

1 April 2022

UK REGULATOR WITHDRAWS NOTICE TO PLUG SHALE GAS WELLS AT PRESTON NEW ROAD (PNR) LANCASHIRE SITE

AJ Lucas Group Limited (“Company”) today announced that its UK subsidiary, Cuadrilla Resources Holdings Limited (“Cuadrilla”), has been formally advised by the UK Regulator, the North Sea Transition Authority (“NSTA”), that the NSTA is withdrawing the notice it had previously issued requiring Cuadrilla to plug and abandon the two shale gas exploration wells drilled at the PNR site. The two wells will instead be temporarily plugged and suspended until at least the end of June 2023.

The two wells are the only horizontal wells drilled and hydraulically fractured into UK shale rock. The wells were drilled into the Bowland Shale to vertical depths of approximately 2.25km and onwards horizontally for a further 0.75km each through the shale.

Fracturing and flow testing of each well confirmed the presence of a very high-quality natural gas resource, which flowed to surface from the underlying shale. However, seismicity induced during the fracturing process, above the UK regulatory limit of just 0.5 on the Richter scale, meant that neither well could be fully fractured, or flow-tested, to properly assess how much gas might be commercially produced.

Given the ongoing UK and European energy price crisis and the UK Government’s focus on domestic sources of energy supply, Cuadrilla proposes to use the suspension period to evaluate the productive options for these wells.

The Company’s Chairman, Andrew Purcell, said “We are pleased that the UK Regulator has taken the sensible decision not to abandon the UK’s only two viable shale gas wells at this time of soaring gas prices. It is widely acknowledged that natural gas will continue to play a key role in UK energy supply for many decades to come, even as the country transitions to a Net Zero CO₂ economy. We remain convinced that the Bowland shale gas resource has the potential to be a very significant contributor to UK energy supply and, in particular, a source of cost-effective fuel for heating UK homes and businesses.

The gas resource that the Company’s shale exploration wells have discovered remains in-situ and available to be further appraised and produced. Given the rapid decline in indigenous North Sea gas production and the ongoing UK gas price and supply crises we consider that the billions of pounds being spent annually on importing expensive gas from the Middle East, the US and elsewhere might be better directed, in part at least, on developing what is recognised to be a substantial domestic



shale gas resource. The high price, lack of security and higher CO₂ emissions of gas imports have all been amply demonstrated and are being felt by consumers in the ongoing gas price crisis. Developing the UK's domestic gas resource onshore would help provide energy security, create a significant number of new jobs in the North of England and provide substantial tax revenues."

This announcement has been approved by the Board of AJ Lucas Group Limited

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