view this is in the best interest of the Company. 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.
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 4th edition as an example of good governance and reporting procedures and requirements.

Material Risks	Risk Management Approach
Cyber Risk	
A cyber event may lead to adverse disruption to the Group's critical business processes, potential breaches of privacy and theft of commercially sensitive information impacting the Group's profitability and reputation.	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). As such, 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 expand validation of existing controls through periodic penetration testing, phishing simulations and cyber exercises.
Climate Change	
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 any impacts on its objectives and activities and as such the Group is considering setting targets to reduce carbon emissions. Reduction of waste and emissions is an integral part of delivery of cost efficiencies and forms part of the Company's operations. AJ Lucas is aware of the developments of the International Sustainability Standards Board (ISSB), which has issued IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures in June 2023*. These standards are not mandatory for Australian companies; however, the Australian Department of Treasury has released a Treasury Laws Amendment (Financial Market Infrastructure and Other) Bills 2024 introducing a new mandatory climate-related financial disclosure regime in Australia. The new regime will be phased in and apply to entities in a phased timeline in line with the entities meeting certain minimum threshold criteria. The Group is currently expected to be subject to this new mandatory regime from 1 July 2027. The new regime mandates reporting entities to prepare an annual climate statement. That climate statement is to be prepared in accordance with a new proposed accounting standard expected to be issued by the Australian Accounting Standards Board, and expected to closely align with the requirements of IFRS2. AJ Lucas will continue to monitor developments in laws, regulations and standards, as well as general business practice, to ensure it complies with or exceeds any future requirements imposed.

REMUNERATION

The Human Resources and Nominations Committee reviews the remuneration of the non-executive directors, and key executives. The Human Resources and Nominations Committee's 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 at date of report
Julian Ball	Committee Chairman and Independent Director
Andrew Purcell	Independent Non-Executive Director
Austen Perrin	Independent Non-Executive Director

Following the Boards releasement of Julian Ball as Independent in August 2024, the Committee Chairman and the Committee members are all independent. Prior to August 2024 the Committee's Chairman was non executive and the Committee members were independent, however the Board was of the opinion that, given the experience and skills of each member, the composition of the committee was the most qualified and appropriate during that time.

The remuneration of non-executive directors is based on a benchmark 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 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 are payable to a chairman of a Board committee in 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 are 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 2024

Building a better working world

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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 2024, 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;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene 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

Ernst & Young

Matthew Taylor
Partner
30 August 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Continuing operations			
Revenue from contracts with customers	6	**159,105**	157,610
Total revenue		**159,105**	157,610
Other income		**49**	-
Operating costs of Australian operations	8	**(127,674)**	(130,819)
Depreciation and amortisation	8	**(7,470)**	(7,180)
Other expenses	8	**(2,317)**	(3,167)
Impairment of exploration assets	18	**–**	(157,324)
Results from operations		**21,693**	(140,880)
Finance Income	7	**508**	347
Finance costs	7	**(22,915)**	(23,674)
Total Finance Costs		**(22,407)**	(23,327)
Profit / (loss) before income tax		**(714)**	(164,207)
Income tax benefit	10	**–**	10,954
Net profit /(loss) for the period		**(714)**	(153,253)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss			
Exchange differences on translation of foreign operations		**(64)**	774
Total items that may be reclassified subsequently to profit and loss		**(64)**	774
Other comprehensive income / (loss) for the period		**(64)**	774
Total comprehensive income / (loss) for the period		**(778)**	(152,479)
Net profit / (loss) for the period attributable to:			
Shareholders of AJL		**(702)**	(152,059)
Non-controlling interest		**(12)**	(1,194)
		(714)	(153,253)
Total comprehensive income / (loss) attributable to:			
Shareholders of AJL		**(764)**	(151,297)
Non-controlling interest		**(14)**	(1,182)
		(778)	(152,479)
Earnings per share:			
Basic and diluted (loss)/earnings per share (cents)	11	**(0.1)**	(11.5)

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Comprehensive Income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2024

	Note	2024 $'000	2023 $'000
Current assets			
Cash and cash equivalents	12	**15,305**	12,792
Cash in trust	12	**1,544**	1,253
Trade and other receivables	13	**18,721**	23,056
Contract assets	15	**9,366**	12,320
Inventories	14	**5,612**	5,228
Other assets	13	**2,245**	1,588
Total current assets		**52,793**	56,237
Total current assets		**40,232**	52,828
Non-current assets			
Plant and equipment	16	**41,228**	31,340
Right-of-use assets	17	**3,343**	5,612
Deferred tax asset	19	**10,954**	10,954
Exploration assets	18	**–**	-
Total non-current assets		**55,525**	47,906
Total assets		**108,318**	104,143
Current liabilities			
Trade and other payables	20	**22,534**	17,843
Contract liabilities	15	**248**	128
Interest-bearing loans and borrowings	21	**48,321**	38,369
Decommissioning provision	23	**6,634**	3,733
Employee benefits	24	**6,944**	6,494
Total current liabilities		**84,681**	66,567
Non-current liabilities			
Interest-bearing loans and borrowings	21	**78,059**	88,541
Decommissioning provision	23	**2,874**	5,465
Employee benefits	24	**541**	629
Total non-current liabilities		**81,474**	94,635
Total liabilities		**166,155**	161,202
Net assets / (liabilities)		**(57,837)**	(57,059)
Equity			
Share capital	25	**514,590**	514,590
Reserves		**787**	849
Accumulated losses		**(573,170)**	(572,468)
Total equity attributable to equity holders of the Company		**(57,793)**	(57,029)
Non-controlling interest	25	**(44)**	(30)
Total equity		**(57,837)**	(57,059)

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Financial Position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2024

	Share capital $'000	Translation reserve $'000	Option reserve $'000	Employee equity benefits reserve $'000	Non-controlling interest $'000	Accumulated losses $'000	Total equity $'000
Note	25	25	25	25	25	25	
Balance 1 July 2023	514,590	(3,821)	637	4,033	(30)	(572,468)	(57,059)
Total comprehensive income							
Loss for the period	–	–	–	–	(12)	(702)	(714)
Other comprehensive income							–
Foreign currency translation differences	–	(62)	–	–	(2)	–	(64)
Total comprehensive income	**–**	**(62)**	**–**	**–**	**(14)**	**(702)**	**(778)**
Balance 30 June 2024	**514,590**	**(3,883)**	**637**	**4,033**	**(44)**	**(573,170)**	**(57,837)**
Balance 1 July 2022	495,986	(4,583)	637	4,033	1,152	(420,409)	76,816
Total comprehensive income							
Loss for the period	–	–	–	–	(1,194)	(152,059)	(153,253)
Other comprehensive income							–
Foreign currency translation differences	–	762	–	–	12	–	774
Total comprehensive income/(loss)	**–**	**762**	**–**	**–**	**(1,182)**	**(152,059)**	**(152,479)**
Transactions with owners recorded directly in equity							
Issue of ordinary shares, net of transaction costs	18,604	–	–	–	–	–	18,604
Total contributions by and distributions to owners	18,604	–	–	–	–	–	18,604
Balance 30 June 2023	**514,590**	**(3,821)**	**637**	**4,033**	**(30)**	**(572,468)**	**(57,059)**

