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## ASX ANNOUNCEMENT/MEDIA RELEASE CUADRILLA ACTIVITY UPDATE REPORT

### *Drilling Activity Preese Hall*

Drilling of Preese Hall #1 will be completed by close of business Wednesday 8<sup>th</sup> December 2010. Management considers this well to be very successful thus far.

This well is the first “true” shale gas well ever drilled in Europe (drilled and operated by Cuadrilla Resources) and will reach a target depth of 9,100 feet in the Clitheroe Limestone Complex – 900 feet deeper than originally planned.

Total core samples of approximately 260 feet have been taken which indicate hard, brittle rock – fractured both horizontally and vertically, and producing substantial gas flows, as well as a large presence of methane and other hydrocarbons.

The core samples will be analysed in laboratory conditions and the well will be fraced. Initial indications are that Preese Hall #1 confirms and possibly exceeds the original expectations of management as to the prospectivity of the Bowland shale.

Preese Hall #1 is deeper than originally planned in order to encounter all of the prospective shale sections – in excess of 4,000 feet and, has taken longer in order to take additional core samples, as well as to penetrate the hard formations encountered.

The Cuadrilla rig will be relocated to Grange Hill #1, approximately 15km away, for commencement of drilling scheduled for January 2011. The workover rig, fracing and testing equipment will be mobilised immediately to Preese Hall and a pre-frac well test conducted in December. The duration of this test will depend upon the well response however, it is likely that the full frac test will commence in January 2011.

Preparations for a third exploratory well in the Bowland Shale, Anna’s Road #1, are being undertaken – with a planning permit approved on 17 November 2010.

The equipment and drilling rig (one of the most advanced in Europe) have performed well in excess of expectations and, the well (together with outside and additional scientific data), confirms in entirety the science and engineering undertaken prior to the commencement of drilling.

Results thus far warrant completion of the full work programme originally envisaged. It must be noted however, that management will not be in a position to make a detailed decision as to the most appropriate way forward in terms of commercialisation until drilling and fracing of Preese Hall and Grange Hill have been completed and analysed. This is expected to be around the end of Q1 2011.

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### ***Cuadrilla Acreage***

Cuadrilla holds acreage in the UK, Holland, Poland, Hungary and Czech Republic totalling approximately 2.25 million gross acres.

Cuadrilla is applying for an additional (approximate) 650,000 acres of land in central/west Europe; which would complement our existing acreage extremely well. This will occur in early 2011.

Drilling will commence in Holland in Q1 2011 (following completion of Grange Hill) – for which permits have already been obtained. Fracing in Hungary is scheduled for end Q1 of 2011.

Both of these are significant as far as the future prospects for Cuadrilla are concerned.

The business plan is on track, fully funded for the time being and may be expedited; depending on results obtained during the first half of calendar 2011. Cuadrilla intends to fast track its initiatives during calendar 2011, commencing with the Bowland shale prospect.

Shale gas in Europe has matured significantly during 2010. Cuadrilla believes that its decision to design and build the most advanced drilling and fracing capability in Europe has proved to be wise and prescient – the full impact of which is likely to be seen during the next two years.

All of the assets inside Cuadrilla are held by Cuadrilla except the two UK assets: the Bowland Basin and the Weald Basin; which are held as to 25% directly by the AJ Lucas Group of companies.

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### **About AJ Lucas Group Limited**

Lucas is a leading provider of specialist infrastructure and mining services and is the largest supplier of drilling services to Australia's coal and coal seam gas industries. It is also one of Australia's largest builders of long distance gas pipelines. Other divisions provide gas management services to the coal and coal seam gas industry, construction, civil and property services.

AJ Lucas is also a proven developer of unconventional hydrocarbon properties. Past projects successfully developed and exited include the Company's investments in Gloucester Basin, Sydney Gas and ATP651 in Queensland's Surat Basin.

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