



AJ Lucas Group Limited
ABN: 12 060 309 104
1 Elizabeth Plaza
North Sydney NSW 2060
PO Box 538
North Sydney NSW 2060
T (02) 9490 4000
F (02) 9490 4200
www.lucas.com.au

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ASX ANNOUNCEMENT

AJ Lucas Limited (Lucas) provides the following perspective with respect to recent comments made by the UK Energy Minister regarding hydraulic fracturing in the UK.

On 2 November 2019 the UK Government imposed a moratorium on hydraulic fracturing, used in shale gas exploration and development in England, citing concerns about the ability to accurately predict the probability or magnitude of seismicity induced by fracturing. The Government advised that fracturing operations are to be suspended until further evidence is provided that shows these operations can be carried out safely. The UK Government's position remains unchanged since November 2019.

During the moratorium AJ Lucas and other UK shale gas companies continue to work constructively together and with independent scientific experts with the objective of gathering and presenting appropriate scientific evidence to demonstrate that future shale gas appraisal and commercialization operations can be safely conducted. The UK Regulator, the Oil and Gas Authority (OGA), is also co-ordinating a number of separate studies led by technical experts using the extensive data set acquired by Cuadrilla.

Lucas expects the moratorium to be lifted and exploration to resume once appropriate measures are agreed and put in place to manage and mitigate risks from induced seismicity. However, we would not expect that decision to occur before 2021.

Natural gas plays an important role in providing energy to the UK and will continue to do so for many decades in the future. At present, natural gas accounts for over a third of primary energy demand in the United Kingdom, with approximately 85% of homes using gas for heating and cooking and up to half of the country's electricity being generated from gas.

The UK Regulator has recently publicly stated that gas produced in the UK is likely to produce less than half the pre-combustion carbon emissions of gas imported by ship. Coupled with other initiatives such as carbon capture and storage and the production of hydrogen, domestically produced gas, including shale gas, will be particularly critical in helping the UK meet its target of being carbon neutral by 2050. Natural gas from shale therefore remains a potentially hugely valuable UK resource.

AJ Lucas Group Limited	+61 (0)2 9490 4000
Phil Arnall	Chairman
Marcin Swierkowski	Company Secretary

Citadel-MAGNUS	+61 (0)448 881 174
James Strong	jstrong@citadelmagnus.com