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Changes in Equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Cash receipts from customers		**183,098**	160,356
Cash paid to suppliers and employees		**(143,347)**	(150,060)
Cash from operations		**39,751**	10,296
Interest income		**508**	347
Interest and other costs of finance paid		**(8,231)**	(9,255)
Net cash from operating activities	30	**32,028**	1,388
Cash flows from investing activities			
Acquisition of plant and equipment	16	**(14,251)**	(5,843)
Proceeds from sale of plant and equipment		**502**	-
Net cash used in investing activities		**(13,749)**	(5,843)
Cash flows from financing activities			
Proceeds from borrowings		**175,577**	167,875
Repayment of borrowings		**(186,844)**	(165,812)
Transaction costs on borrowings		**(133)**	(2,184)
Repayment of leases		**(4,060)**	(3,132)
Proceeds from issue of shares		**–**	19,739
Transaction costs on issue of shares		**–**	(1,135)
Net cash from / (used in) financing activities		**(15,460)**	15,351
Net increase / (decrease) in cash, cash equivalents and cash in trust		**2,819**	10,896
Net foreign exchange difference		**(15)**	84
Cash, cash equivalents and cash in trust at beginning of the period		**14,045**	3,065
Cash, cash equivalents and cash in trust at end of the period	30	**16,849**	14,045

The accompanying notes are an integral part of these consolidated financial statements and should be read in conjunction with the Consolidated Statement of Cash Flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2024

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 2024 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. The Company is limited by shares, publicly listed on the Australian Securities Exchange. 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 and complies 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 30 August 2024.

(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 the 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 Group is in a net liability position at balance sheet date of $57.8 million (June 2023 $57.1 million), and a net current liability position of $31.9 million (2023: $10.3 million). $21.9 million of the Junior loan facility was reclassified to current liabilities due to its expiration in April. At June 2024 the balances of both the Senior syndicated loan facility and the Junior loan notes totalling $46 million are classified as current liabilities.

The Group generated a loss before tax for the year ended 30 June 2024 of $0.7 million (2023: $164.2 million). The loss in 2023 was predominantly driven by a one-off non-cash impairment expense recognised against exploration assets during the year of $157.3 million.

The Directors, in their consideration of the appropriateness of using the going concern basis for the preparation of the financial statements, have reviewed a cash flow forecast prepared by management, covering a period through to at least 12 months following the signing of these financial statements, which had regard to the following matters and thus have sufficient cash to continue as a going concern:

- In April 2023 the Group successfully extended its existing loan arrangements with all lenders for an additional period of 2 years to April 2025 and October 2025, with certain amendments as detailed in Note 21. This followed a competitive process during which multiple proposals were received and evaluated by the Company.
- The strong financial performance of the Drilling Division which delivered $159.1 million in revenue and $31.2 million in earnings before interest, tax, depreciation and amortisation ("EBITDA") from Australian operations. This represents an increase of 0.95% and 19.9% respectively on the prior year. While continued strong financial performance is subject to a degree of uncertainty as with all businesses, and dependant on continued extension or renewal of existing customer contracts, the outlook for metallurgical coal, which is essential for steel making and which the Company's customers are high quality and low-cost producers of, remains robust.
- The Group's focus on managing the cash flows associated with exploration and rehabilitation activities in the UK, and its ability to fund future UK cash flows through raising of additional debt or equity as required.
- The Group has $15.3 million in cash on hand at 30 June 2024 and has effective budget and cash management process in place to track a balance between operating and capital spending and compliance with future covenants.

In considering the above and the factors available to the Directors to manage those risks, the Directors are satisfied it remains appropriate to prepare the financial statements on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Should the Group be unsuccessful in achieving the above matters, a material uncertainty would exist that may cast significant doubt on the ability of the Group to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the ordinary course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and to the amount and classification of liabilities that might be necessary should the Group not continue as a going concern.

(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 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 (e) – Decommissioning provision;
- Note 18 – Carrying value of exploration assets;
- Note 19 – Recognition of deferred tax asset;

(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. MATERIAL ACCOUNTING POLICIES

Comparative information has been reclassified where relevant for consistency with current period presentation.

(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.

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.

3. MATERIAL ACCOUNTING POLICIES (continued)

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.

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 three 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 PROVISION

Where a material liability for the future removal of facilities and 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 FROM CONTRACTS WITH CUSTOMERS

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 metre 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 (EIR 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, except for transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences such as recognition of an ROU Asset and a lease liability or restoration obligation;
- 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

3. MATERIAL ACCOUNTING POLICIES (continued)

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 receivable/(payable) 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.

(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 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 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 derecognised 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. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense to the profit and loss in the period the write-down or loss occurs.

(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 are 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 are recognised in the profit and loss.

Estimated useful lives for the current and comparative periods are as follows (no change from 30 June 2023):

	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.

3. MATERIAL ACCOUNTING POLICIES (continued)

(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 or impairment reversal. 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 groups 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 the profit and loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill 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 2024. The following amendments and revisions have been identified that may have an impact on the Group's financial performance or financial position.

AASB 18: Presentation and Disclosure in Financial Statements

AASB 18 Presentation and Disclosure in Financial Statements was issued to improve how entities communicate in their financial statements, with a particular focus on information about financial performance in the statement of Profit or Loss. The key presentation and disclosure requirements established by AASB 18 are:

- The presentation of newly defined subtotals in the statement of profit or loss. AASB18 introduces three new categories for classification of all income and expenses in the statement of profit or loss: operating, investing and financing, and the entities will be required to present subtotals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'.
- The disclosure of management-defined performance measures (MPM), i.e. how the measure is calculated how it provides useful information and a reconciliation to the most comparable subtotal specified above; and
- Enhanced requirements for grouping information (i.e. aggregation and disaggregation)

AASB 18 has also introduced changes to other Australian Accounting Standards, including AASB 107 Statement of Cash Flows, AASB 133 Earnings per Share and AASB 134 Interim Financial Reporting, and will replace the existing guidance in ASB 101 *Presentation of Financial Statements*.

AASB 18 applies to annual reporting periods beginning on or after 1 January 2027, although earlier adoption is permitted, whilst the Group assesses the impact of these change it has elected not to early adopt this standard.

IFRC Update

- In July 2024 the IFRS IC published an agenda decision which discusses how an entity applies the requirements in paragraph 23 of IFRS 8 Operating Segments. The group is currently analysing the potential impacts of this agenda decision to its segment reporting.

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.

5. DETERMINATION OF FAIR VALUES (continued)

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:

Australian Operations: This business segment encompasses the Australian Drilling business and the Group's head office and corporate costs. 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.

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

Costs associated with related party loans, including foreign exchange gain or losses recognised on translating US dollar balances outstanding to Australian Dollars are not recognised within reportable segments and are disclosed as unallocated.

The Australian Operations have four Customers that each contributed over 10% of the Group's revenue and in total contributed 86% (2023: 66%) of the Group's total revenue.

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, amortisation and impairment ("EBITDA") and segment profit before interest and income tax and segment net profit or loss.

