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AJ Lucas to Acquire Riverstone's Interest in Cuadrilla Resources

AJ Lucas Group Limited ("AJL") is pleased to announce that its board has approved the acquisition, effective immediately, of Riverstone's interest in the UK shale gas explorer, Cuadrilla Resources.

Following this acquisition, AJL's holding in Cuadrilla will increase from 47.6% to approximately 93%. Under the terms of Cuadrilla's shareholders' agreement, it is a requirement that AJL offers to acquire the shares of Cuadrilla's remaining shareholders on the same terms as those being acquired from Riverstone, and that step is now underway.

Given the longer timeframe that it is expected to take to assess the UK shale resource and to develop Cuadrilla's Bowland shale asset, Riverstone had indicated that the projected delays were longer than could be accommodated within the fund that originally invested in Cuadrilla. The transaction that has been agreed between AJL and Riverstone importantly enables AJL to continue to develop the UK shale gas exploration assets while providing Riverstone with a continued interest in the success of these assets as is detailed below.

Under the agreement Riverstone will receive:

1. A nominal payment on signing the agreement;
2. On the resumption of Spirit Energy's next contingent carry (gross-£46.7 million) a payment of US\$2 million, provided the contingent carry commences within 3 years of this agreement;
3. If AJL sells its 25% or more of its interest in the UK shale assets (based on the amount it holds immediately post this transaction) within 3 years of the agreement a payment of:
 - a) US\$5 million if the value of the AJL sale is the equivalent of US\$100 million or more of AJL's 100% interest; or
 - b) US\$10 million if the value of the AJL sale is the equivalent of US\$200 million or more of AJL's 100% interest.



Phil Arnall, AJL's Chairman, commented *"This transaction allows AJL greater input on Cuadrilla's setting of strategy and operating plans; it allows for more direct exposure and influence within the industry as well as interaction with Industry Regulators; and, it provides AJL the ability to better manage the allocation of funds amongst our various activities"*.

"As reported earlier, in 2020 Cuadrilla will focus on working with industry peers and Industry Regulators providing information to allow the UK Government to lift the current moratorium on hydraulic fracturing. We believe that shale gas is an important step in providing the UK a new domestic source of energy and one which is key in lowering the UK's carbon footprint so that the UK can meet its climate control goals. Consequently, 2020 will see less on-the-ground activities at our site at Preston New Road and this will be reflected in reduced funding requirements over the course of 2020".

Attached is Cuadrilla's release on this matter.

Australian Operations Update

The Lucas Drilling Division ("LDS") has seen continued strong performance in the 6 months to 31 December 2019 as will be reflected in the AJL half-year results. Revenues are expected to be in line with those of the comparable period to 31 December 2018 and underlying EBITDA is expected to be ahead of that achieved in the comparable period. This result is on the back of robust demand for LDS services from its 5 core customers which in turn is due to continued growth in the metallurgical coal market, principally in the Queensland Bowen Basin.

With respect to the new funding arrangements put in place earlier this year, we are pleased to announce that AJL has enjoyed a seamless transition with the new consortium of banks.

The Company is expected to announce its December half-year results on 27th February 2020.

Approved for distribution by the Board.

For further information, please contact:

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AJ Lucas to acquire Riverstone's interest in Cuadrilla

Lancashire-based shale gas exploration company Cuadrilla Resources confirms that the AJ Lucas Group Limited (AJL) and Cuadrilla Boards have approved the acquisition by AJL of all of Riverstone's shareholding interest in Cuadrilla.

Following this acquisition, AJL's holding in Cuadrilla will increase from its current level of 47.6% to approximately 93%, with the remainder of the shares primarily held by current and former employees.

The streamlined ownership will simplify decision making and alignment as AJ Lucas and Cuadrilla continue to work with Regulators and other UK shale gas operators. The focus of this work will be to address the technical concerns in relation to induced seismicity, which led the Government to announce a moratorium on hydraulic fracturing in November 2019. We envisage limited, if any, operational activities at our Preston New Road site during 2020

We believe that by providing the appropriate data, analysis and technical expertise a successful technical resolution will allow for continued appraisal and development of high-quality UK shale gas exploration assets and the production of UK indigenous natural gas. The UK's continued need for natural gas, in conjunction with carbon capture and storage, as a key enabler for meeting our energy needs, whilst achieving net zero greenhouse gas emissions by 2050, is widely recognised, including by the Committee on Climate Change (CCC).

Cuadrilla's exploration work has shown that the Bowland shale is a world class resource containing large volumes of high-quality indigenous natural gas that will flow to surface. We continue to believe that indigenous gas production is preferable to importing increasing quantities of overseas gas with up to double the pre-combustion emissions and no economic benefit for UK workers, businesses or communities.

4th February 2020