# LUCAS GROUP

# INTERIM REPORT

# &

# APPENDIX 4D

**HALF YEAR ENDED 31 DECEMBER 2022**

**(Previous Corresponding Reporting Period:**
**half year ended 31 December 2021)**

# Appendix 4D

for the half year ended 31 December 2022

Name of entity: AJ LUCAS GROUP LIMITED

ACN: 060 309 104

| | Change | | | Dec-22 $A'000 | Dec-21 $A'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Revenues from continuing operations | Improvement of | 36.4% | to | 82,737 | 60,642 |
| **Results from continuing operations** | | | | | |
| Reported EBITDA [1] | Improvement of | 37.3% | to | 14,833 | 10,800 |
| Profit before interest and tax (excluding impairment of exploration assets) | Improvement of | 60.9% | to | 11,389 | 7,078 |
| Profit / (Loss) for the period attributable to members (excluding impairment of exploration assets) | Improvement of | 103.5% | to | 119 | (3,357) |
| Impairment of exploration assets [2] | | N/A | | (157,324) | 0 |
| Profit / (Loss) for the period attributable to members | Decrease of | 4553.3% | to | (156,025) | (3,353) |

| **NTA Backing** | **Dec-22** | **Jun-22** |
|---|---|---|
| Net tangible asset backing per ordinary security (cents per share) | (5.7) | 5.3 |

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

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

[2] Refer Note 7 of the attached Interim report.

An interim financial report for the half year ended 31 December 2022 is provided with the Appendix 4D information.

1. The interim report has been prepared in accordance with AASB 134 Interim Financial Reporting.
2. The Appendix 4D information is based on the interim financial report, which has been subject to a review.
3. The Auditor's unqualified review report is attached as part of the interim financial report.
4. The non-IFRS financial information presented in this document has not been audited or reviewed in accordance with Australian Auditing Standards.

## Commentary on the Results

for the half year ended 31 December 2022

AJ Lucas Group Limited ("the Company") and its controlled entities (together referred to as "Lucas" the "Group" or "Lucas Group") presents its results for the period 31 December 2022.

| | Dec 2022 $'000 | Dec 2021 $'000 | Change % |
|---|---|---|---|
| **Total revenue from continuing operations** | **82,737** | **60,642** | **36.4%** |
| | | | |
| Reported EBITDA - Australian operations | 15,570 | 11,749 | 32.5% |
| Reported EBITDA - UK investments operations | (737) | (949) | 22.2% |
| **Total Reported EBITDA[1]** | **14,833** | **10,800** | **37.3%** |
| | | | |
| Depreciation and amortisation | (3,444) | (3,722) | 7.5% |
| **EBIT (excluding impairment of exploration assets)** | **11,389** | **7,078** | **60.9%** |
| Impairment of exploration assets | (157,324) | – | N/A |
| **EBIT** | **(145,935)** | **7,078** | **(2161.8%)** |
| | | | |
| Net finance costs | (11,270) | (10,435) | (8.0%) |
| **Net profit / (loss) for the period (excluding impairment of exploration assets)** | **119** | **(3,357)** | **103.5%** |
| **Net profit / (loss) for the period** | **(157,205)** | **(3,357)** | **(4582.9%)** |

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

The Group reported EBITDA of $14.8 million (Dec 2021: $10.8 million) on revenues of $82.7 million (Dec 2021: $60.6 million). Further details on the results of the Australian operations and the UK gas explorations operations are provided below.

The Group's Australian operations, which represent the Group's main operating business, performed strongly during the period following a soft FY22 which had been marred by various client and wet weather driven issues. The Australian operations reported EBITDA of $15.6 million for the first half of FY23, which was an increase of 32.5% from the comparative first half of FY22 and represents 81.7% of the FY22 full 12-month EBITDA.

Lucas Group continues to maintain its focus on safety while growing its pipeline of contracted works and remains optimistic that the outlook for the metallurgical coal sector remains buoyant with extensive investment in new and existing capacity.

The Group's UK operations incurred administration and other expenses of $0.7 million (Dec 2021: $0.9 million); these costs were incurred to support maintenance of the Group's licences and to pursue strategies to overturn the moratorium imposed on hydraulic fracturing in England that had initially been imposed in November 2019, just prior to the most recent general election.

Liz Truss was appointed the UK's Prime Minister ("PM") on 6 September 2022 following the resignation of Boris Johnson. Two weeks after her appointment, on 22 September 2022, Ms Truss lifted the moratorium on hydraulic fracturing, noting that the government would review shale gas policy as part of a wider strategy to better support industry.

Following the lifting of the moratorium, the Group undertook a share placement to institutional, sophisticated and professional investors at a price of $0.11 per share raised a total of $18.4 million net of fees. The placement, which was well supported, settled on 5 October 2022.

On 20 October 2022, PM Liz Truss resigned after 44 days in office, the shortest serving PM in British history, and was replaced by Rishi Sunak. Within days of his appointment, despite having declared his conditional support for lifting the moratorium whilst running for PM, Mr Sunak reimposed the moratorium on hydraulic fracturing.