	Australian Operations $'000	UK Oil & Gas $'000	Reportable Segments $'000	Unallocated* $'000	Total $'000
2024					
Reportable segment revenue					
Services rendered	159,105	-	159,105	-	159,105
Total consolidated revenue	**159,105**	**-**	**159,105**	**-**	**159,105**
EBITDA continuing operations	31,217	(2,054)	29,163	-	29,163
Depreciation and amortisation	(7,470)	-	(7,470)	-	(7,470)
Net finance cost	(8,734)	(140)	(8,874)	(13,533)	(22,407)
Reportable segment profit / (loss)	**15,013**	**(2,194)**	**12,819**	**(13,533)**	**(714)**

	Australian Operations $'000	UK Oil & Gas $'000	Reportable Segments $'000	Unallocated* $'000	Total $'000
2023					
Reportable segment revenue					
Services rendered	157,610	–	157,610	–	157,610
Total consolidated revenue	**157,610**	**–**	**157,610**	**–**	**157,610**
EBITDA continuing operations	26,046	(2,422)	23,624	–	23,624
Depreciation and amortisation	(7,180)	–	(7,180)	–	(7,180)
Net finance cost	(8,715)	–	(8,715)	(14,612)	(23,327)
Impairment expense	–	(157,324)	(157,324)	–	(157,324)
Income tax benefit	–	–	–	10,954	10,954
Reportable segment profit / (loss)	**10,151**	**(159,746)**	**(149,595)**	**(3,658)**	**(153,253)**

* Costs associated with related party loans, including foreign exchange gain or losses recognised on translating US dollar balances outstanding to Australian Dollars are not recognised within reportable segments and are disclosed as unallocated.

	Australian Operations $'000	UK Oil & Gas $'000	Reportable Segments $'000	Unallocated# $'000	Total $'000
2024					
Segment assets	87,978	3,881	91,859	16,459	108,318
Segment liabilities	(78,592)	(10,667)	(89,259)	(76,896)	(166,155)
Capital expenditure	13,855	396	14,251	–	14,251
2023					
Segment assets	80,522	2,571	83,093	21,050	104,143
Segment liabilities	(86,788)	(10,023)	(96,811)	(64,391)	(161,202)
Capital expenditure	5,320	523	5,843	–	5,843

Cash held in AJ Lucas Group, deferred tax assets and related party loans are not recognised within reportable segments and are disclosed as unallocated.

GEOGRAPHICAL INFORMATION

	Revenues		Non-current assets	
	2024 $'000	**2023 $'000**	**2024 $'000**	**2023 $'000**
Australia	159,105	157,610	53,728	46,504
United Kingdom	–	–	1,797	1,402
	159,105	**157,610**	**55,525**	**47,906**

In 2023, the Group undertook a review of the carrying value of its investment in exploration assets and concluded that, it was required to record a non – cash impairment expense for the full value of its UK onshore exploration licences of $157.3 million.

7. FINANCE INCOME AND FINANCE COSTS

	2024 $'000	2023 $'000
Interest income	**(508)**	(347)
Finance income recognised in profit and loss	**(508)**	(347)
Interest expense	**7,132**	7,387
Interest expense – related parties	**12,631**	11,771
Finance costs charged on lease liability	**688**	391
Amortisation of prepaid fees on debt facilities	**1,422**	1,284
Amortisation of prepaid fees on related parties debt facilities	**940**	584
Decommission provision discount unwind	**139**	-
Net foreign exchange loss / (gain)	**(37)**	2,257
Finance costs recognised in profit and loss	**22,915**	23,674

8. OTHER EXPENSES

	Note	2024 $'000	2023 $'000
Labour costs		**57,050**	55,737
Subcontractors and consultants		**3,560**	3,590
Tooling and material costs		**43,071**	44,174
Short term leases	22	**8,841**	9,325
Other expenses		**15,152**	17,993
Total operating expenses		**127,674**	130,819
Depreciation of plant and equipment		**3,863**	3,913
Amortisation of right-of-use asset		**3,607**	3,267
Total depreciation and amortisation		**7,470**	7,180
UK overhead costs		**1,942**	1,457
Net (profit) / loss on recovery of assets		**(2)**	(8)
Cost of evaluating M&A and restructuring opportunities		**228**	305
Revaluation of decommissioning liability		**186**	915
Other		**(37)**	498
Total other expenses		**2,317**	3,167

9. AUDITOR'S REMUNERATION

The auditor of AJ Lucas Group Limited and its controlled entities is Ernst and Young (Australia). Amounts received or due are set our below:

	2024 $	2023 $
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	**282,000**	268,440
Fees for assurance services that are required by legislation to be provided by the auditor	**-**	-
Fees for other assurance and agreed-upon procedure services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	**-**	-
Fees for other services		
- Cybersecurity audit	**40,500**	-
- Tax compliance	**84,864**	37,000
Total fees to Ernst & Young (Australia) (A)	**407,364**	305,440
Fees to other overseas member firms of Ernst & Young (Australia)		
Fees for auditing the financial report of any controlled entities	**-**	-
Total fees to overseas member firms of Ernst & Young (Australia) (B)	**-**	-
Total auditor's remuneration (A)+(B)	**407,364**	305,440

10. INCOME TAX

	2024 $'000	2023 $'000
Recognised in profit or loss		
Current tax expense/ (benefit)		
Current year	**–**	6,307
Tax losses not recognised and temporary differences derecognised in current year	**–**	-
Prior year tax losses utilised	**(4,581)**	(6,307)
Prior year adjustments	**83**	38
Prior year tax losses not recognised	**(83)**	(38)
	(4,581)	-
Deferred tax expense recognised in profit or loss		
Origination and reversal of temporary differences	**4,581**	-
Recognition of previously unrecognised carry forward tax losses	**–**	(10,954)
Total income tax expense / (benefit) in profit or loss	**–**	(10,954)
Current tax benefit recognised in the statement of changes in equity		
Current year	**–**	-
Prior year adjustments	**–**	-
Total income tax benefit in equity	**–**	-
Numerical reconciliation between tax benefit and pre-tax net profit/(loss)		
Accounting profit/ (loss) before income tax	**(714)**	(164,207)
Prima facie income tax benefit calculated at 30%	**(214)**	(49,262)
Adjustment for:		
Non-deductible other expenses	**424**	878
Non-deductible impairment expenses	**–**	47,190
Effect of tax rate in foreign jurisdictions	**(278)**	(57)
Non-deductible finance cost	**5,274**	5,620
Current year tax losses not recognised	**–**	-
Prior year tax losses recognised in the current period	**–**	(10,954)
Prior year tax losses utilised	**(4,581)**	(5,087)
Current year temporary differences not recognised	**(625)**	717
Income tax expense / (benefit) attributable to operating loss	**–**	(10,954)

Following a detailed review of management's forecasts and other relevant factors the Board concluded that there was sufficient evidence to estimate a probable level of future taxable profits. A deferred tax asset of $11.0 million (2023: $11.0 million), being the tax expense expected to be incurred on this level of probable future taxable profits, was initially recognised for the first time in 2023.

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic loss per share at 30 June 2024 was based on the loss after tax attributable to ordinary shareholders of $714,000 (2023: loss after tax attributable to ordinary holders $153,253,000) divided by a weighted average number of ordinary shares outstanding, calculated as follows:

	2024 Number	2023 Number
Weighted average number of ordinary shares (basic)		
Issued ordinary shares at 1 July	**1,375,729,630**	1,375,729,630
Weighted average number of ordinary shares (basic) at 30 June	**1,375,729,630**	1,327,550,415

Diluted earnings per share

There were no dilutive potential ordinary shares outstanding at 30 June 2024 or 30 June 2023, 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

	2024 $'000	2023 $'000
Bank balances	**15,305**	12,792
Total cash and cash equivalents	**15,305**	12,792
Cash in trust	**1,544**	1,253
Total cash in trust	**1,544**	1,253

Cash in trust

Of the $1,544,000 restricted cash balance as at 30 June 2024 $1,254,000 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.

