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AJ Lucas Group Limited
Results for the six months to 31 December 2014

- **Significant improvement in underlying profitability to \$6.3 million**
- **Benefits of business restructuring reflected in improved result**
- **Solid demand for Company's drilling services**
- **Improved outlook for Company's pipeline business**

AJ Lucas Group Limited (ASX:AJL) today announced revenue for the period of \$79.4 million (1H 2014: \$119.9 million). The company's underlying EBITDA improved by \$8.8 million to \$6.3 million (1H 2014: loss \$2.5 million) driven largely by cost reduction programs and productivity initiatives.

Net loss before tax was \$13.2 million (1H 2014: loss \$78.7 million), an improvement of \$65.4 million reflecting the improvement in EBITDA and the absence of any impairment charges (1H 2014: loss \$53.6 million).

Six month period ended	December 2014 (\$'000)	December 2013 (\$'000)	Change	June 2014 (\$'000)
Total revenue	79,429	119,872	(34%)	108,022
Underlying EBITDA	6,312	(2,524)	352%	2,728
Reported EBITDA	8,882	(3,312)	370%	(2,183)
EBIT	(1,462)	(66,604)	98%	(11,212)
Net loss before tax	(13,232)	(78,655)	83%	(13,038)
Loss after tax	(13,232)	(78,655)	83%	(13,038)
Basic and diluted loss per share (cents)	(4.9)	(29.9)	83%	(4.7)

Russell Eggers, AJ Lucas' chief executive officer and managing director, said:

"Revenue for the six months reflects the continuing subdued activity in the mining and minerals sector. However, the significant improvement in EBITDA highlights the impact of the restructuring that has occurred over the past 12 months. The business structure is now aligned with market circumstances and provides a solid platform for growth.

"We continue to develop relationships with blue chip customers, and have won a number of contract tenders, including the recently announced significant contract to construct APA Group's Eastern Goldfields Gas Pipeline in WA.

"Our focus now is to build on the solid platform we have created and to ensure our customers benefit from the considerable experience and knowledge we have developed in our core strengths of pipeline construction, directional drilling and project execution."



Drilling

Six month period ended	December 2014 (\$'000)	December 2013 (\$'000)	Change	June 2014 (\$'000)
Revenue	45,880	49,426	(7.2%)	44,763
Underlying EBITDA	5,383	5,155	4.4%	5,614
EBITDA margin	11.7%	14.4%		11.4%

The Drilling division's revenue declined 7.2% to \$45.9 million from the prior comparative period but significantly, increased over the \$44.8 million reported for the previous six months ended 30 June 2014. This reflects the market high regard for the Group's drilling services, particularly around highly technical projects where customers are looking for certainty and experience. The Drilling order book continues to be replenished with the Group winning a number of important exploration and gas drainage contracts in the last 6 months.

Underlying EBITDA margin continued to improve increasing to 11.7%, the result of measures previously taken to reduce costs and a focus on the Group's core strength of directional drilling. This is particularly pleasing when viewed in the context of depressed coal prices, and reflects the value our customers place on the Group's experience.

The Group's highly experienced, committed management, proven delivery capability and multi-disciplined technical based service offering positions the Group well to grow as the market recovers.

Engineering & Construction

Six month period ended	December 2014 (\$'000)	December 2013 (\$'000)	Change	June 2014 (\$'000)
Revenue	33,549	70,446	(52.4%)	63,259
Underlying EBITDA	5,867	(1,689)	447.4%	3,396
EBITDA margin	17.5%	(2.4%)		5.4%

Engineering & Construction revenue decreased by 52.4% to \$33.5 million reflecting timing differences in the award and execution of work.

Underlying EBITDA and the EBITDA margin however increased substantially from the comparative period to \$5.9 million and 17.5% respectively, reflecting the positive effects of a restructure of the division, and greater focus on the core capability of pipeline construction. A renewed emphasis on project execution, and a reduction of legacy projects requiring resolution also benefited the margin.



The outlook for the division continues to improve as the market demand changes from large scale infrastructure towards more specialised, smaller scale works better suited to the Group's capabilities. The Company will shortly commence construction of the 300km Eastern Goldfields Pipeline in Western Australia and has also secured several smaller pipeline projects that will be executed in the second half. The Group is also tendering on a prequalified basis for several major projects to be undertaken in joint venture with our leading pipeline partner.

Oil & Gas

A decision by the Lancashire County Council Development Control Committee ("LCC") on Cuadrilla's planning applications to drill, fracture and flow test two wells in the Bowland Basin, being Preston New Road and Roseacre Wood, is expected in the second quarter of the current calendar year. This decision will be made after consideration by the LCC of the information recently submitted by Cuadrilla detailing additional mitigation measures to address the concerns raised by the Planning Officers regarding night time noise and traffic.

Assuming the planning applications are approved, Cuadrilla will immediately commence operational work at these sites.

The exploration expenditure will initially be funded from the Centrica farm-in with no material cash funding requirements from the Group this calendar year.

For further information, please contact:

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About AJ Lucas Group Limited

AJ Lucas is a leading provider of pipelines, specialist infrastructure, construction and drilling services to the energy, water and wastewater, resources and public infrastructure sectors. In particular, it is the largest supplier of drilling and gas management services to Australia's coal industry.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Current investments include a 45% shareholding in Cuadrilla Resources Holdings Limited, an exploration and production company focused on unconventional hydrocarbons, and direct interests in each of the Bowland, Elswick and Bolney Licences in the UK. Past projects successfully developed and sold include AJ Lucas' investments in the Gloucester Basin in NSW, Sydney Gas Limited, ATP651 in Queensland's Surat Basin and a 6.25% interest in the Bowland prospect.