

26 February 2021

LUCAS GROUP BACK IN THE BLACK IN FIRST HALF

First Half Highlights to December 31, 2020

- Net profit of \$9.9 million compared to a net loss of \$10.3 million in the corresponding period.
- 19.2% increase in first half EBITDA from core drilling operations to \$15.4 million (Dec 19: \$12.9 million).
- Outstanding safety performance with a no recordable injury's in the last 12 months across customer operations.
- UK oil and gas investment EBITDA loss reduced to \$0.4 million from \$3.7 million.
- A significant reduction in financing costs following the 2019 refinancing and favourable FX movements on US denominated loans.
- Operational reorganisation completed to better accommodate the requirements of the Australian operations and the increase in the Group's licence areas in the UK.
- Ongoing engagement with the UK Regulator with aim to lift the moratorium as well as investigating renewable and conventional opportunities in its license areas.

AJ Lucas Group Limited (ASX: AJL) has today reported a net profit of \$9.9 million for the six months to December 31, 2020, following an increase in earnings from the company's core drilling operations in Australia.

The strong domestic performance combined with lower losses from its UK operations, an R&D-related tax benefit and lower finance charges helped deliver a \$20.2 million turnaround from the \$10.3 million net loss reported in the first half of the 2020 financial year.

The company's strong focus on safety performance and building on the business' superior safety culture, helped achieve an industry-leading result of zero recordable injuries in the 12 months to February 2021 across customer operations.

Lucas has been a leading provider of exploration, production and directional drilling services to some of the world's largest miners for more than 20 years.

Lucas Group's Chief Executive Officer Brett Tredinnick said "the result reflected the strong operational performance of Lucas Drilling during the half despite revenue being impacted by COVID-related and other interruptions to clients' operations."

"The drop in revenue in the period was more than offset by the increase in earnings resulting from a better mix of more technical, higher yielding drilling as well as the various operational and corporate efficiency measures taken. The Group is now better positioned to maximise growth opportunities and better withstand any possible future shocks."

"The Board and management remain confident in the continued performance of the company's drilling operations and are buoyed by a recent increase in levels of tender activity."



UK OIL AND GAS INVESTMENTS

Lucas also holds a significant portfolio of Petroleum Exploration Licenses that cover almost 2% of England. The development of these licenses, which Lucas has demonstrated contains high quality gas, has been delayed by the moratorium on hydraulic fracturing announced by the UK Government in November 2019. In response, Lucas significantly scaled back operations, with the resulting EBITDA loss being reduced to \$0.4 million (Dec 19: \$3.7 million).

The Group is working to use its experience to allay the UK Government's concerns related to sub-surface induced seismicity and to assist other industries that give rise to similar events (some of which are integral to the UK Governments Net Zero CO₂ target by 2050).

Lucas is also exploring other conventional and renewable opportunities.

OUTLOOK

Mr Tredinnick said "The Drilling Division recorded a strong first half, and these results are expected to continue in the second half of the year with the demand for metallurgical coal demand remaining robust."

Cash generated from the Drilling Division is to be used to service and further reduce debt and fund capital expenditure to improve operating results. Management will continue to focus on servicing its customers whilst exploring other business opportunities where it can utilise its specialist skills and equipment.

Authorised for lodgement by Andrew Purcell, Chairman on behalf of the Board.

ENDS

Media enquiries to:

Ben Ready

RGC Media & Mktng

0415 743 838

ben@rgcmm.com.au