$290,000 (GBP151,000) restricted cash represents deposits paid into escrow, which serve as collateral for the plug and abandonment of an exploration well at the end of its useful life. The escrow deposits are subject to restrictions and are therefore not available for general use of the Group.

13. TRADE AND OTHER RECEIVABLES AND OTHER ASSETS

	2024 $'000	2023 $'000
Current trade and other receivables		
Trade receivables (not subject to provisional pricing)	**18,407**	22,792
Deposits supporting bank guarantees	**314**	264
Total trade and other receivables	**18,721**	23,056
Other current assets		
Prepayments	**2,245**	1,588
Total other assets	**2,245**	1,588

Trade receivables are non-interest bearing and generally on terms of 30 to 90 days. Estimated credit losses have been assessed as being immaterial (<0.5%) in 2024 and 2023. 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

	2024 $'000	2023 $'000
Materials and consumables	**5,612**	5,228
Total inventories	**5,612**	5,228

15. CONTRACT BALANCES

	2024 $'000	2023 $'000
Contract assets	**9,366**	12,320
Contract liabilities	**248**	128

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. No expected credit losses related to contract assets have been recognised at balance date as it is considered immaterial (<0.5%). Further information on credit risk shown in Note 26.

Contract liabilities represent amounts invoiced to customers for which the relevant performance obligation has not been fulfilled. The full amount of the Contract liability balance in 2023 was recognised as revenue in 2024 financial year.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment $'000	Enterprise development $'000	Total $'000
30 June 2024			
At cost	130,211	12,578	142,789
Accumulated depreciation/amortisation/impairment	(88,983)	(12,578)	(101,561)
Carrying amount at 30 June 2024	**41,228**	**–**	**41,228**
30 June 2023			
At cost	116,477	12,578	129,055
Accumulated depreciation/amortisation/impairment	(85,215)	(12,500)	(97,715)
Carrying amount at 30 June 2023	**31,262**	**78**	**31,340**

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 2023	31,262	78	31,340
Additions	14,251	–	14,251
Disposals	(500)	–	(500)
Depreciation and amortisation	(3,785)	(78)	(3,863)
Carrying amount at 30 June 2024	**41,228**	**–**	**41,228**

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2022	29,120	290	29,410
Additions	5,843	-	5,843
Disposals	-	-	-
Depreciation and amortisation	(3,701)	(212)	(3,913)
Carrying amount at 30 June 2023	**31,262**	**78**	**31,340**

An independent expert was engaged to perform an independent valuation of the Group's plant and equipment as at 30 June 2024. 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 2024			
At cost	5,577	3,110	8,687
Accumulated depreciation/amortisation/impairment	(3,602)	(1,742)	(5,344)
Carrying amount at 30 June 2024	**1,975**	**1,368**	**3,343**
30 June 2023			
At cost	5,094	3,067	8,161
Accumulated depreciation/amortisation/impairment	(1,274)	(1,275)	(2,549)
Carrying amount at 30 June 2023	**3,820**	**1,792**	**5,612**

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 2023	3,820	1,792	5,612
Additions	1,234	104	1,338
Amortisation	(3,079)	(528)	(3,607)
Carrying amount at 30 June 2024	**1,975**	**1,368**	**3,343**

	Plant & equipment $'000	Enterprise development $'000	Total $'000
Carrying amount at 1 July 2022	1,836	1,401	3,237
Additions	4,743	899	5,642
Amortisation	(2,759)	(508)	(3,267)
Carrying amount at 30 June 2023	**3,820**	**1,792**	**5,612**

18. EXPLORATION ASSETS

	2024 $'000	2023 $'000
Opening carrying amount	–	156,112
Foreign Exchange movement	–	1,212
Impairment of exploration assets	–	(157,324)
Closing value	**–**	–

The exploration assets represent exploration expenditure incurred in relation to the Group's equity interest in UK exploration licences as follows:

Description	Licence	Partners	Interest 2024	Interest 2023
Bowland	PEDL165	Spirit Energy 25%	**75.00%**	75.00%
Elswick	EXL269	N/A	**100%**	77.25%
Balcombe (Bolney)	PEDL244	Angus Energy 25%	**75.00%**	75.00%
Weald	EXL189	Atwood 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%	**0%**	70.00%
14th round – Yorkshire *	PEDL342	INEOS 30%	**0%**	70.00%
Weaverthorpe	PEDL347	Egdon 75%	**25.00%**	100.00%
Weaverthorpe	PL081	Egdon 75%	**25.00%**	0%
14th round – Yorkshire *	PEDL290	N/A	**0%**	100.00%
14th round – Yorkshire**	PEDL333	N/A	**100.00%**	100.00%
14th round – Yorkshire	PEDL333	N/A	**100.00%**	100.00%

* The Group relinquished three licenses in July 2023.

** The Group relinquished four licenses in July 2024

The Group continues to evaluate a range of options available to protect the substantial investment that we have made in these exploration licences and extract any potential value that exists, whether through eventual development as and when this is allowed, or by other means. However, as result of the adverse political circumstances in the UK, the Group is no longer planning or budgeting substantive expenditure on further exploration and evaluation in its specific shale exploration licences areas. In accordance with accounting standards, it recorded a non-cash impairment loss of $157.3 million, in the 2023 financial year.

During the year Spirit withdrew from the Elswick licence and in January 2024 the Regulator approved the transfer of EEL's 25% Licence interest to the Group.

Also during the year, the North Sea Transition Authority ("NSTA") declined our extension application on certain licences that reached the end of the initial exploration term in July 2024. As such these licences were terminated.

Finally, during the year we concluded an agreement with another UK onshore operator, Egdon Resources, to combine two adjacent onshore exploration Licences in Yorkshire. Under the agreement Egdon will operate the combined Licences and hold a 75% interest. Cuadrilla will hold the remaining 25% non-operated interest. In July 2024 the oil and gas regulator approved a three-year extension to the Initial Term for both Licences, out to July 2027. In this three-year period Egdon will execute and fund the full cost of a work programme to plan, permit and drill an appraisal well on a significant discovered gas resource that spans both Licences. The well will also be tested, if successful, or plugged and abandoned if not, with Egdon to fund the costs in either case.

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. The Group's licences remain current at balance date.