# Commentary on the Results

for the half year ended 31 December 2022

In light of the turmoil and adverse political circumstances experienced in the UK over the last 6 months and taking into consideration the lack of discernible political will within the governing Conservative Party to progress onshore shale gas exploration in the foreseeable future, the Group undertook a review of the carrying value of its investment in exploration assets. Following this review, it concluded that, in accordance with accounting standards it is required to record a non-cash impairment expense for the full value of its UK onshore exploration assets; The carrying value had been $157.3 million. This impairment, which is considered to reflect an extraordinary event, is non-cash in nature and has no impact on the Company's debt facilities, banking covenants, compliance with ASX Listing Rules or the pursuit of any growth and deleveraging initiatives being pursued.

While the Group is not planning or budgeting substantive expenditure on further exploration and evaluation in its specific shale exploration licences areas in the foreseeable future, it intends to maintain its UK operations in a cost-effective manner in order to comply with licence conditions. The Group will continue to evaluate the full range of options available to protect and realise value from the substantial investment that it has made, in good faith, over many years. This may include potential organic cash flow generating opportunities.

Taking into account depreciation and amortisation of $3.4 million (Dec 2021: $3.7 million) as well as net finance costs of $11.3 million (Dec 2021: $10.4 million) but excluding the impact of the non-recurring impairment of exploration assets, the Group delivered a small net profit of $0.1 million. Taking into account the full impact of the non-recurring impairment of exploration assets results in a net loss of $157.2 million.

**Australian Operations**

| | Dec 2022<br>$'000 | Dec 2021<br>$'000 | Change<br>% |
|---|---|---|---|
| Revenue | 82,737 | 60,642 | 36.4% |
| **Reported EBITDA - Australian Operations** | **15,570** | **11,749** | **32.5%** |
| EBITDA margin | 18.8% | 19.4% | -2.9% |

Lucas' main operating business performed strongly delivering $82.7 million of revenue (Dec 2021: $60.6 million) and EBITDA of $15.6 million (Dec 2021: $11.7 million). This was particularly pleasing given the issues experienced in the FY22 second half as previously reported in the June 2022 Annual Report. The increase in revenue was driven by increased asset utilisation as the mine operations of several of our key clients returned to normal operational levels.

The demand for metallurgical (or coking) coal, which is a key driver of demand for the Group's drilling services, remains high by historic standards and the outlook remains strong. Metallurgical coal is essential for steelmaking, and the Group's clients produce some of the highest quality and lowest cost metallurgical coal globally. The strong outlook remains the case given expectations of the Chinese economy is reopening and trade relationships between China and Australia appear to be normalising.

As is the case with many businesses, Lucas Drilling has been impacted by increased costs, as demonstrated by recent spikes in inflation and minimum wage increases awarded by the Australian Fair Work Commission. Management have successfully implemented action plans to mitigate and manage this pressure.

Given this outlook, and the demand from our clients for more and broader services, the Group continues to look for opportunities to grow and diversify its drilling business in a capital efficient manner.

## Commentary on the Results
for the half year ended 31 December 2022

**UK Oil & Gas**
Prolonged high and volatile gas prices have been key features of the UK gas market for the past six-month reporting period. From mid-2021, wholesale UK gas prices, which historically have averaged 50 pence/therm, rose significantly, and peaked at an unprecedented high of 650 pence/therm in August 2022. Due to a relatively mild winter in the northern hemisphere UK prices subsequently fell back from this peak and ended 2022 trading at approximately 300 pence/therm, still well above historic norms.

The underlying cause is insufficient global gas supply to meet a demand now recovering quickly from the COVID induced reduction of 2020. The supply shortfall has been exacerbated by the fall-out from Russia's invasion of Ukraine in February 2022. However, the fundamental problem of insufficient investment in gas supply to meet global demand pre-dates the Russian invasion and continues to persist. Price rises in the UK have been mirrored in other regions, notably in the European Union. The UK and EU are particularly exposed due to their ever-increasing reliance on imported gas, particularly liquified natural gas. At present, gas imports account for approximately 50% of UK demand and by 2030 this is forecast to increase to some 75%. By contrast, in the US (which is self-sufficient in gas largely due to the hydraulic fracturing of shale) wholesale gas prices have continued to trade between four and six times lower than UK/EU levels.

The consequences of high gas price have been severe. Since July 2021, twenty-nine UK suppliers of gas and electricity have ceased trading, affecting around four million households. Customers have been left to pay the £2.7 billion cost of supplier failures. The UK Government has been forced to subsidise the cost of gas and electricity for residential and business customers. In the face of rising global prices, the so called "price-cap" for residential customers has repeatedly been increased, meaning that the "average" UK household's annual gas and electricity bill has risen by some 240% in the period from mid-2020 to mid-2022. In the absence of increased domestic gas supply, the UK will likely be increasingly at risk of these consequences due to over reliance on uncertain and high-priced imported gas.

Against this backdrop, and in response to growing calls from Cuadrilla, other UK shale companies, Conservative MPs and the media, in April 2022 the Secretary of State for Energy, requested the British Geological Survey (BGS) to review the "geological science of shale gas fracturing and the modelling of seismic activity in shale rocks in the UK." The BGS technical report was published by the UK Government in September 2022. It concluded that the limited number of hydraulic fracturing operations in the UK (only 3 exploratory wells, all drilled and fracked by Cuadrilla) "*made it impossible to determine with statistical significance the rates of occurrence of induced seismicity from hydraulic fracturing operations in the UK*".

