

November 14, 2016



## Lucas Energy Announces Fiscal 2017 Second Quarter Results

### **Adjusted for Special Items, Q2 FY17 net loss improved by 38% vs Q2 FY16**

HOUSTON, Nov. 14, 2016 /PRNewswire/ -- Lucas Energy, Inc. (NYSE MKT: LEI) ("Lucas" or the "Company"), an independent oil and gas company with its operations in Texas and Oklahoma, today announced its fiscal 2017 second quarter results for the period ending September 30, 2016.

"The fiscal 2017 second quarter was transformational for Lucas Energy with the August closing of the Segundo transaction that expanded our operating and exploration activities to the Mid-Continent area and the Permian Basin," said Anthony C. Schnur, Chief Executive Officer of Lucas Energy. "The acquired assets include working interests in producing properties and undeveloped acreage in Texas and Oklahoma, which are currently producing over 1,000 net barrels of equivalent (BOE) oil. The quarter benefited from approximately thirty days of incremental revenues and production related to the Segundo transaction. However, two significant non-recurring items directly related to the closing of that transaction impacted our reported financial results. In the upcoming quarters, we do not expect to incur additional transaction-related expenses.

"The acquisition of these assets significantly increases our overall production and was representative of our strategic objective to build a platform for growth through the development of long-lived reserves with numerous drilling opportunities. We have initially targeted 40 drilling locations in the Hunton formation and plan to selectively develop these locations over the next two years, paying particular attention to leasehold acreage expirations. During the current quarter, Lucas participated in the drilling of two new wells in south Gonzales County in the Eagle Ford shale which were drilled and completed at an average cost per well that was 10% below budget and 57% below 2014 drilling costs. We intend to further develop our Eagle Ford and Austin Chalk assets using technologies adopted by leading operators in the area that have been able to significantly reduced per unit drilling and completion costs over time.

"We believe our assets serve as the foundation on which to grow the Company, and we plan to take advantage of the prevailing weak oil and gas industry conditions to pursue attractively-priced acquisitions and expand our exploration acreage at relatively shallow depths located near or in the same regions as our current assets. We will work diligently to consider properties that offer attractive production and cash flow returns, while improving the production rates of our recently acquired and existing assets. We anticipate being able to ramp-up production early next calendar year, which should result in improved revenue and cash flow. As we execute on our aggressive acquisition-driven growth strategy, we plan to

create a company capable of delivering long-term sustainable shareholder value."

## **Fiscal 2017 Second Quarter Results**

Impacting fiscal 2017 second quarter results, for the period ending September 30, 2016, were two significant one-time items related to the Segundo transaction, the largest of which was the recording of a non-cash impairment charge of \$49.0 million, as required by GAAP accounting, as an adjustment to the purchase price paid for the acquired assets related to the difference between our stock price when the assets were initially contemplated and the transaction closing date. Specifically, on December 30, 2015, the closing price was \$1.65 per share, compared to \$3.78 per share on August 25, 2016. In accordance with GAAP accounting principles, this resulted in an increase in the value of stock consideration paid by Lucas relative to the agreed upon price for the acquisition of the assets and represents a non-cash item.

The second significant special item impacting the fiscal 2017 second quarter results was approximately \$0.5 million of additional expenses related to professional fees incurred with the financing of the Segundo transaction, which was recorded in General and Administrative (G&A) expenses. Adjusted for the non-cash impairment charge and the one-time G&A expense, Lucas reported a net loss of \$1.3 million or a loss of (\$0.20) per share in the three months ending September 30, 2016 compared to a net loss of \$0.96 million or loss of (\$0.66) per share in the three months ending September 30, 2015.

On a reported basis, including the above-noted special items, for the three months ending September 30, 2016, Lucas reported a net loss of \$50.8 million, or a loss of (\$7.74) per share.

Total revenues from the sale of crude oil, natural gas and natural gas liquids for the fiscal 2017 second quarter increased by 208% to \$0.9 million compared to \$0.29 million in the same period a year ago largely reflecting the inclusion of natural gas and liquids production which added approximately \$0.4 million to revenues. During the fiscal 2017 second quarter, Lucas produced an average of approximately 372 net BOE per day from 100 active well bores compared to 72 BOE per day in the fiscal 2016 second quarter. The average daily production rate reflected only thirty days of acquired production blended with Lucas' existing production. Total production in the quarter was 34,260 BOE, net, compared to 6,620 BOE in the same period last year. The Company commenced a maintenance and upgrade program in October 2016 that was budgeted at \$0.5 million, including the repair and/or replacement of down-hole pumps in addition to mechanical repairs in Oklahoma, and maintenance operations to certain existing wells in Texas. Lucas expects to continue maintenance operations as it reviews new drilling locations in its core areas of operation.