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	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Consolidated						
Property, plant and equipment	**6,655**	7,180	**–**	–	**6,655**	7,180
Exploration asset	**–**	–	**–**	–	**–**	–
Provisions for employee benefits	**2,438**	2,302	**–**	–	**2,438**	2,302
AASB16 Leases	**29**	165	**–**	–	**29**	165
Trade creditors	**–**	–	**–**	–	**–**	–
Share raising costs	**368**	219	**–**	–	**368**	219
Blackhole expenditure	**158**	222	**–**	–	**158**	222
Borrowing costs	**23**	53	**–**	–	**23**	53
Other creditors and accruals	**1,147**	988	**–**	–	**1,147**	988
Unrealised foreign exchange differences	**1,794**	1,884	**–**	–	**1,794**	1,884
Decommissioning provision	**3,805**	3,682	**–**	–	**3,805**	3,682
Carry forward tax losses recognised	**10,954**	10,954			**10,954**	10,954
Deferred tax asset write down	**(16,417)**	(16,694)	**–**	–	**(16,417)**	(16,694)
Tax assets/(liabilities)	**10,954**	10,954	**–**	–	**10,954**	10,954
Set off of tax	**–**	–	**–**	–	**–**	–
Net assets/(liabilities)	**10,954**	10,954	**–**	–	**10,954**	10,954

19. DEFERRED TAX ASSETS AND LIABILITIES (continued)

Movement in temporary differences during the year:

	Balance 01 Jul 23 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Balance 30 Jun 24 $'000
2024				
Property, plant and equipment	7,180	-	(525)	**6,655**
Exploration asset	-	-	-	**-**
Provisions for employee benefits	2,302	-	136	**2,438**
AASB16 Leases	165	-	(136)	**29**
Trade creditors	-	-	-	**-**
Share raising costs	219	-	149	**368**
Blackhole expenditure	222	-	(64)	**158**
Borrowing costs	53	-	(30)	**23**
Other creditors and accruals	988	-	159	**1,147**
Unrealised foreign exchange differences	1,884	-	(90)	**1,794**
Decommissioning provision	3,682	-	123	**3,805**
Carry forward tax losses recognised	10,954	-	-	**10,954**
Deferred tax asset write down	(16,694)	-	277	**(16,417)**
	10,954	**-**	**-**	**10,954**

	Balance 01 Jul 22 $'000	Recognised directly in equity $'000	Recognised in profit and loss $'000	Balance 30 Jun 23 $'000
2023				
Inventories	11,233	-	(4,053)	7,180
Property, plant and equipment	(2,811)	-	2,811	-
Exploration asset	2,065	-	237	2,302
Provisions for employee benefits	121	-	44	165
AASB16 Leases	12	-	(12)	-
Trade creditors	92	-	127	219
Share raising costs	322	-	(100)	222
Blackhole expenditure	70	-	(17)	53
Borrowing costs	2,335	-	(1,347)	988
Other creditors and accruals	714	-	1,170	1,884
Unrealised foreign exchange differences	3,064	-	618	3,682
Decommissioning provision	-	-	10,954	10,954
Deferred tax asset written off	(17,217)	-	523	(16,694)
	-	**-**	**10,954**	**10,954**

Unrecognised deferred tax assets

Following a detailed review of management's forecasts and other relevant factors the Board concluded that there was sufficient evidence to estimate a probable level of future taxable profits. A deferred tax asset of $11.0 million (2023: $11.0 million), being the tax expense expected to be incurred on this level of probable future taxable profits, was initially recognised for the first time in 2023.

The Group has further accumulated income tax losses for which a deferred tax assets has not been recognised of $30.6 million (2023: $35.1 million) in Australia and $18.0 million (2023: $17.4 million) in the UK. Additionally, pre trading expenditure incurred in certain UK subsidiaries is able to be offset against future taxable profits for a period of 7 years from the year in which the expenditure is incurred, contingent on the respective entities commencing trading. At balance date $10.1 million (2023: $12.7 million) of accumulated pre trading expenditure has not been recognised and will be incrementally forfeited over the period of 7 years from balance date.

20. TRADE AND OTHER PAYABLES

	2024 $'000	2023 $'000
Current		
Trade payables	**9,481**	4,313
Other payables and accruals	**13,053**	13,530
	22,534	17,843

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

	2024 $'000	2023 $'000
Current		
Senior syndicated facility	**25,796**	29,536
Junior loan notes	**20,211**	4,931
Lease liabilities	**2,294**	3,881
Other	**20**	21
	48,321	38,369
Non-current		
Lease liabilities	**1,145**	2,280
Junior loan notes	**–**	21,835
Loans from related party	**76,896**	64,390
Other	**18**	36
	78,059	88,541
Total Current and Non Current finance facilities	**126,380**	126,910

(a) Loans and borrowing terms and maturities

Senior syndicated facility

The Senior syndicated facility is a senior ranking revolving asset-based loan 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 $35 million subject to certain prescribed levels 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. In line with increases in BBSY the applicable interest rate on the facility has increased to 10.90% at June 2024 (2023: 10.56%).

21. INTEREST-BEARING LOANS AND BORROWINGS (continued)

In April 2023 the Group and its Senior lenders agreed to amend and extend the Senior syndicated facility which will now mature in April 2025. The balances outstanding under the Senior Syndicated facility are classified as current liabilities and falls due in April 2025. Each repayment and subsequent draw down are separately disclosed in the Cash Flow Statement as Repayment of Borrowings and Proceeds from Borrowings, respectively.

The facility is subject to financial covenants which, may be amended from time to time by mutual agreement, and have been complied with during the period.

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. Scheduled principal repayments of $4.0m were required between 1 April 2023 and 1 April 2024, however $7.0m principal was repaid over that time. $2.0 million in principal repayments are required quarterly onwards, with the balance repayable at maturity. Since original inception of the original $50 million Junior loan notes facility in October 2019, the Group has repaid $30.1 million (net of capitalised interest). Taking into account scheduled principal repayments, the remaining principal at the newly agreed maturity date in April 2025 is anticipated to be less than $12 million.

Interest is charged at the bank bill swap rate plus a margin and is payable quarterly in arrears. The current interest rate is approximately 17.92% (2023: 17.23%).

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 2024 holds 56.67% of the shares of the Company (June 2023: 56.67%). Kerogen's facility is subordinated and ranks behind the Senior syndicated facility and Junior loan notes. It is US dollar denominated and interest accrues at 18% of the balance outstanding with the balance outstanding repayable in October 2025 or 9 months after early repayment of the Junior loan notes.

As part of a loan amendment and extension in April 2023, the Group prepaid $3 million to Kerogen, and Kerogen provided various interest reliefs in the event the company reduces the balance outstanding below certain thresholds and / or pays interest in cash rather than deferring interest to scheduled termination. Interest on the Kerogen facility will be reduced from 18% on 16%, backdated to 24 April 2023 if the outstanding balance on the Kerogen loan (excluding deferred interest) is reduced to below US$40 million, and will be further reduced to 14% if the outstanding balance (excluding deferred interest) is reduced to below US$20 million. In addition, interest paid in cash within the first two years will benefit from an additional 4% reduction on the portion paid in cash and also backdated to apply from 24 April 2023. Payment of any amount of principal or interest to Kerogen, other than the initial $3 million prepayment noted above, is subject to various restrictions in the senior and junior loan agreements and requires consent.

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 $8.8 million (2023: $9.3 million) have been included in operating costs of Australian operations. These relate predominantly to short term hire of plant and equipment.

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

	2024 $'000	2023 $'000
Opening balance 1 July	**6,161**	3,641
Additions during the year	**1,338**	5,642
Accretion of interest	**688**	391
Payments	**(4,748)**	(3,513)
As at 30 June	**3,439**	6,161
Current	**2,294**	3,881
Non-Current	**1,145**	2,280

23. DECOMMISSIONING PROVISION

	2024 $'000	2023 $'000
Current	**6,634**	3,733
Non-current	**2,874**	5,465
Closing value	**9,508**	9,198

Current decommissioning provision relates to rehabilitation of wells whereby the Company does not have an unconditional right to defer costs outside the 12 months period post period end. A remeasurement of the present value of forecast decommissioning costs was undertaken during the period and resulted in an increase of $0.3 million being recognised as an expense in other expenses during the period.

