AJ Lucas Group Limited
ABN: 12 060 309 104
Level 22, 167 Eagle Sreet
Brisbane QLD 4001
GPO Box 144
Brisbane QLD 4001
T (07) 3363 7333
F (07) 3363 7399
www.lucas.com.au

For personal use only

26 November 2026
Annual General Meeting Addresses

Chairman's address – Andrew Purcell

Dear Shareholders, thank you for joining us today.

At last year's Annual General Meeting, I spoke about the need to build a stronger and more financially resilient AJ Lucas, with debt reduction and balance sheet improvement central to creating long-term shareholder value.

Twelve months later, considerable progress has been made.

FY2026 represented an important turning point for the Group. The successful resolution of the UK commercial dispute, together with disciplined management of capital and debt, materially strengthened our financial position. Debt net of cash was reduced by approximately $35.8 million.

Importantly, however, we recognise that the improvement in the reported result was principally driven by the UK settlement rather than a recovery in underlying trading conditions. Australian activity remained below the levels we would normally expect and was affected by disruptions and delays at a number of customer operations.

Against that background, the start to FY2027 is encouraging.

In the September quarter, Australian operations generated revenue of $31.4 million and EBITDA of $6.3 million, compared with revenue of $24.0 million and an EBITDA loss of $1.2 million in the final quarter of FY2026. While one quarter does not establish a trend, it is a robust start to the year and provides some evidence of improving activity and operating performance.

From the Board's perspective, our focus now is on converting the progress made over the past year into sustainable value for shareholders.

Central to this is the continued strengthening of our capital structure. We have substantially reduced debt, but the job is not finished. With our senior syndicated facility maturing in May 2027 and the related-party facility in September 2027, refinancing remains an important priority. Our objective is not simply to refinance those facilities, but to establish a more sustainable capital structure that provides greater flexibility and, over time, reduces the amount of cash absorbed by financing costs.

Capital allocation will therefore remain disciplined. We will invest where we see attractive returns and opportunities to strengthen and diversify the business, but growth for its own sake is not our objective. Ultimately, those investments must translate into sustainable cash generation and increased value for shareholders.

The same discipline applies to our UK interests. The FY2026 settlement demonstrated that value can be realised from those assets despite the difficult political environment. With the moratorium on hydraulic fracturing continuing, we remain focused on preserving our UK position at low cost while pursuing opportunities in conventional gas and other avenues through which value may be realised.

The Company still has work to do, and challenges remain. However, compared with twelve months ago, our financial position is considerably stronger and the early FY2027 operating performance is encouraging.

The Board's priorities are clear: improve the balance sheet further, complete the refinancing on appropriate terms, allocate capital carefully and ensure that improving operating performance ultimately translates into sustainable shareholder value.

Before handing over to Greg Runge, I would like to thank my fellow directors, management and everyone across AJ Lucas for their contribution during the year.

And to our shareholders, thank you for your patience and continued support.

Group CEO and MD address – Greg Runge

Good afternoon ladies and gentlemen.

This is my third report to shareholders as Chief Executive Officer and Managing Director of AJ Lucas. When I reflect on the past year, I don't immediately think of our return to profit, debt reduction or even the significant milestones we achieved as a business.

What comes to mind first is our people. Over the past two years, our teams have worked through a period that has tested every part of the organisation. We have dealt with customer disruptions, reduced activity levels, restructuring, uncertainty and a constantly changing operating environment. Through all of that, our people have continued to show up, support one another and deliver for our customers. As CEO, that is what I am most proud of.

The 2026 financial year saw the low-cost hold position on the UK operations continue, as well as a challenging year for our Australian drilling business. Activity levels remained below what we would normally expect, several customers continued to deal with operational challenges, and mining activity at two client sites remained suspended for part of the year. Despite this, our teams maintained their focus on safety, delivery and continuous improvement. Revenue for the year was $119.6 million and Australian operations delivered EBITDA of $17.0 million despite those conditions.

Safety remains the first measure by which we judge ourselves. Nothing is more important than ensuring our people return home safely after every roster. During the year, we recorded a Total Recordable Injury Frequency Rate of 3.52 and zero reportable environmental incidents. One of our crews achieved more than 1,000 days injury free, which is an outstanding achievement and one that reflects the culture that exists across our workforce.

What gives me confidence in the future of this business is not simply our equipment or our customer base. It is the calibre of our people.

Many of our employees spend weeks away from their families at a time. They work in challenging environments and often under difficult conditions. They do so with professionalism, pride and a commitment to supporting both their teammates and our customers. On behalf of the Company and the Board, I would like to sincerely thank them and their families for that commitment.

Operationally during the year, we continued to improve drilling performance, strengthen our engineering capability and expand the use of geophysical data and technical services to support our customers. Increasingly, our competitive advantage comes not only from our ability to drill wells safely and efficiently, but from our ability to solve problems and help customers make better operational decisions.

For personal use only

An important part of that capability is the recent acquisition of 3 new multipurpose rigs capable of hands-free drilling operation. The WEI D100S multipurpose rig has now been fully integrated into the business and proven across a range of drilling applications. It is now an established part of our operating fleet, and together with 2 new Austex X1550th MKII rigs that are completing final commissioning, these rigs strengthen the range of solutions we can offer customers while delivering improved automation, engineered safety controls, reliability and productivity.

From a Group perspective, FY2026 represented an important step forward.

The Company reported a net profit after tax of $28.5 million, compared with a loss of $15.0 million in the prior year, and debt net of cash was reduced by $35.8 million. The successful resolution of the UK commercial dispute and subsequent balance-sheet improvement has placed the Group in a significantly stronger financial position than it was twelve months ago.

It is important, however, that I am clear with shareholders. The improved Group result was principally driven by the UK settlement rather than stronger trading conditions in Australia. Our Australian result was below what we set out to achieve at the beginning of the year.

What I believe is equally important, however, is what was built during the same period. We enter FY2027 with a stronger balance sheet, lower debt, modernised equipment, enhanced technical capability and a team that has demonstrated its ability to perform through challenging market conditions. We have preserved the capabilities that matter, continued to invest where it makes sense, and positioned the business to benefit when activity levels improve.

Looking ahead, our priorities remain straightforward. We will continue to focus on safety, operational excellence, customer service, further strengthening the balance sheet and pursuing opportunities that generate sustainable long-term value for shareholders. We remain disciplined, realistic and focused on execution.

The underlying fundamentals of our core markets remain attractive, and our customers continue to operate some of the world's highest quality metallurgical coal assets. We believe the demand for safe, reliable and technically capable drilling services will remain strong over the long term.

Before I conclude, I would like to thank our customers, our Board and our shareholders for their continued support and confidence. The past two years have demanded resilience, adaptability and patience. Through every challenge, they have continued to embody the values of this organisation and remain the reason we continue to succeed.

When I look at AJ Lucas today, I see a company that is stronger than it was two years ago. A company with better equipment, a company with stronger technical capability, a company with a healthier balance sheet, and most importantly, a company with outstanding people.

There is still work to do, but I believe the foundations are now firmly in place for the next chapter of our growth.

Thank you.

ENDS

For personal use only