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3 July 2020

ASX ANNOUNCEMENT

AJ Lucas limited (Lucas) has received notice from Spirit North Sea Gas Limited, its partner in the UK Bowland Shale exploration licence, that Spirit intends to exit the licence and transfer its 25% interest back to Lucas for a nominal sum.

This is in accordance with an option included in the 2013 Sale and Purchase agreement that Lucas negotiated with Centrica (a Parent Company of Spirit). The option allowed for the return of the 25% licence share for a nominal amount once Centrica had invested up to an agreed level in the licence. That originally agreed level has in fact been surpassed by some margin.

The move is part of a broader series of actions being taken by Centrica including an exit from the upstream oil and gas business and other wide-ranging organisational changes. This includes the proposed sale by Centrica of its interest in Spirit Energy which holds the 25% interest in the Bowland shale licence.

The licence transfer will be subject to a number of pre-completion conditions, including UK Regulatory approval, and is not therefore expected to complete until the final quarter of 2020. Spirit will remain liable for its 25% share of the future decommissioning costs of the exploration wells already drilled and facilities already installed on the licences.

Phil Arnall Chairman of Lucas said "Centrica and its subsidiary Spirit have been excellent partners as we explored and proved up a huge, high quality, natural gas resource in the UK Bowland shale. Whilst we are naturally disappointed to see them withdraw we understand that this is part of a broader re-alignment of Centrica as it focuses on its downstream UK gas supply business and exits upstream oil and gas. We remain confident that domestic shale gas can and will be a valuable source of energy for the UK. Coupled with other initiatives it will, we believe, prove an essential element of the lowest cost transition to UK "Net-Zero" carbon by 2050 goal."

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