



19 August 2016

Results for year to 30 June 2016

- **Underlying EBITDA increases 55% to \$14.6 million**
- **UK shale gas to start operations as soon as a favourable decision is received from appeal**
- **Funding secured for next phase of UK gas development**
- **Australian businesses perform above expectations**

AJ Lucas Group Limited (ASX:AJL) announced its Australian business performed above expectation during the year to June 30. While total revenue slipped from \$145.0 million to \$125.5 million, underlying EBITDA improved by 54.8% to \$14.6 million. The improved result came from both the Drilling division where productivity and overhead initiatives outweighed a reduction in revenues and the Engineering and Construction division through a strong result from the Eastern Goldfields pipeline contract.

The Group has an effective 46.85% interest in oil and gas tenements in the Bowland basin, United Kingdom and is awaiting approval to drill and hydraulically stimulate two prospective shale gas wells. Approval is subject to an appeal against a decision by Lancashire County Council to disallow the drilling and hydraulic fracture of the two wells, despite a recommendation for approval from Council’s planning officers and advice from Council’s Queens Counsel that a decision to disallow the wells would likely be overturned on appeal. The decision on the appeal is expected by 6 October 2016. The two wells are to test the flow of gas ahead of commercialization of the tenement.

As reported in June 2016, the Company has secured funding through a US\$45 million fully underwritten senior secured loan notes facility. This facility will underpin AJ Lucas’ share of the funding to complete the two well program in the Bowland Basin and comes on the back of a capital raising that significantly improved the balance sheet and extinguished long standing liabilities.

Results summary	FY2016 (\$'000)	FY2015 (\$'000)	2 nd half 2016 (\$'000)	1 st half 2016 (\$'000)	2015/16 change
Total revenue	125,478	145,028	69,077	56,401	(13.5%)
Underlying EBITDA	14,556	9,405	6,126	8,430	54.8%
Reported EBITDA	(2,449)	5,274	(5,577)	3,128	(146.4%)
EBIT	(17,350)	(20,936)	(11,821)	(5,529)	17.1%
Net profit/(loss) for the year	(19,485)	(45,216)	(1,540)	(17,945)	56.9%
Total assets	229,136	231,268	229,136	214,655	(0.9%)
Net assets	86,790	79,493	86,790	67,991	9.2%
Basic loss per share (cents)	6.7	16.9	0.5	6.7	60.2%

Commenting on the year’s results, AJ Lucas chairman, Mr Phil Arnall, said: “There were several contributors to the above-expectation result, including the successful completion of the Eastern Goldfields Pipeline, strong contracting in our Drilling business, with the replenishment of expiring contracts, and business improvements to ‘right-size’ the company in the current soft conditions





Outlook for Australian Businesses

Conditions in the resources sector are expected to remain challenging and AJ Lucas will continue to implement the strategies that have underpinned its performance to date. These include continued efforts to maintain the mix of quality customers, relentless focus on costs, and the 'get it done safely' approach that the Company's people have developed and for which AJ Lucas is renowned.

The Drilling division has performed extremely well over 2016 and re-entered the gas extraction business in the last quarter of financial 2016. The division has a strong order book and the outlook for 2017 is very promising despite challenging conditions.

The Engineering and Construction division continues to tender in partnership with Spiecapag Australia for major pipeline projects and is short listed for the major projects on offer. The Company's expertise in pipeline and directional drilling work continues to be recognised in the market. The division will continue to tender for small scale infrastructure works.

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About AJ Lucas Group Limited

AJ Lucas is a leading provider of 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 23.75% of the Bowland Licence and 25% of the Weald Licence in, respectively, North West and South East England.