

11 November 2021 – AJ Lucas Group Limited AGM

Chairman's Address – Andrew Purcell

The COVID19 pandemic has continued to present challenges to your Company and its clients. Border closures and lockdowns have added to the difficulties in finding appropriate staff that are able and willing to travel to the remote mine sites at which we work. The need to implement isolation and preventative measures must also be continually assessed and balanced with the delays and increased costs they give rise to. Your Company has generally got the balance right and several of the initiatives it has introduced have not only proved to be effective but, in many cases, innovative and industry leading. Our operating results for the 2021 financial year, when considered against this backdrop, reflects well on management's ability to react rapidly and proactively to changing circumstances – a trait that is valued by the Company's clients.

I would also like to extend, on behalf of the Board, my thanks to Brett and his immediate team for their management of these unique circumstances whilst maintaining a readiness to accommodate the never-ending work program changes of our clients as they also seek to anticipate and accommodate change. It is one thing for a Board to query the potential impact of externalities such as these on the business and to challenge their proposed mitigants, but it's quite another thing to translate that to an actionable plan that also satisfies commercial reality and meets our clients' requirements. For that reason, I'd like to also particularly thank our staff who have had the tough job of implementing and living through these changes – not least of all those who have had to endure quarantine and being away from their homes and families for extended periods of time.

Despite the impacts of the COVID19 pandemic and media reports of trade tensions the price of metallurgical coal has recently increased materially. Our customers have responded with planned production increases which we hope will translate to higher demand for our drilling services in the future. There are green shoots suggesting this may indeed be the case.

Your Board has also encouraged management this year to devote a significant amount of its time to exploring potential growth opportunities in adjacent markets. A number of opportunities have been

presented but rejected but a couple are progressing through the various gates of analysis with a view to creating something actionable. The objective is to increase and further diversify our earnings by spending organically generated cash reserves and/or equity.

Moving on to our UK operations, we continue to engage with the regulator there to satisfy their conditions for a lifting of the moratorium on hydraulic fracturing. The moratorium has prevented the extraction of the clean, and likely abundant, natural gas we demonstrated can be recovered from within our licence areas. We expected progress on the lifting of the moratorium to be slow in a year when the UK was playing host to the international community's latest round of efforts towards meeting the goals of the Paris Agreement and the UN Framework Convention on Climate Change (known as COP26), but the efforts of the UK to rapidly transition from a carbon intensive industry to the use of renewables has had a significant impact on the price of energy commodities and, therefore, electricity there. The UK Government will need to find a better balance between meeting its stated Net Zero 2050 objectives and the political implications of high electricity prices. The current price is unsustainable, particularly for an economy already transitioning away from being part of the EU. Natural gas has a role to play in this transition, as stated by the UN's Intergovernmental Panel on Climate Change and the UK's own Climate Change Committee, and a secure, clean and domestically sourced deposit should be clearly preferable to spending hundreds of billions of pounds importing foreign gas from jurisdictions with significantly lower environmental standards than the UK and with a larger carbon footprint due to the transportation involved. To do otherwise undermines the credibility of the stated goal of reducing carbon emissions.

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