In response to the BGS' scientific conclusions, on 22 September 2022 the UK Government announced that "*it was clear that we need more sites drilled in order to gather better data and improve the evidence base*" and that it was lifting the moratorium on hydraulic fracturing to allow wells to be drilled and fracked and the required data to be gathered.

Some five weeks later, on 27 October 2022, following a change in Prime Minister and with no new scientific advice having been requested or produced, the UK Government announced that it was reimposing the moratorium on hydraulic fracturing "*until compelling new evidence is provided which addresses the concerns around the prediction and management of induced seismicity*"

Cuadrilla (and other UK shale Operators) consequently find themselves trapped in a "Catch-22" position where the Government accepts, based on advice from its leading scientific advisory body, that more wells must be drilled and fracked to gather the necessary scientific evidence, whilst at the same time requiring that no new wells can be drilled and fracked until the necessary scientific evidence has been gathered.
In light of this, we have taken the decision to record a non-cash impairment expense against the full $157.3 million carrying value of the UK exploration assets. We continue to engage with other industry players, the UK Regulator and the UK Government to address the issues that led to the moratorium. The shale gas resource that we have discovered remains in-situ and available to be developed as and when the political will to do so emerges.

Separately, we continue to progress several conventional gas opportunities on our UK licences. These include the Elswick gas field in Lancashire where work is underway to restart production from an existing conventional gas well that last produced in 2013. An onsite gas-powered electricity generator which had failed is being replaced with a more efficient model and the existing connection to the electricity grid will be used to transmit and sell the electricity generated on the site, subject to satisfactory flow of gas from the well.

On the Balcombe licence in Southern England, operated by Angus Energy and in which Lucas holds a 75% interest, the decision by the local County Council to refuse permission for a flow test of the exploration well was appealed. The Planning Inspectorate announced in mid-February that the appeal had been successful overturning the Council refusal and paving the way for Angus to move forward with the planning and execution of the flow test.

We are also assessing other conventional gas opportunities and will update on these in future reports.

**Balance Sheet and cash flows**

The Group is leveraging the strong earnings from its first half operating results to advance initiatives and deliver shareholder value. In particular, the Board is evaluating conditional proposals and terms, which would allow the Company to either refinance or to extend the maturity dates of the existing loans falling due in April 2023 and October 2023. The Group has $56.4 million in debt which currently matures in April 2023; these are held under two facilities; a Senior syndicated facility and the Junior loan notes facility. A further $59.8 million of loans owed to a related party under a subordinated facility, mature in October 2023.

Of the $56.4 million senior and junior facilities it is worth noting that despite all the challenges, the Group has repaid more than $20 million on these cash interest paying loans which had been taken out or refinanced in 2019.

During the reporting period, the Group undertook a share placement to institutional, sophisticated and professional investors at a price of $0.11 per share which raised a total of $18.4 million net of fees which settled on 5 October 2022. The placement helped with increasing the Group's cash balances, which totalled $21.4 million at 31 December 2022 (Dec 2021: $3.1 million).

The impairment of exploration assets recognised during the period of $157.3 million, which is considered to be an extraordinary item, resulted in the Group recording a net loss for the period of $152.2 million, and has resulted in the Group moving into a net liability position of $60.8 million (Jun 2022: $76.8 net asset position). 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 operations and show in historic performance, and general goodwill.

**Outlook**

The current high metallurgical coal price is driving 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.

# LUCAS GROUP

## INTERIM FINANCIAL REPORT
## FOR HALF YEAR ENDED 31 DECEMBER 2022

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that this report is read in conjunction with the annual report as at 30 June 2022 together with any public announcements made by the Lucas Group during the half year ended 31 December 2022 in accordance with the continuous disclosure requirements of the Corporations Act 2001 and ASX Listing Rules.

# AJ LUCAS GROUP LIMITED AND ITS CONTROLLED ENTITIES

**Contents** **Page**

## Directors' Report

for the half year ended 31 December 2022

The directors of AJ Lucas Group Limited (the "Company") present their report together with the consolidated financial report for the half year ended 31 December 2022 and the auditor's review report thereon.

### DIRECTORS

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

Non-executive

Andrew Purcell (Chairman)

Julian Ball

Austen Perrin

Executive

Brett Tredinnick

Francis Egan

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

### REVIEW OF OPERATIONS

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

### INTERIM DIVIDEND

The directors have resolved not to pay an interim dividend.

### LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 and forms part of this report for the half year ended 31 December 2022.

### ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) issued by the Australian Securities and Investments Commission. Unless otherwise expressly stated, amounts in the condensed consolidated interim financial report and the directors' report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

### EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

There has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Signed in accordance with a resolution of the directors.

