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Cuadrilla Bowland Prospect Update

- **Work begins on Cuadrilla's four well program in Lancashire, UK**
- **Drilling expected to begin in second half of 2017**
- **High Court challenge regarding Preston New Road site to be expedited**

On 7 October 2016, AJ Lucas announced that Cuadrilla Resources Holdings Limited, in which AJ Lucas has a 45% interest, had received final planning consent from the UK Government to drill and hydraulically stimulate up to four horizontal wells designed to test the flow of gas from the shale rock lying beneath Cuadrilla's Preston New Road ("PNR") exploration site in Lancashire, UK. The UK Secretary of State for Communities and Local Government also advised he was minded to grant consent for a similar application at the Roseacre Wood ("RW") exploration site pending receipt of further evidence on highway safety.

AJ Lucas has been advised that three applications challenging the decisions of the Secretary of State of 6th October 2016 have been commenced in the Planning Court in the High Court of England and Wales (the "High Court") against the Secretary of State. The applications comprise: a statutory challenge in relation to the Secretary of State's decision to grant permission for the works at PNR; a statutory challenge in relation to the Secretary of State's findings regarding PNR and RW; and a judicial review challenging the Secretary of State's decision to re-open the Public Inquiry into Cuadrilla's RW planning applications. The company expects that the PNR hearing will commence during March and is awaiting a timetable from the High Court in respect of the three applications.

Cuadrilla's planning consent at the PNR site remains valid unless overturned by the High Court. Site preparation for the PNR site commenced on 5th January 2017, with drilling scheduled to commence in Q2 2017. Cuadrilla will participate in the court proceedings and will be represented by the legal team that successfully undertook the PNR appeal hearing regarding Lancashire County Council's initial refusal of planning consent. A positive High Court decision in favour of the Secretary of State will allow Cuadrilla to continue to progress its exploratory work program at the PNR site according to schedule. The PNR planning application was recommended for approval by separately (i) Lancashire County Council's Planning Officers following a 12 month evaluation and (ii) The Government's Planning Inspector following a 6-week long Public Inquiry before being finally approved by the Secretary of State. AJ Lucas is confident that there is no material merit to the cases being brought against the Secretary of State's decision to grant this permission.

The outcome of the program at PNR will be important to the company as it will provide further information to assess the recoverability of the shale gas resource. As previously reported, the Bowland exploration tenement is subject to a farm-in by Centrica Plc, whereby Centrica is obligated to fund a further £30 million of exploration costs, which will be expended over the drilling and hydraulic stimulation of the initial two exploration wells at Preston New Road. Furthermore, subject to the appraisal of the Preston New Road exploration wells and certain milestones being met, Centrica is then required to fund a further £46.7 million for appraisal and development in the Bowland tenement. AJ Lucas is fully funded for its exploration commitments in the upcoming drilling campaign.





AJ Lucas notes that it has historically publicly reported Cuadrilla's internal Gas Initially In Place (GIIP) estimate of the Bowland Prospect in England. It has been brought to the company's attention that in December 2013 the ASX Listing Rules were changed. These changes mean that GIIP statements AJ Lucas has historically made should, from that date, be accompanied by a certified estimate of petroleum reserves and contingent and prospective resources in accordance with SPE-PRMS (and other items). AJ Lucas will therefore not be making further public GIIP statements until the planned further drilling and analysis have been undertaken at the Bowland Prospect to enable the resource to be reported in accordance with the current ASX Listing Rules previous statements from Cuadrilla regarding GIIP should not be relied on until that time.

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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 of 23.75% in the Bowland Licence and 25% in the Weald Licence in, respectively, North West and South East England.

Gas is the cornerstone of the UK's energy mix, with currently over 50% imported and imports expected to increase to 80% by 2020. The UK Government sees development of a UK shale gas industry as an important step to restore the UK's energy security at a time when the supply from the North Sea gas fields is decreasing.