Lease operating expenses of \$0.5 million for the fiscal 2017 second quarter, ending September 30, 2016, increased by approximately \$0.25 million from \$0.25 million for the same period a year ago, principally reflecting the acquisition of working interests in various properties in Texas and Oklahoma related to the Segundo transaction that closed in August 2016.

Total G&A expenses increased by 66% or by approximately \$0.4 million in the fiscal 2017 second quarter to \$1.0 million compared to the prior year's second quarter primarily related to transaction costs associated with the Segundo acquisition, as noted above, partially offset

by a decrease in the awarding of employee stock-based options and compensation.

Depreciation, depletion, amortization and accretion (DD&A) expense increased by approximately \$0.3 million related to a 27,640 BOE increase in production, attributable to our newly acquired working interests in various producing properties.

#### SELECTED FINANCIAL DATA

Three Months Ending 09/30/2016

INCOME STATEMENT	09/30/2016	09/30/2015
Net Operating Revenues	\$894,513	\$289,974
Operating Expenses		
Lease Operating Expense	500,328	252,759
G&A	1,041,652	628,998
DD&A & Other Operating Expenses	574,485	292,822
Impairment of Oil & Gas Properties	48,990,520	0
Total Operating Expense	<u>51,106,985</u>	<u>1,174,579</u>
Interest Expense & Other	(592,805)	(68,086)
Net Loss, reported	<u>(\$50,805,277)</u>	<u>(\$952,691)</u>
Adjusted Net Loss, excluding special items	<u>(\$1,322,757)</u>	<u>(\$952,691)</u>

The Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2016 will be filed with the Securities and Exchange Commission reflecting these results later today.

#### About Lucas Energy, Inc.

Based in Houston, Texas, Lucas Energy (NYSE MKT: LEI) is a growth-oriented, independent oil and gas company engaged in the development of crude oil and natural gas in the Austin Chalk and Eagle Ford formations in south Texas, the Permian Basin in west Texas, and the Hunton formation in central Oklahoma. For more information, please visit [www.lucasenergy.com](http://www.lucasenergy.com).

#### Safe Harbor Statement and Disclaimer

This news release includes "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward looking statements give our current expectations, opinions, belief or forecasts of future events and performance. A statement identified by the use of forward looking words including "may," "expects," "projects," "anticipates," "plans," "believes," "estimate," "should," and certain of the other foregoing statements may be deemed forward-looking statements. Although Lucas believes that the expectations reflected in such forward-looking statements are reasonable, these statements involve risks and uncertainties that may cause actual future activities and results to be materially different from those suggested or described in this news release. These include risks inherent in natural gas and oil drilling and production activities, including risks of fire, explosion, blowouts, pipe failure, casing collapse, unusual or unexpected formation pressures, environmental hazards, and other operating and production risks, which may temporarily or permanently reduce production or cause initial production or test results to not be indicative of future well performance or delay the timing of sales or completion of drilling operations; delays in receipt of drilling permits; risks with respect to natural gas and oil prices, a material

decline which could cause Lucas to delay or suspend planned drilling operations or reduce production levels; risks relating to the availability of capital to fund drilling operations that can be adversely affected by adverse drilling results, production declines and declines in natural gas and oil prices; risks relating to unexpected adverse developments in the status of properties; risks relating to the absence or delay in receipt of government approvals or fourth party consents; and other risks described in Lucas's Annual Report on Form 10-K and other filings with the SEC, available at the SEC's website at [www.sec.gov](http://www.sec.gov). Investors are cautioned that any forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those projected. The forward-looking statements in this press release are made as of the date hereof. The Company takes no obligation to update or correct its own forward-looking statements, except as required by law, or those prepared by third parties that are not paid for by the Company. The Company's SEC filings are available on our website or at <http://www.sec.gov>.

Contacts: Carol Coale / Ken Dennard  
Dennard - Lascar Associates LLC  
(713) 529-6600

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