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

	2024 $'000	2023 $'000
Carrying amount at 1 July	**9,198**	7,659
Net remeasurement of decommissioning asset	**186**	915
Unwind of Discount	**139**	-
Foreign Exchange movement	**(15)**	624
Closing value	**9,508**	9,198

24. EMPLOYEE BENEFITS

	2024 $'000	2023 $'000
Provision for employee benefits, including on-costs:		
Current	**6,944**	6,494
Non-current	**541**	629
	7,485	7,123

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 $5,010,000 (2023: $4,615,000).

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
2024			
On issue at 1 July 2023		1,375,729,630	514,590
On issue at 30 June 2024		**1,375,729,630**	**514,590**

	Issue Price Per Share (Cents)	No. of Shares	$'000
2023			
On issue at 1 July 2022		1,196,286,635	495,986
Placement	11.0 cents	179,442,995	19,739
Transaction costs incurred		–	(1,135)
On issue at 30 June 2023		**1,375,729,630**	**514,590**

In September 2022 the Group completed a placement to institutional, sophisticated and professional investors within the 15% placement capacity limit. The placement raised $19.7 million before transaction costs and settlement occurred on 5 October 2022.

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

	2024 $'000	2023 $'000
Carrying amount at 1 July	**(44)**	(30)

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.

OPTIONS

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

DIVIDENDS

No dividends in respect of the 2024 or 2023 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 2024 is $60,852,374 (2023: $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 as well as cash at bank.

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 in accordance with IFRS9. An allowance for expected credit losses is 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.

Cash at bank

Credit risk from balances with financial institutions is managed by holding deposits with top tier financial institutions. Investment of surplus funds are made only with counterparties which are considered as reputable institutions with the markets the Group operates. The consideration of centration of risk is performed to mitigate financial loss through a counterparty's potential failure to make payments or funds available to the Group.

26. FINANCIAL INSTRUMENTS (continued)

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:

	2024 $'000	2023 $'000
Trade and other receivables	**18,721**	23,056
Contract assets	**9,366**	12,320
Bank balances	**16,849**	14,045
	44,936	49,421

Impairment

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

	2024 $'000	2023 $'000
Drilling	**17,706**	22,533
Oil and gas	**1,015**	523
	18,721	23,056

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

	Gross 2024 $'000	Impairment 2024 $'000	Gross 2023 $'000	Impairment 2023 $'000
Not past due	**15,996**	**–**	22,078	–
Past due up to 30 days	**2,725**	**–**	666	–
Past due 31 to 120 days	**–**	**–**	312	–
Past due 121 days to one year	**–**	**–**	–	–
Past due more than one year	**–**	**–**	–	–
	18,721	**–**	23,056	–

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.

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
2024							
Non-derivative financial liabilities							
Trade and other payables	22,534	(22,534)	(22,519)	-	(15)	-	-
Senior syndicated facility	25,796	(28,811)	(28,811)	-	-	-	-
Junior loan notes	20,211	(22,992)	(5,705)	(17,287)	-	-	-
Loans from related party	76,896	(93,459)	-	-	(93,459)	-	-
Lease liabilities	3,439	(3,656)	(1,767)	(668)	(672)	(549)	-
Other loans	38	(42)	(10)	(10)	(22)	-	-
	148,914	**(171,494)**	**(58,812)**	**(17,965)**	**(94,168)**	**(549)**	**-**

	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
2023							
Non-derivative financial liabilities							
Trade and other payables	17,843	(17,843)	(17,843)	-	-	-	-
Senior syndicated facility	29,536	(30,704)	(30,704)	-	-	-	-
Junior loan notes	26,766	(34,812)	(4,296)	(4,115)	(26,401)	-	-
Loans from related party	64,390	(93,459)	-	-	-	(93,459)	-
Lease liabilities	6,161	(6,922)	(2,140)	(2,301)	(1,308)	(1,173)	-
Other loans	57	(60)	(10)	(10)	(20)	(20)	-
	144,753	**(183,800)**	**(54,993)**	**(6,426)**	**(27,729)**	**(94,652)**	**-**

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.

26. FINANCIAL INSTRUMENTS (continued)

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"), and the Great British Pound ("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):

	2024 Exposure to GBP $'000	2023 Exposure to GBP $'000	2024 Exposure to USD $'000	2023 Exposure to USD $'000
Cash balances	**936**	557	**-**	-
Trade and other receivables	**1,015**	523	**-**	-
Trade payables	**(1,121)**	(770)	**-**	-
Interest-bearing liabilities	**(38)**	(37)	**(76,896)**	(64,390)
Net Financial Instrument exposure	**792**	273	**(76,896)**	(64,390)
Value of Exploration assets	**-**	-	**-**	-
Decommissioning liability	**(9,508)**	(9,198)	**-**	-
Net balance sheet exposure	**(8,716)**	(8,925)	**(76,896)**	(64,390)

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	
	2024	2023	2024	2023
AUD/USD	**0.7286**	0.7293	**0.5962**	0.5967
AUD/GBP	**0.5768**	0.5775	**0.4720**	0.4725
Post-tax loss (higher) / lower	**6,919**	5,829	**(8,456)**	(7,124)
Net equity higher / (lower)	**7,783**	6,665	**(9,512)**	(8,146)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2024	2023	2024	2023
USD	**0.6550**	0.6734	**0.6624**	0.6630
GBP	**0.5201**	0.5596	**0.5244**	0.5250

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 Group currently has a mix of borrowings at variable and fixed 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.

Interest rate exposure is detailed as follows:

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

	2024 $'000	2023 $'000
Fixed rate instruments		
Financial assets	**314**	264
Financial liabilities	**(80,353)**	(70,587)
	(80,039)	(70,323)
Variable rate instruments		
Financial assets	**15,305**	12,792
Financial liabilities	**(46,007)**	(56,302)
	(30,702)	(43,510)

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	
	2024	2023	2024	2023
Financial liabilities	**(373)**	(580)	**373**	580

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-24	Carrying amount $'000	Fair value $'000
Bank balances	16,849	16,849
Trade and other receivables	18,721	18,721
Trade and other payables	(22,534)	(22,534)
Senior syndicated facility	(25,796)	(26,169)
Junior loan notes	(20,211)	(20,622)
Loans from related party	(76,896)	(77,266)
Other	(38)	(38)
	(109,905)	**(111,059)**

26. FINANCIAL INSTRUMENTS (continued)

Jun-23	Carrying amount $'000	Fair value $'000
Bank balances	14,045	14,045
Trade and other receivables	23,056	23,056
Trade and other payables	(17,843)	(17,843)
Senior syndicated facility	(29,536)	(30,367)
Junior loan notes	(26,766)	(27,831)
Loans from related party	(64,390)	(65,061)
Other	(57)	(57)
	(101,491)	**(104,058)**

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:

	2024 $'000	2023 $'000
Total liabilities	**166,155**	161,202
Less: cash and cash equivalents	**(15,305)**	(12,792)
Less: cash in trust	**(1,544)**	(1,253)
Net debt	**149,306**	147,157
Total equity	**(57,837)**	(57,059)
Net debt to equity ratio at 30 June	**(2.58)**	(2.58)

27. CONSOLIDATED ENTITIES

The financial statements at 30 June 2024 include the following controlled entities. The financial years of all the controlled entities are the same as that of the parent entity.

