

Union Jack Oil plc
(AIM: UJO)

Acquisition of Interest in PEDL005(R) Incorporating the Keddington Oilfield

Union Jack Oil plc (“**Union Jack**” or the “**Company**”), an onshore oil and gas exploration company with a focus on drilling, development and investment opportunities in the United Kingdom hydrocarbon sector, is pleased to announce that it has reached agreement with Egdon Resources plc (“**Egdon**” or the “**Operator**”) to acquire a 10 per cent. interest in licence PEDL005(R), located in Lincolnshire. PEDL005(R) incorporates the producing Keddington oilfield (“**Keddington**”), the Louth prospect and the North Somercotes prospect (together the “**Acquisition**”).

Union Jack is not paying any up-front cash consideration to earn a 10 per cent. economic interest in PEDL005(R) from Egdon. Under the terms of the Acquisition Union Jack has agreed to pay:

- 20 per cent. of the costs of the proposed new Keddington side-track appraisal/development well, scheduled to be drilled in Q4 2015; and
- 20 per cent. of the costs of the Louth-1 exploration well currently planned for 2016/2017.

Union Jack’s contribution towards the costs of the side-track appraisal/development well at Keddington will be financed from existing cash resources.

HIGHLIGHTS:

- The Acquisition complements the Company’s existing activities in north east UK in respect of Wressle, Biscathorpe and North Kelsey and adds a further two wells to Union Jack’s current drill-ready portfolio;
- Keddington has produced in excess of 300,000 barrels of oil to date and is currently producing approximately 30 to 35 barrels of oil per day gross;
- Should the proposed new appraisal/development well be successful the Board believes that the production rate at Keddington has the potential to increase to approximately 125 barrels of oil per day gross;
- On completion of the Acquisition, Union Jack will own 10 per cent. of the existing infrastructure at Keddington and will immediately receive 10 per cent. of all production revenues;
- The farm-in to PEDL005(R) additionally provides Union Jack with a 10 per cent. interest in the Louth and North Somercotes prospects; and
- The Acquisition provides Union Jack with the opportunity to become involved in a relatively low risk existing development play which the Directors consider to hold high upside potential.

Acquisition

Keddington has produced in excess of 300,000 barrels of oil to date and is currently producing approximately 30 to 35 barrels of oil per day gross with associated gas from two wells, Keddington-4 and Keddington-3Z.

Planning permission is in place for a new appraisal/development well that is currently planned to be drilled as a side-track to the Keddington-4 well in Q4 2015. Should this well be successful, the Board believes that the production rate at the Keddington has the potential to increase to approximately 125 barrels of oil per day gross.

On completion of this transaction Union Jack will own a 10 per cent. interest in Keddington and the associated infrastructure and production facilities. Additionally, Union Jack will immediately receive 10 per cent. of all production revenues going forward.

The Operator is seeking to maximise the value of the "Greater Keddington" area through two additional drill-ready prospects located within PEDL005(R) namely Louth and North Somercotes. As part of the Acquisition, Union Jack will obtain a 10 per cent. interest in the Louth and North Somercotes prospects.

Under the terms of the Acquisition, Union Jack would also earn a 10 per cent. interest from Egdon in any new licence block awarded to the existing PEDL005(R) joint venture group in the UK 14th Landward Oil and Gas Licensing Round, which contains the mapped extension of the Louth prospect.

The Operator believes that a "Greater Keddington" development plan concept using existing Keddington infrastructure and facilities will enhance the economics of individual exploration prospects and potential in comparison to evaluating them as stand-alone developments.

Louth Prospect

The Louth conventional oil prospect is located mostly within PEDL005(R) and extends into the neighbouring currently unlicensed acreage.

Located on the margins of the Humber Basin the prospect is defined on reprocessed 3D seismic data and is estimated by the Operator to contain Stock Tank Oil Initially in Place ("**STOIIIP**") of 5.5 million barrels and gross mean Prospective Resources of 1.4 million barrels with an attractive geological chance of success ("**COS**") of 37 per cent.

A well to test this prospect is planned to be drilled in 2016/2017 subject to receipt of planning and other consents.

North Somercotes Prospect

Located on the margins of the Humber Basin, the North Somercotes gas prospect is within PEDL005(R) to the north of the Saltfleetby gasfield and is estimated by the Operator to contain gross mean Prospective Resources of 11.0 billion cubic feet of gas. North Somercotes is estimated by the Operator to have a geological COS of 25 per cent.

On completion of this agreement and a second agreement between Egdon and Terrain Energy Limited and subsequent transfers of interests, which are subject to Oil and Gas Authority approval, the interests in PEDL005(R) will be:

	Keddington Oilfield	PEDL005(R) Excluding Keddington
Egdon Resources U.K. Limited	45%	65%
Nautical Petroleum Limited	10%	10%
Terrain Energy Limited	35%	15%
Union Jack Oil plc	10%	10%

David Bramhill, Executive Chairman of Union Jack Oil plc commented:

“We are pleased about the addition of Keddington to our existing portfolio as it delivers an opportunity to be involved in a relatively low-risk oil production and development play with significant upside potential.

The Board believes this acquisition to be a natural next step in respect of our strategy as Union Jack transitions from an exploration company to a production company with the prospect of increased production should the new Keddington side-track well, planned for Q4 2015, be successful and following completion of the current Extended Well Test at the Wressle-1 in order to confirm its commerciality.

The acquisition of interests in the Louth and North Somercotes prospects is also in line with the Board’s focus on expanding our exploration portfolio of onshore low-cost drill-ready targets in the north east UK that can be drilled and monetised quickly. The planned drilling at the Louth prospect in 2016/17 will supplement the fully-funded and potentially high-impact Biscathorpe-2 well that is scheduled to be drilled in Q4 2015 alongside the ongoing work to progress to drilling at the North Kelsey prospect.”

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