Andrew Purcell

Chairman

28 February 2023

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# Auditor's independence declaration to the directors of AJ Lucas Group Limited

As lead auditor for the review of the half-year financial report of AJ Lucas Group Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

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

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

Ernst + Young

Ernst & Young

Matthew Taylor
Partner
Brisbane
28 February 2023

# Consolidated Statement of Comprehensive Income

for the half year ended 31 December 2022

| | Note | Dec 2022 $'000 | Dec 2021 $'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from contracts with customers | 2 | 82,737 | 60,642 |
| **Total revenue** | | **82,737** | **60,642** |
| Operating costs of Australian operations | | (66,975) | (48,546) |
| Depreciation and amortisation | 4 | (3,444) | (3,722) |
| Other expenses | 4 | (929) | (1,296) |
| Impairment of exploration assets | | (157,324) | – |
| **Results from operations** | | **(145,935)** | **7,078** |
| Finance costs | 3 | (11,270) | (10,435) |
| **Profit / (loss) before income tax** | | **(157,205)** | **(3,357)** |
| Income tax benefit | | – | – |
| **Net profit /(loss) for the period** | | **(157,205)** | **(3,357)** |
| **Other comprehensive income** | | | |
| **Items that may be reclassified subsequently to profit and loss** | | | |
| Exchange differences on translation of foreign operations | | 1,167 | 1,481 |
| Total items that may be reclassified subsequently to profit and loss | | 1,167 | 1,481 |
| **Other comprehensive income / (loss) for the period** | | **1,167** | **1,481** |
| **Total comprehensive income / (loss) for the period** | | **(156,038)** | **(1,876)** |
| **Net profit / (loss) for the period attributable to:** | | | |
| Shareholders of AJL | | (156,025) | (3,353) |
| Non-controlling interest | | (1,180) | (4) |
| | | **(157,205)** | **(3,357)** |
| **Total comprehensive income / (loss) attributable to:** | | | |
| Shareholders of AJL | | (154,875) | (1,913) |
| Non-controlling interest | | (1,163) | 37 |
| | | **(156,038)** | **(1,876)** |
| **Earnings per share:** | | | |
| Basic and diluted (loss)/earnings per share (cents) | 10 | (12.2) | (0.3) |

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

## Consolidated Statement of Financial Position

as at 31 December 2022

| | Note | Dec 2022 $'000 | Jun 2022 $'000 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 20,144 | 2,345 |
| Cash in trust | | 1,252 | 720 |
| Trade and other receivables | | 18,393 | 11,652 |
| Contract assets | | 13,726 | 10,600 |
| Inventories | | 5,138 | 5,304 |
| Other assets | | 1,567 | 1,318 |
| **Total current assets** | | **60,220** | **31,939** |
| **Non-current assets** | | | |
| Plant and equipment | 5 | 28,313 | 29,410 |
| Right-of-use assets | 6 | 3,368 | 3,237 |
| Exploration assets | 7 | – | 156,112 |
| **Total non-current assets** | | **31,681** | **188,759** |
| **Total assets** | | **91,901** | **220,698** |
| **Current liabilities** | | | |
| Trade and other payables | | 16,991 | 19,282 |
| Contract liabilities | | 499 | 370 |
| Interest-bearing loans and borrowings | 8 | 118,065 | 54,549 |
| Decommissioning provision | 9 | 3,022 | 2,998 |
| Employee benefits | | 6,577 | 5,811 |
| **Total current liabilities** | | **145,154** | **83,010** |
| **Non-current liabilities** | | | |
| Interest-bearing loans and borrowings | 8 | 2,173 | 55,574 |
| Decommissioning provision | 9 | 4,697 | 4,661 |
| Employee benefits | | 651 | 637 |
| **Total non-current liabilities** | | **7,521** | **60,872** |
| **Total liabilities** | | **152,675** | **143,882** |
| **Net assets / (liabilities)** | | **(60,774)** | **76,816** |
| **Equity** | | | |
| Share capital | 10 | 514,434 | 495,986 |
| Reserves | | 1,237 | 87 |
| Accumulated losses | | (576,434) | (420,409) |
| **Total equity attributable to equity holders of the Company** | | (60,763) | 75,664 |
| Non-controlling interest | | (11) | 1,152 |
| **Total equity / (deficiency)** | | **(60,774)** | **76,816** |

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

## Consolidated Statement of Changes in Equity

for the half year ended 31 December 2022

| | Note | Share capital $'000 | Translation reserve $'000 | Option reserve $'000 | Employee equity benefits reserve $'000 | Non-controlling interest $'000 | Accumulated losses $'000 | Total equity / (deficiency)$'000 |
|---|---|---|---|---|---|---|---|---|
| | | 10 | | | | | | |
| Balance 1 July 2022 | | 495,986 | (4,583) | 637 | 4,033 | 1,152 | (420,409) | 76,816 |
| **Total comprehensive income** | | | | | | | | |
| Loss for the period | | – | – | – | – | (1,180) | (156,025) | (157,205) |
| **Other comprehensive income** | | | | | | | | – |
| Foreign currency translation differences | | – | 1,150 | – | – | 17 | – | 1,167 |
| Total comprehensive income | | – | 1,150 | – | – | (1,163) | (156,025) | (156,038) |
| **Transactions with owners recorded directly in equity** | | | | | | | | |
| Issue of ordinary shares, net of transaction costs | | 18,448 | – | – | – | – | – | 18,448 |
| Total contributions by and distributions to owners | | 18,448 | – | – | – | – | – | 18,448 |
| **Balance 31 December 2022** | | **514,434** | **(3,433)** | **637** | **4,033** | **(11)** | **(576,434)** | **(60,774)** |
| Balance 1 July 2021 | | 495,986 | 1,699 | 637 | 4,033 | 1,176 | (409,088) | 94,443 |
| **Total comprehensive income** | | | | | | | | |
| Profit for the period | | – | – | – | – | (4) | (3,353) | (3,357) |
| **Other comprehensive income** | | | | | | | | – |
| Foreign currency translation differences | | – | 1,440 | – | – | 41 | – | 1,481 |
| Total comprehensive income/(loss) | | – | 1,440 | – | – | 37 | (3,353) | (1,876) |
| **Transactions with owners recorded directly in equity** | | | | | | | | |
| Issue of ordinary shares, net of transaction costs | | – | – | – | – | – | – | – |
| Total contributions by and distributions to owners | | – | – | – | – | – | – | – |
| **Balance 31 December 2021** | | **495,986** | **3,139** | **637** | **4,033** | **1,213** | **(412,441)** | **92,567** |