	Country of incorporation	Ownership interest 2024 %	Ownership interest 2023 %
Parent entity – AJ Lucas Group Limited			
Controlled entities			
AJ Lucas Operations Pty Limited	Australia	**100**	100
Lucas Shared Services Pty Limited	Australia	**100**	100
Lucas Engineering and Construction Pty Limited	Australia	**100**	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
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
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 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

* 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.

COMMITMENTS

At 30 June 2024, the Group had no contractual commitments that are not provided (2023: nil) for in relation to purchase of new plant and equipment.

29. PARENT ENTITY DISCLOSURES

As at 30 June 2024 and 2023, and throughout the financial years then ended, the parent entity of the Group was AJ Lucas Group Limited.

	2024 $'000	2023 $'000
Results of the parent entity		
Loss for the year	**(16,106)**	(102,914)
Total loss for the year	**(16,106)**	(102,914)
Financial position of the parent entity at year end		
Current assets	**6,250**	10,728
Total assets	**17,204**	21,682
Current liabilities	**54,485**	55,337
Total liabilities	**131,381**	119,727
Total equity of the parent entity comprises:		
Share capital	**514,783**	514,783
Reserves	**4,644**	4,670
Accumulated losses	**(633,604)**	(617,498)
Total equity	**(114,177)**	(98,045)

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

	2024 $'000	2023 $'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	**15,305**	12,792
Cash in trust	**1,544**	1,253
Total cash	**16,849**	14,045
(b) Reconciliation of cash flows from operating activities		
Profit / (Loss) for the year	**(714)**	(153,253)
Adjustments for:		
Impairment of explorations assets	**–**	157,324
Amortisation of borrowing costs	**2,362**	1,868
Payment of borrowing costs in interest bearing liabilities	**(204)**	(580)
Increase / (decrease) in accrued and capitalised interest	**11,284**	10,709
(Profit) / loss on sale of non-current assets	**(2)**	(8)
(Gain) / loss on foreign currency loans	**(37)**	2,257
Remeasurement of decommissioning liability in P&L	**186**	915
Decommission provision discount unwind	**139**	-
Exchange rate changes on the balance of cash held in foreign currencies	**(15)**	84
Depreciation and amortisation	**7,470**	7,180
Operating loss before changes in working capital and provisions	**20,469**	26,496
Change in receivables	**4,335**	(11,404)
Change in other current assets	**(443)**	(160)
Change in inventories	**(384)**	76
Change in contract assets and liabilities	**3,074**	(1,962)
Change in deferred tax asset	**–**	(10,954)
Change in payables related to operating activities	**4,615**	(1,379)
Change in provisions for employee benefits	**362**	675
Net cash and cash in trust generated from operating activities	**32,028**	1,388

(c) Non-cash financing and investment activities

There are no non-cash financing and investing activities other than those disclosed in Notes 21 and 31.

(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 2023 $'000	Cash Flow(1)	Non-Cash Finance costs(2) $'000	Non-Cash Other(3) $'000	As at 30 June 2024 $'000
Interest bearing liabilities	**126,910**	(23,691)	22,407	754	**126,380**

(1) Comprises proceeds from borrowings of $175.6 million less repayments of borrowings of $186.8 million, $0.1 million of transaction costs on borrowings, $3.1 million repayment of leases and $8.2 million in interest and other costs of finance paid.

(2) Comprise net finance costs disclosed in Note 7.

(3) Comprises lease additions of $1.6 million which resulted in a corresponding increase in right of use assets.

	As at 1 July 2022 $'000	Cash Flow(1)	Non-Cash Finance costs(2) $'000	Non-Cash Other(3) $'000	As at 30 June 2023 $'000
Interest bearing liabilities	110,123	(12,508)	23,327	5,968	126,910

(1) Comprises proceeds from borrowings of $167.9 million less repayments of borrowings of $165.8 million, $2.2 million of transaction costs on borrowings, $3.1 million repayment of leases and $9.3 million in interest and other costs of finance paid.

(2) Comprise net finance costs disclosed in Note 7.

(3) Comprises predominantly lease additions of $5.7 million which resulted in a corresponding increase in right of use 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 $12,630,505 (2023: $11,770,722), with balances outstanding at the balance sheet date disclosed in Note 21.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

	2024 $	2023 $
Short-term employee benefits	**2,503,264**	2,108,720
Other long-term benefits	**(8,525)**	16,105
Post-employment benefits	**60,448**	50,584
Termination benefits	**–**	96,657
	2,555,187	2,272,066

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 Director's 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. 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	2024 $	2023 $
Julian Ball	HR Services Limited	Non-Executive director services	**110,000**	110,000
Andrew Purcell	Lawndale Group Pty Ltd	Non-Executive director services	**225,000**	225,000

During 2023, a subsidiary of the Company provided engineering advisory services on a day rate / hourly rate basis to Melbana Energy Limited. Andrew Purcell is an Executive Director of Melbana Energy Limited and a non-executive director of AJ Lucas Group Limited. The amount charged for these services was based on market rates and amounted to $51,925 during 2023.

Francis Egan, is a Director of AJ Lucas Group Limited, and a CEO of Cuadrilla Resources Holdings Limited. Francis retains an interest in Cuadrilla Resourcing Holdings Limited, which was obtained prior to becoming a Key management personnel of the Group, 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 2024.

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. 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 2024 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

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 2024 are set out below:

32. DEED OF CROSS GUARANTEE (continued)

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	2024 $'000	2023 $'000
Loss before income tax	**(1,417)**	(145,780)
Income tax expense	**–**	-
Loss after tax	**(1,417)**	(145,780)
Accumulated losses at the beginning of the year	**(570,039)**	(424,259)
Accumulated losses at the end of the year	**(571,456)**	(570,039)

SUMMARISED STATEMENT OF FINANCIAL POSITION

	2024 $'000	2023 $'000
CURRENT ASSETS		
Cash and cash equivalents	**14,658**	12,235
Cash in trust	**1,255**	1,253
Trade and other receivables	**17,706**	22,533
Contract asset	**9,366**	12,320
Inventories	**5,612**	5,228
Other Assets	**2,112**	1,499
Total Current Assets	**50,709**	55,068
NON-CURRENT ASSETS		
Trade and Other Receivables	**–**	-
Property, plant and equipment	**40,309**	30,816
Right-of-use assets	**3,343**	5,612
Deferred tax asset	**10,954**	10,954
Total Non-Current Assets	**54,606**	47,382
Total Assets	**105,315**	102,450
CURRENT LIABILITIES		
Trade and other payables	**23,427**	19,116
Contract liability	**248**	128
Interest bearing loans and borrowings	**48,301**	38,349
Employee benefits	**6,944**	6,494
Total Current Liabilities	**78,920**	64,087
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	**78,041**	88,504
Employee benefits	**541**	629
Total Non-Current Liabilities	**78,582**	89,133
Total Liabilities	**157,502**	153,220
Net Assets	**(52,187)**	(50,770)

	2024 $'000	2023 $'000
EQUITY		
Share capital	**514,590**	514,590
Reserves	**4,679**	4,679
Retained earnings	**(571,456)**	(570,039)
Total Equity	**(52,187)**	(50,770)

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 2024

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 32 to 71 and the Remuneration Report included in the Directors' Report, set out on pages 18 to 22, 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 2024 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) subject to the matters disclosed in Note 2C, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct.

