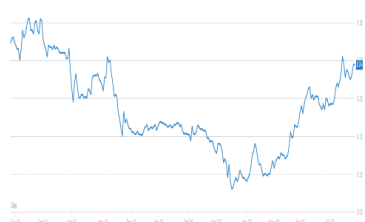


Union Jack Oil plc

Biscathorpe interest acquisition receives OGA approval

The UK Oil and Gas Authority (OGA) has approved the acquisition by Union Jack Oil (UJO) from Montrose Industries Limited of a further 3% interest in onshore licence PEDL253 which contains the Biscathorpe play. Following this landmark approval and the implementation of the terms of the Settlement Agreement outlined in the company's RNS dated 24 June 2020, Union Jack now holds a 30% economic interest in PEDL253, which the company believes is one of the UK's largest onshore un-appraised conventional licences.

Oil & Gas



Source: LSE

Market data

Price (p)	0.25
12m High (p)	0.305
12m Low (p)	0.08
Shares (m)	15,440.9
Market Cap. (£m)	38.6
Net cash (debt) (£m)	5.0
EPIC	UJO
Free Float (%)	97%
Market	AIM

Description

Union Jack Oil is a UK focused onshore oil and gas exploration, appraisal and development company. The company's core assets include a 16.665% interest in the West Newton oil and gas discoveries in East Yorkshire, a 40% stake in the Wressle field development located in Lincolnshire and a 30% interest in the nearby Biscathorpe play.

Directors and Company information

David Bramhill (Executive Chairman)
Joseph O'Farrell (Executive Director)
Graham Bull (NED)
Raymond Godson (NED)

Contact details

info@unionjackoil.com

Analyst

Barney Gray
+44 (0) 207 186 9950

- ▶ On 24 June 2020, UJO entered into a Sale and Purchase Agreement with Montrose Industries to purchase a further 3% interest in PEDL253 for a consideration of £115,000. At the same time, a Settlement Agreement between Egdon Resources, acting on behalf of the joint venture partners, and licence partner Humber Oil & Gas was also expedited. These agreements, coupled with OGA approval, now confirm that UJO holds a 30% interest in PEDL253. The current balance of interests is held by the operator Egdon (35.8%), Montrose (19.2%) and Humber (15%) following the completion of the acquisition.
- ▶ PEDL253 contains the Biscathorpe play, located in the proven hydrocarbon fairway of the Humber Basin. Biscathorpe is located on trend with the Saltfleetby gas field and the producing Keddington oil field in which UJO holds a 55% interest. In February 2019, the Biscathorpe-2 appraisal well was completed and further investigation of the well results confirmed the presence of hydrocarbons in the deeper Dinantian interval.
- ▶ UJO notes that the results of the recent reprocessing and remapping of 264 km² of existing 3D seismic over the Biscathorpe play have been integrated with last year's well results and have justified a future sidetrack of Biscathorpe-2 to assess the potential commerciality of the accumulation. In particular, UJO asserts that the Biscathorpe play; primarily the Basal Westphalian Sandstone was not properly tested by the original appraisal well. However, this interval is believed to be more thickly developed elsewhere within the licence area and can be accessed from the original Biscathorpe-2 well location.
- ▶ Egdon estimates that the primary Westphalian target could hold 3.95 mmbbls of oil with an upside case of 6.69 mmbbls. Although the deeper Dinantian interval is currently a secondary target at this stage, the operator has ascribed an oil-in-place estimate of 24.3 mmbbls to this interval. In the event that a sidetrack well demonstrates effective permeability or the presence of fractures in the reservoir, the Dinantian could represent exciting upside to the Biscathorpe play.
- ▶ In our research note dated 6 July 2020, we established a conservatively risked valuation of \$5.1m for UJO's interest in the Biscathorpe discovery relating to the primary Westphalian target only. This is augmented by a further \$3.5m of more aggressively risked upside relating to the Dinantian interval, a metric that could increase significantly in the event that this additional play is demonstrated to be commercially viable.

As outlined in our initiation research note dated 6 July 2020, we have established a core valuation of 0.66p per share for UJO, a metric that is comprised predominantly of the company's 16.665% interest in the West Newton discovery in North Humberside. We currently value Biscathorpe at 0.04p per share which although modest by comparison, increases to a considerably more significant level of 0.13p per share on an unrisks basis assuming future drilling success. We note that UJO is fully funded to participate in a future sidetrack of Biscathorpe-2 in addition to its other core commitments at West Newton and Wressle. With plans for further drilling at Biscathorpe expected to be completed during H2 2020, we anticipate further exciting operational news flow over the coming months.

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