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

# Consolidated Statement of Cash Flows

for the half year ended 31 December 2022

| | Note | Dec 2022 $'000 | Dec 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash receipts from customers | | 80,467 | 62,699 |
| Cash paid to suppliers and employees | | (77,123) | (57,137) |
| **Cash from operations** | | **3,344** | **5,562** |
| Interest and other costs of finance paid | | (4,618) | (3,853) |
| **Net cash from / (used in) operating activities** | | **(1,274)** | **1,709** |
| | | | |
| **Cash flows from investing activities** | | | |
| Acquisition of plant and equipment | 5 | (940) | (773) |
| Proceeds from sale of plant and equipment | | – | 9 |
| **Net cash used in investing activities** | | **(940)** | **(764)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 86,612 | 66,492 |
| Repayment of borrowings | | (83,227) | (65,223) |
| Repayment of leases | | (1,292) | (1,075) |
| Proceeds from issue of shares | | 19,739 | – |
| Transaction costs on issue of shares | | (1,291) | – |
| **Net cash from financing activities** | | **20,541** | **194** |
| | | | |
| **Net increase in cash and cash equivalents** | | 18,327 | 1,139 |
| Net foreign exchange difference | | 4 | 34 |
| Cash and cash equivalents at beginning of the period | | 3,065 | 6,652 |
| **Cash and cash equivalents and cash in trust at end of the period** | | **21,396** | **7,825** |

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

## 1. Basis of preparation

AJ Lucas Group Limited ("the Company") is a company domiciled in Australia. The consolidated interim financial statements ("interim financial statements") as at and for the half year ended 31 December 2022 comprises the Company and its subsidiaries (together referred to as "Lucas" or the "Group") and the Group's interest in associates and joint arrangements.

Lucas is a provider of drilling services primarily to the coal industry in Australia, and an operator, through its UK subsidiary Cuadrilla Resources Holdings Limited, of exploration and appraisal of conventional and unconventional oil and gas prospects in the United Kingdom.

### i) Statement of compliance

These interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*. They do not include all of the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 30 June 2022. These are available upon request from the Company's registered office at Level 22, 167 Eagle Street, Brisbane, QLD 4000 or at www.lucas.com.au.

These interim financial statements were approved by the Board of Directors on 28 February 2023.

The financial report is presented in Australian dollars. The Company is of a kind referred to in ASIC Corporations Instrument 2016/191 (Rounding in Financial/Directors' Reports) issued by the Australian Securities and Investments Commission. Unless otherwise expressly stated, amounts in these interim financial Statements have been rounded off to the nearest thousand dollars in accordance with that Class Order.

### ii) Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to continue trading, realise its assets and discharge its liabilities in the ordinary course of business and amounts stated, for a period of at least 12 months from the date that these financial statements are approved.

The Directors note the following events and conditions exist at balance date which raise doubt about the entities ability to continue as a going concern:

- The Group is in a net liability position at balance date of $60.8 million (June 2022: net assets of $76.8 million), and a net current liability position of $84.9 million (June 2022: $51.1 million). $56.4 million is due to the Senior syndicated facility and the Junior loan notes facility which mature in April 2023, and a further $59.8 million is in respect of loans from a related party mature in October 2023;
- The Group generated a loss after tax of $157.2 million (December 2021: $3.4million loss after tax), predominantly driven by a one-off non-cash impairment expense, recognised against exploration assets during the period of $157.3 million December 2021: Nil); and
- The Group used net cash from operating activities of $1.3 million (December 2021: generated $1.7 million net cash from operating activities). Net cash used in operating activities during the 6 months ended 31 December 2022 was largely driven by an unusual increase in Trade and other receivables of $6.7 million or 57.9%, and Contract assets of $3.1 million or 29.5% since June 2022. These increases were the result of a significant increase in revenue of $22.1 million or 36.4% since the corresponding period ended 31 December 2021.

