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ASX ANNOUNCEMENT / MEDIA RELEASE

RESTRUCTURING OF FINANCING ARRANGEMENTS AND OWNERSHIP OF THE BOWLAND JOINT VENTURE – PEDL 165 (THE BOWLAND UNCONVENTIONAL SHALE GAS PROSPECT IN LANCASHIRE, ENGLAND)

By way of background, in June 2013, Lucas announced the acquisition by Centrica plc (**Centrica**) of a 25% interest in the shale gas exploration licence PEDL 165 (the Bowland Joint Venture) from Lucas and its 44% owned associate, Cuadrilla Resources Holdings Limited (**Cuadrilla**).

Under the terms of the acquisition, Centrica paid £40 million in cash and agreed to fund £60 million of expenditure (Carry) in respect of the development of the prospect. This was conditional on Centrica not exercising its option to put back its equity interest to Cuadrilla and Lucas at nominal consideration. Centrica was also obliged, upon certain appraisal and operational milestones, to pay an additional Contingent Consideration of £60 million to Lucas and Cuadrilla.

Centrica, Cuadrilla and Lucas have agreed to the following revised arrangements with respect to the outstanding Carry and Contingent Consideration:

- The unspent portion of Centrica's Carry will be deferred until planning approval for either of the exploration sites at Preston New Road or Roseacre Wood is obtained.
- In the interim, until determination of the planning appeal, the Bowland Joint Venture partners will fund Cuadrilla's operations in proportion to their respective equity interests.
- The Contingent Consideration payable by Centrica of £60 million will be converted into a £46.7 million Contingent Carry to be applied against various appraisal and development activities. The Contingent Carry is subject to the same appraisal and operational milestones previously agreed in respect of the Contingent Consideration.

Concurrently, Lucas has agreed to increase its interest in the Bowland Joint Venture by 5.00% from 18.75% to 23.75% and Cuadrilla will reduce its interest from 56.25% to 51.25% whilst maintaining majority ownership and operatorship. Correspondingly, Lucas' entitlement to the Carry and Contingent Carry will be reduced proportionately.



The ownership of the Bowland Joint Venture before and after the transaction is summarized as follows:

Owner	Ownership before transaction	Ownership after transaction
	%	%
Cuadrilla*	56.25	51.25
Lucas	18.75	23.75
Centrica	25.00	25.00

* Joint Venture Operator

Cuadrilla is in the process of submitting appeals in respect of Lancashire County Council's Development Control Committee's decisions to refuse planning consent for the exploration sites at Preston New Road and Roseacre Wood.

Commenting on these developments, Phil Arnall, Chairman of Lucas, said: *"the arrangements reaffirm the Bowland Joint Venture partners' commitment to developing the Bowland shale gas prospect. We are focused on securing the requisite planning approvals to commence operations. Under these amended terms Centrica's funding will be directed to proving up and developing a potentially world class asset."*

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Chairman

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.