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CHAIRMAN'S ADDRESS TO SHAREHOLDERS

Trading Results

This year's underlying EBITDA of \$9.4million (compared to breakeven last year) was a pleasing result for the Australian business and reflects the far reaching restructuring that occurred in the previous year when the business was simplified into the 2 business units of Drilling and Pipelines. It is also the result of significant overhead reductions and operating efficiency initiatives implemented by the respective business units and corporate office. A lot of hard work and hard decisions were made to achieve this and management are to be congratulated on their efforts..

The new structure gives us a clear line of sight to market opportunities and operating efficiencies in both Drilling and Pipelines and will benefit us going forward. At the same time we have effectively closed out the bulk of the legacy issues of the past, the GAWB dispute being the sole material issue remaining.

That said the resources sector remains tough, specifically the coal mining sector on the East Coast, where production volumes are increasing but the sector as a whole is suffering from a downturn in coal prices. The pressure on our customer's margins has resulted in pressure being applied to suppliers to cut costs. This obviously has a direct impact on our Drilling division primarily in lower revenue.

However, we are fortunate that over the years, our Drilling division has established a reputation for high quality service and an exemplary safety record, both factors that attract customers to us. On top of this, our expertise in Directional Drilling, both with our gas drainage operations and within the Pipeline Division positions us as the technical leader in this complex service offering.

The Pipelines business has benefitted from our partnership with internationally recognised JV partner Spiecapag especially the successful completion of the EGP project. We expect to develop this partnership further over the coming years, and if successful with our current tenders the JV will have confirmed project work for the next 24 months.

Russ will go into more detail later and expand on our operating performance and prospects. However, I would like to take this opportunity, on behalf of the board, to record our thanks to everyone at AJ Lucas for their dedication over the past year. As mentioned at the start of my address FY2015 has been a tough year and as we have right-sized the business we have sadly seen some good people leave us. However, the commitment and effort shown by our staff to achieve the outcomes reported in 2015, is humbling. Thank you all.



Outside of Australia, our UK investment in Shale Gas exploration received a setback during the year with the rejection by the Lancashire County Council of our applications to develop the Preston New Road and Roseacre Wood sites in the Bowland Basin.

These decisions are currently under appeal and we are expecting a decision by second quarter calendar 2016. We remain optimistic about the future for the project and a positive outcome should see operations commence in the second half of 2016.

This optimism is reflected by our partner Centrica. In August, Centrica reaffirmed its commitment to the Bowland project. The partners agreed to certain amendments to the terms of the Centrica farm-in. The unspent portion of the initial carry, approximately GBP30 million, will be deferred until planning approval is obtained. The partners also agreed that the contingent payment of GBP60 million will be converted to a GBP47million gross contingent carry to further the development of the licence.

Concurrently, AJ Lucas acquired a 5% interest in Bowland from Cuadrilla, thus increasing its direct interest from 18.75% to 23.75% (and reducing Cuadrilla's from 56.25% to 51.25%). As a result, AJ Lucas' effective interest in the Bowland increased from 44.0% to 46.8%. The split of carry payments was changed accordingly.

To put some colour to the UK investment we have arranged a video presentation from Francis Egan, the CEO of Cuadrilla at the end of my address.

Ahead of that however, it is worth noting that the UK Government in its current form is publicly supportive of domestic gas exploration and is implementing initiatives with the effect of streamlining the approval process in an attempt to avoid the lengthy delays possible in the current process. This will give companies such as Cuadrilla much more certainty with respect to the timeframe for application decisions to be made.

Apart from the Bowland programme, in August, Cuadrilla was offered two new exploration licences in the UK's "14th onshore licensing round". The new licences, in Yorkshire, are in areas which are considered to be prospective for Shale Gas; and with each licence covering approx. 100 sq. km, they bring scale to Cuadrilla's portfolio.

It is expected that work (predominantly desk top activity) will commence on these assets in late 2016 and will require some funding by the Cuadrilla stakeholders at that time.

Capital Position

During FY2015 and subsequently your board and management team have been proactively engaged in reviewing all our funding requirements for the coming years.

As highlighted, the Australian businesses have improved significantly compared to the last couple of years. We continue to service the obligations to ATO. Our senior lender and largest shareholder, Kerogen, has consented to defer the cash interest on its loans that had been due since April.



The Cuadrilla programme is expected to require partner injections by Q3 2016 as the Bowland program gains pace and AJ Lucas funds its share of on-going appraisal and development costs.

Ideally we would like to increase working capital to support our Pipeline division's projects and we would like to pay down or clear some of our debt, in particular that due to the ATO.

We continue to evaluate options to raise further capital including new debt and / or equity. We will of course keep you updated the moment your Board have a proposition that we believe provides you with shareholder value.

Concluding Remarks

FY2015 has been a pivotal year for your company.

AJ Lucas is now better positioned to meet the ongoing commercial and operational challenges in the Australian marketplace. 2015 saw us continue the hard work of embracing a leaner structure, re-positioning our services and creating a more client-focused business.

While we have suffered setbacks in the UK, we continue to hold the preeminent position in the developing UK shale gas market, and we will continue to take advantage of the opportunities which arise there.

To all of the team at AJ Lucas, thank you for your efforts over the past year, the turnaround in our business is a direct result of your efforts.

To our shareholders, your support as investors is appreciated and we will strive to continue to deliver on the promise of improved performance.

Finally to my board colleagues, thank you for the energy and commitment that you make to the governance and strategic direction of the business.

I would now like to hand over to Russell Eggers, AJ Lucas' Managing Director.