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 the financial statements, which had regard to the following matters and thus have sufficient cash to continue as a going concern:

**Going concern (cont.)**

- The strong financial performance of the Drilling Division which delivered $82.7 million in revenue and $15.6 million in earnings before interest, tax, depreciation and amortisation ("EBITDA") from our Australian operations. This represents an increase of 36.4% and 32.5% respectively on the corresponding 6-month period ended 31 December 2021. While the continued strong financial performance is subject to a degree of uncertainly as with all businesses, and dependant on successful 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 ability of the Group to raise additional debt or equity should it be required;
- The Group is evaluating conditional proposals and terms from existing and new finance providers, which would allow the Company to either refinance or extend the maturity of the existing Senior syndicated finance facility and the Junior loan notes facility which fall due in April 2023 and the related party loans which fall due in October 2023;
- The Group's focus on managing the cash flows associated with exploration and rehabilitation activities in the UK;
- The Group has demonstrated success in completing capital raising activities, most recently raising $19.7 million through a share placement in September 2022; and
- The Group's subordinated lender and related party (Kerogen) has restructured its debt obligations a number of times in the past and has expressed willingness to further extend the maturity of its debt, subject to the terms on any debt ranking more senior than its subordinated debt.

In considering the uncertainties outlined above and the factors available to the Board to manage those uncertainties, the Directors of the Company 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. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

**iii) New standards, interpretations and amendments adopted by the Group**

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Where necessary, comparatives have been reclassified and repositioned for consistency with current half year disclosures.

Several other amendments and interpretations apply for the first time in the current period but do not have an impact on the interim financial statements of the Group.

**iv) Estimates**

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial report as at and for the year ended 30 June 2022.

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

**v) New accounting standards and interpretations not yet adopted**

There are amendments and revisions to accounting standards that have not been early adopted, however these changes are not expected to result in any material changes to the Group's financial performance or financial position.

### 2. Segment reporting

The Group comprises the following main business segments:

| | |
|---|---|
| Drilling | This business segment encompasses the Australian Drilling business and the Groups 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 and Gas Investments | Exploration for and commercialisation of unconventional and conventional hydrocarbons in the United Kingdom. |

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

The Drilling reportable segment has two customers that each contribute over 10% of the Groups revenue and in total contributed 74.7% (Dec 2021: 80.5%) of the Groups revenue.

| | Drilling $'000 | UK Oil & Gas Investments $'000 | Reportable Segments $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| **December 2022** | | | | | |
| **Reportable segment revenue** | | | | | |
| Services rendered | 82,737 | – | 82,737 | – | 82,737 |
| **Total consolidated revenue** | **82,737** | **–** | **82,737** | **–** | **82,737** |
| **EBITDA from continuing operations** | **15,570** | **(737)** | **14,833** | **–** | **14,833** |
| Depreciation and amortisation | (3,444) | – | (3,444) | – | (3,444) |
| Net finance cost | (4,449) | – | (4,449) | (6,821) | (11,270) |
| Impairment expense | – | (157,324) | (157,324) | – | (157,324) |
| **Reportable segment profit / (loss)** | **7,677** | **(158,061)** | **(150,384)** | **(6,821)** | **(157,205)** |

| | Drilling $'000 | UK Oil & Gas Investments $'000 | Reportable Segments $'000 | Unallocated $'000 | Total $'000 |
|---|---|---|---|---|---|
| **December 2021** | | | | | |
| **Reportable segment revenue** | | | | | |
| Services rendered | 60,642 | – | 60,642 | – | 60,642 |
| **Total consolidated revenue** | **60,642** | **–** | **60,642** | **–** | **60,642** |
| **EBITDA from continuing operations** | **11,749** | **(949)** | **10,800** | **–** | **10,800** |
| Depreciation and amortisation | (3,722) | – | (3,722) | – | (3,722) |
| Net finance cost | (4,388) | – | (4,388) | (6,047) | (10,435) |
| **Reportable segment profit / (loss)** | **3,639** | **(949)** | **2,690** | **(6,047)** | **(3,357)** |

### 3. Net finance income and costs

| | Dec 2022 $'000 | Dec 2021 $'000 |
|---|---|---|
| Interest expense | 9,310 | 7,669 |
| Finance costs charged on lease liability | 131 | 141 |
| Amortisation of prepaid fees on debt facilities | 974 | 1,119 |
| Net foreign exchange loss / (gain) | 855 | 1,506 |
| **Finance costs recognised in profit and loss** | **11,270** | **10,435** |

### 4. Other expenses

| | Dec 2022 $'000 | Dec 2021 $'000 |
|---|---|---|
| Depreciation of plant and equipment | 2,037 | 2,518 |
| Amortisation of right-of-use asset | 1,407 | 1,204 |
| **Total depreciation and amortisation** | **3,444** | **3,722** |
| | | |
| UK overhead costs | 715 | 922 |
| Net restructuring and redundancy costs | 91 | 46 |
| Net (profit) / loss on sale of assets | – | 62 |
| Other | 123 | 266 |
| **Total other expenses** | **929** | **1,296** |

### 5. Plant and equipment

| | Plant & equipment $'000 | Enterprise development $'000 | Total $'000 |
|---|---|---|---|
| **31 December 2022** | | | |
| At cost | 111,574 | 12,578 | 124,152 |
| Accumulated depreciation/amortisation/impairment | (83,444) | (12,395) | (95,839) |
| **Carrying amount at 31 December 2022** | **28,130** | **183** | **28,313** |
| | | | |
| **30 June 2022** | | | |
| At cost | 110,634 | 12,578 | 123,212 |
| Accumulated depreciation/amortisation/impairment | (81,514) | (12,288) | (93,802) |
| **Carrying amount at 30 June 2022** | **29,120** | **290** | **29,410** |

