

15 May 2018

**Union Jack Oil plc**  
 (“Union Jack” or the “Company”)

**Acquisition of Further Interest in Widmerpool Gulf Licence (PEDL201)**  
**Acquisition of Interest in Humber Basin Licence (PEDL181)**

Union Jack Oil plc (AIM: UJO), a UK-focused onshore hydrocarbon production, development and exploration company is pleased to announce that it has entered into a sale and purchase agreement with Celtique Energie Petroleum Limited whereby Union Jack and its Commercial Partner Humber Oil & Gas Limited (“**Humber Oil & Gas**” or “**Commercial Partner**”) will each make an investment to acquire a 16.25% interest in PEDL201 (“**Widmerpool Gulf**”) and a 12.5% interest in PEDL181 (“**Humber Basin**”) for a cash consideration of £7,500 each (“**Consideration**”).

This is the second investment made by the Company alongside its Commercial Partner in low cost onshore oil and gas licences. Both licences have no immediate conventional or unconventional work programme commitments or planned activities.

PEDL201 is located in the Widmerpool Gulf and PEDL181 is located in the Humber Basin. The licences are contained within a wider area that, according to studies published by the British Geological Society (“**BGS**”) on behalf of the Oil & Gas Authority (“**OGA**”), are considered prospective for both oil and gas; the report (The Carboniferous Bowland Shale gas study: geology and resource estimation, DECC 2013) is available from the OGA’s website.

Internationally, horizontal drilling and specialised completion technologies in tight formations have permitted extensive unconventional developments in both oil and gas, most notably in the United States. Potential in-place volumes on the licences could represent significant economic value, even if only recovery factors at the low end of those achieved in the US can be replicated in the UK onshore.

As an indication of the potential economic value of the licences, and while valuations are dependent on a number of factors, not least the ability to be able to operate successfully, Edison Investment Research Limited (“**Edison**”) recently published equity research on implied values for unconventional UK onshore activities based on recently observed transaction valuations, that ranged between US\$614 – US\$2,200 per acre (Focus on UK shale – a low-cost option; 30 April 2018).

**Edison’s value range applied to Union Jack’s net acreage in PEDL201 and PEDL181**

	Licence Area (acres)	Edison Value Range (US\$/acre)		Interest (%)	Net Acreage (acres)	Implied Value (US\$mm)	
		Lower	Upper			Lower	Upper
<b>PEDL201</b>	19,768			26.25	5,189	3.2	11.4
<b>PEDL181</b>	39,314	614	2,200	12.50	4,914	3.0	10.8
<b>Total</b>	<b>59,083</b>				<b>10,104</b>	<b>6.2</b>	<b>22.2</b>

Applying Edison’s unconventional acreage value ranges to Union Jack’s licence interests, implies a value range between US\$6 million and US\$22 million.

**David Bramhill, Executive Chairman of Union Jack commented:**

“We are delighted to have been able to make a further investment in attractive licences in the Widmerpool Gulf and Humber Basin at nominal cost, alongside our Commercial Partner, Humber Oil & Gas.

“Union Jack will hold these licences as an investment given the Board’s view that they both have significant value upside given the potential for future unconventional oil and gas exploration activities in the UK onshore.

“While further work will need to be undertaken by the onshore oil and gas industry in the UK to prove the commerciality of unconventional oil and gas projects, the transaction value ranges proposed by Edison provide an encouraging valuation indicator and supports Union Jack’s confidence that the risk/reward balance of these investments is favourable to our shareholders.”

Completion of the acquisition of the licence interests is subject to OGA approval.

On completion, the interests held in PEDL201 will be:

Egdon Resources U.K. Limited	45.00% (operator)
Union Jack Oil plc	26.25%
Humber Oil & Gas Limited	16.25%
Terrain Energy Limited	12.50%

On completion, the interests held in PEDL181 will be:

Europa Oil & Gas Limited	50.00% (operator)
Egdon Resources U.K. Limited	25.00%
Union Jack Oil plc	12.50%
Humber Oil & Gas Limited	12.50%

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