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 2024.

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

30 August 2024

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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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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 Group's ability to continue as a going concern. These conditions along with other matters set forth in Note 2c, indicate that material uncertainty exists that 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.

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.

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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.

Measurement and recognition of revenue and contract assets

Why significant	How our audit addressed the key audit matter
For the year ended 30 June 2024 the Group recognised revenue of $159.1 million and the contract asset totalled $9.4 million at 30 June 2024 as disclosed in Note 3, 6 and 15 respectively. The Group applies AASB 15 *Revenue from Contracts with Customers* to account for services rendered to customers. Revenue recognition occurs over time as the customer simultaneously receives and consumes the benefits provided by the Group. The contract asset is recorded to recognise revenue for services performed within the period but prior to the unconditional payment right. This amount is based on a survey of work performed at the year end calculated by the agreed contract rates. The measurement and recognition of revenue associated with the contract asset is considered to be a key audit matter due to the significance of revenue to the financial statements and it being an estimate at period end.	Our audit procedures included the following: ▶ Attended the year end monthly cost meeting held by management whereby un-invoiced amounts with customers were assessed; ▶ Assessed all the customers recorded within the contract asset as having an executed contract in place prior to revenue being recorded; ▶ Tested on a sample basis, contract asset balances at year end, agreeing the amounts recorded to subsequent progress claim approvals by the customer and invoices, where appropriate; and ▶ Assessed the adequacy of the disclosures included in the Notes to the financial statements.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2024 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.

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Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and
- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- The consolidated entity disclosure statement that is true and correct and is free of 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.

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- 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.

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, actions taken to eliminate threats or safeguards applied.

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 18 to 22 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of AJ Lucas Group Limited for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

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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

Matthew Taylor
Partner
Brisbane
30 August 2024

CONSOLIDATED ENTITY DISCLOSURE STATEMENT

for the year ended 30 June 2024

Name of entity	Type of entity	% of share capital held	Country of incorporation	Australian resident or foreign resident (for tax purposes)	Foreign tax jurisdiction(s) of foreign residents
AJ Lucas Group Limited	Body Corporate	n/a	Australia	Australia	n/a
AJ Lucas Operations Pty Limited	Body Corporate	100	Australia	Australia	n/a
Lucas Shared Services Pty Limited	Body Corporate	100	Australia	Australia	n/a
Lucas Engineering and Construction Pty Limited	Body Corporate	100	Australia	Australia	n/a
AJ Lucas (Hong Kong) Limited	Body Corporate	100	Hong Kong	Foreign	Hong Kong
Lucas Drilling Pty Limited	Body Corporate	100	Australia	Australia	n/a
Mitchell Drilling Corporation Pty Limited	Body Corporate	100	Australia	Australia	n/a
Lucas Contract Drilling Pty Limited	Body Corporate	100	Australia	Australia	n/a
McDermott Drilling Pty Limited	Body Corporate	100	Australia	Australia	n/a
Jaceco Drilling Pty Limited	Body Corporate	100	Australia	Australia	n/a
Geosearch Drilling Service Pty Limited	Body Corporate	100	Australia	Australia	n/a
Lucas Cuadrilla Pty Limited	Body Corporate	100	Australia	Australia	n/a
Lucas Holdings (Bowland) Limited	Body Corporate	100	England	Foreign	UK
Lucas Bowland (UK) Limited	Body Corporate	100	England	Foreign	UK
Lucas Bowland (No. 2) Limited	Body Corporate	100	England	Foreign	UK
Elswick Power Limited	Body Corporate	100	England	Foreign	UK
Lucas Holdings (Bolney) Limited	Body Corporate	100	England	Foreign	UK
Lucas Bolney Limited	Body Corporate	100	England	Foreign	UK
Cuadrilla Resources Holdings Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Resources Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Bowland Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Elswick Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Balcombe Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Weald Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Services Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Well Services Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Elswick (No 2) Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla South Cleveland Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla North Cleveland Limited	Body Corporate	96	England	Foreign	UK
Cuadrilla Gainsborough Limited	Body Corporate	96	England	Foreign	UK

AUSTRALIAN SECURITIES INFORMATION ADDITIONAL INFORMATION

for the year ended 30 June 2024

DISTRIBUTION OF ORDINARY SHAREHOLDERS (AS AT 31 JULY 2024)

Securities held	Number of shareholders	Number of shares
1 – 1,000	495	234,368
1,001 – 5,000	563	1,541,513
5,001 – 10,000	241	1,910,101
10,001 – 100,000	696	27,248,586
100,001 and over	376	1,344,795,062
Total	**2,371**	**1,375,729,630**

1,784 shareholders held less than a marketable parcel of 50,000 shares at 31 July 2024.

TOP 20 SHAREHOLDERS (AS AT 31 JULY 2024)

	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1 (HK) Limited	779,888,166	56.67
Citicorp Nominees Pty Limited	119,984,018	8.72
Mr Paul Fudge	59,101,431	4.30
Mrs Lenore Ann Hanks + Mr Micheal David Hanks <BROADWILL FAMILY A/C>	28,250,000	2.05
HSBC Custody Nominees (Australia) Limited	25,901,084	1.88
BNP Paribas Nominees Pty Ltd <IB AU NOMS RETAILCLIENT DRP>	20,524,430	1.49
Mr Paul Sze Yuen Cheung + Mrs Pauline Kwok Sim Cheung	16,056,370	1.17
Buttonwood Nominees Pty Ltd	15,028,353	1.09
Inkese Pty Ltd	14,500,000	1.05
Tide Rider Pty Ltd	11,675,000	0.85
Rossbow Pty Ltd <Andrew Macpherson TDT A/C>	10,500,000	0.76
Mr Robert Alexander Hoad + Ms Jacquelyn Maria Hoad <SUNSHINE INVESTMENTS A/C>	10,043,357	0.73
NEWECONOMY COM AU Nominees <900 Account>	9,577,434	0.70
Mr Tue Gia Nguyen	7,100,000	0.52
BNP Paribas Nominees Pty Ltd <DRP>	6,230,244	0.45
UBS Nominees Pty Ltd	5,750,585	0.42
Mr Jay Hughes + Mrs Linda Hughes <INKESE SUPER A/C>	5,587,000	0.41
Mr Raymond Francis Frew + Mrs Gillian Margaret Frew	5,020,000	0.36
Avenue 8 Pty Limited <GAN Super Fund A/C>	5,000,000	0.36
SAUNDO Investments Pty Ltd <Saunders Super Fund A/C>	5,000,000	0.36
	1,160,717,472	**84.35**

AUSTRALIAN SECURITIES INFORMATION ADDITIONAL INFORMATION

for the year ended 30 June 2024

SUBSTANTIAL SHAREHOLDERS

Name	Number of ordinary shares held	% of issued shares
Kerogen Investments No. 1(HK) Limited	779,888,166	56.67

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 2024

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
111 Eagle Street
BRISBANE QLD 4000

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.

LUCAS