### 5. Plant and equipment (Cont.)

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

| | Plant & equipment $'000 | Enterprise development $'000 | Total $'000 |
|---|---|---|---|
| Carrying amount at 1 July 2022 | 29,120 | 290 | 29,410 |
| Additions | 940 | – | 940 |
| Depreciation and amortisation | (1,930) | (107) | (2,037) |
| **Carrying amount at 31 December 2022** | **28,130** | **183** | **28,313** |

### 6. Right-of-use assets

| | Plant & equipment $'000 | Property $'000 | Total $'000 |
|---|---|---|---|
| **31 December 2022** | | | |
| At cost | 3,764 | 3,067 | 6,831 |
| Accumulated depreciation/amortisation/impairment | (2,442) | (1,021) | (3,463) |
| **Carrying amount at 31 December 2022** | **1,322** | **2,046** | **3,368** |
| **30 June 2022** | | | |
| At cost | 4,359 | 2,846 | 7,205 |
| Accumulated depreciation/amortisation/impairment | (2,523) | (1,445) | (3,968) |
| **Carrying amount at 30 June 2022** | **1,836** | **1,401** | **3,237** |

Reconciliations of the carrying amounts for each class of right-of-use asset is set out below.

| | Plant & equipment $'000 | Property $'000 | Total $'000 |
|---|---|---|---|
| Carrying amount at 1 July 2022 | 1,836 | 1,401 | 3,237 |
| Additions | 639 | 899 | 1,538 |
| Amortisation | (1,153) | (254) | (1,407) |
| **Carrying amount at 31 December 2022** | **1,322** | **2,046** | **3,368** |

### 7. Exploration assets

| | Dec 2022 $'000 | Jun 2022 $'000 |
|---|---|---|
| Opening carrying amount | 156,112 | 162,391 |
| Remeasurement of decommissioning provision | – | 193 |
| Foreign Exchange movement | 1,212 | (6,472) |
| Impairment of exploration assets | (157,324) | – |
| **Closing value** | **–** | **156,112** |

### 7. Exploration assets (Cont.)

The exploration assets comprise various UK onshore exploration licenses. On 22 September 2022 a moratorium on hydraulic fracturing in the UK, that had been in place since November 2019, was lifted by the then Prime Minister Liz Truss. Following the resignation of Ms Truss on 20 October 2022, the moratorium was abruptly reimposed on 25 October 2022 by her successor as Prime Minister Rishi Sunak. This was despite Mr Sunak having previously declared his conditional support for lifting the moratorium when he and Ms Truss both ran for the leadership of the Conservative Party. The reintroduction of the moratorium was unexpected and wholly unreasonable, given that the Group has fully complied with strict regulations imposed by the government and considering the amount of money invested, along with our partners and the industry, following the UK Government's energy strategy to discover and then develop the UK's indigenous shale gas resources.

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 the significant 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 during the last six months, including multiple leadership changes, the recent U-turn on the moratorium and the lack of discernible political will within the governing or opposition party to progress onshore shale gas exploration, 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.

#### 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 but are subject to approval of the UK regulatory body, the North Sea Transition Authority.

### 8. Interest-bearing loans and borrowings

| | Dec 2022 $'000 | Jun 2022 $'000 |
|---|---|---|
| **Current** | | |
| Senior syndicated facility | 26,667 | 19,094 |
| Junior loan notes | 29,775 | 33,510 |
| Loans from related party | 59,847 | – |
| Lease liabilities | 1,757 | 1,925 |
| Other | 19 | 20 |
| | **118,065** | **54,549** |
| **Non-current** | | |
| Lease liabilities | 2,130 | 1,716 |
| Loans from related party | – | 53,808 |
| Other | 43 | 50 |
| | **2,173** | **55,574** |
| Total Current and Non Current finance facilities | **120,238** | **110,123** |

**8. Interest-bearing loans and borrowings (Cont.)**

**Senior syndicated facility-Balmain**

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 a sufficient level of Security Assets. Interest is calculated on the daily balance outstanding at the bank bill swap rate ("BBSY") plus a margin and is payable monthly in arrears. The current applicable interest rate on the facility has increased to 8.59% at 31 December 2022 (30 June 2022: 6.74%), in line with increases in the BBSY.

The Senior syndicated facility matures in April 2023 and accordingly has been classified as a current liability. Given the revolving nature, each repayment and subsequent drawdown is separately disclosed in the Cash Flow Statement as Repayment of Borrowings and Proceeds from Borrowings, respectively.

The facility is subject to financial covenants which may be amended from time to time by mutual agreement. These covenants, as varied, have been complied with during the period and are expected to be complied with to the current maturity date.

**Junior Loan notes-HSBC**

The $50 million Junior loan notes are secured by a second ranking charge over the Security Assets and a first ranking charge over the Group's remaining assets. Under the agreement scheduled principal repayments of $2m per quarter are required, with the balance repayable at maturity, which is currently April 2023. Interest is charged at the bank bill swap rate plus a margin and is payable quarterly in arrears. The applicable interest rate on the facility at 31 December 2022 was approximately 16.58% (30 June 2022: 14.08%).

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

**Lease liabilities**

Lucas 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, motor vehicles have lease terms between 1 and 5 years and office space have a lease term up to 10 years. Lease liability represents the present value of minimum lease.

**Loans from related party - Kerogen**

The Loans from related party is provided by Kerogen, which at 31 December 2022 held a 56.7% shareholding in the Company (30 June 2022: 65.4%). Kerogen's facility is subordinated to and ranks behind both the Senior syndicated facility and Junior loan notes facility. Maturity of this facility is in October 2023.

The loan is a US Dollar denominated debt. Interest is charged at 18% of the balance outstanding which compounds quarterly, if unpaid.

## 9. Decommissioning provision

Set out below is the carrying amounts of decommissioning provision as at 31 December 2022.

| | Dec 2022 $'000 | Jun 2022 $'000 |
|---|---|---|
| Current | 3,022 | 2,998 |
| Non-current | 4,697 | 4,661 |
| **Closing value** | **7,719** | **7,659** |

Reconciliations of the movement in carrying amount for decommissioning provision is set out below.

| | Dec 2022 $'000 | Jun 2022 $'000 |
|---|---|---|
| Carrying amount at 1 July | 7,659 | 7,797 |
| Remeasurement of decommissioning asset | – | 193 |
| Foreign Exchange movement | 60 | (331) |
| **Closing value** | **7,719** | **7,659** |

## 10. Share Capital

| | Issue Price Per Share (Cents) | No. of Shares | $000 |
|---|---|---|---|
| **2022** | | | |
| On issue at 1 July 2021 | | 1,196,286,635 | 495,986 |
| Placement | 11.0 cents | 179,442,995 | 19,739 |
| Transaction costs incurred | | – | (1,291) |
| **On issue at 30 June 2022** | | **1,375,729,630** | **514,434** |

The Group undertook a share placement to institutional, sophisticated, and professional investors during the period at an issue price of 11 cents, which settled on 5 October 2022.

### Earnings per share

The calculation of basic loss per share at 31 December 2022 was based on the loss after tax attributable to ordinary shareholders of $156,025,000 (Dec 2021: $3,353,000) divided by a weighted average number of ordinary shares outstanding for the period being 1,291,859,535 (Dec 2021: 1,196,286,635). There were no dilutive potential ordinary shares outstanding at 31 December 2022 or 31 December 2021, therefore no adjustments have been made to basic earnings per share to arrive at diluted earnings per share.

## 11. Financial instruments fair value disclosure

Set out below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2022.

| Dec-22 | Carrying Amount $'000 | Fair value $'000 |
|---|---|---|
| Bank balances | 20,144 | 20,144 |
| Trade and other receivables | 18,393 | 18,393 |
| Trade and other payables | (16,991) | (16,991) |
| Senior syndicated facility | (26,667) | (26,667) |
| Junior loan notes | (29,775) | (29,890) |
| Loans from related party | (59,847) | (59,847) |
| Other | (62) | (62) |
| | **(94,805)** | **(94,920)** |

## 12. Reconciliation of liabilities arising from financing activities

| | As at 1 July 2022 | Cash Flow [(1)] | Non-Cash | | As at 31 December 2022 |
|---|---|---|---|---|---|
| | | | Finance costs [(2)] | other | |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing liabilities | **110,123** | (2,525) | 11,270 | 1,370 | **120,238** |

(1) Comprises proceeds from borrowings of $86.6 million less repayments of borrowings of $83.2 million, repayment of leases of $1.3 million, and interest and other costs of finance paid of $4.6 million.
(2) Comprises interest costs disclosed in Note 3.

| | As at 1 July 2021 | Cash Flow [(3)] | Non-Cash | | As at 31 December 2021 |
|---|---|---|---|---|---|
| | | | Finance costs [(4)] | other | |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing liabilities | **107,391** | (3,659) | 10,435 | (338) | **113,829** |

(3) Comprises proceeds from borrowings of $66.5 million less repayments of borrowings of $65.2 million, repayment of leases of $1.1 million, and interest and other costs of finance paid of $3.9 million.
(4) Comprises interest costs disclosed in Note 3.

## 13. Subsequent events

There has not arisen in the interval between the end of the half year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company to significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

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# AJ LUCAS GROUP LIMITED

## DIRECTORS' DECLARATION

In the opinion of the directors of AJ Lucas Group Limited:

1. the consolidated financial statements and notes set out on pages 11 to 23 are in accordance with the Corporations Act 2001, including:

   a. giving a true and fair view of the Group's financial position of the Group as at 31 December 2022 and of its performance for the six-month period ended on that date; and

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

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

Signed in accordance with a resolution of the directors.

Andrew Purcell
Chairman
28 February 2023

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# Independent auditor's review report to the members of AJ Lucas Group Limited

## Report on the Half-Year Financial Report

### Conclusion

We have reviewed the accompanying half-year financial report of AJ Lucas Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

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

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

### Emphasis of Matter – Material Uncertainty Related to Going Concern

We draw attention to Note 1 (ii) of the half-year financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. These conditions along with other matters set forth in Note 1 (ii), indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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## Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

## Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst + Young

Ernst & Young

Matthew Taylor
Partner
Brisbane
28 February 2023