

4 June 2018

Union Jack Oil plc
(“Union Jack” or the “Company”)
Acquisition of Additional 12.5% Interest in the Wressle Hydrocarbon Discovery

Union Jack Oil plc (AIM: UJO), a UK-focused onshore hydrocarbon production, development and exploration company, is pleased to announce that it has acquired a further 12.5% in the licences PEDL180 and PEDL182 containing the Wressle discovery (“**Wressle**”) and the Broughton North Prospect, for a Deferred Consideration of £1.04 million from Celtique Energie Petroleum Limited (“**Celtique**”).

Highlights:

- Union Jack acquires a further 12.5% in the licences containing Wressle, increasing its interest to 27.5%, reaffirming Union Jack’s and its joint venture partners’ commitment to the development of Wressle
- The Acquisition structure is attractive and involves no initial cash consideration. The Deferred Consideration of £1.04 million is conditional on establishing first commercial oil production at Wressle
- The Acquisition has an immediate positive impact on Union Jack by instantly increasing its reserves and resources base at Wressle by 83%
- The economic effect of establishing commercial oil production at Wressle will be transformative to the Company
- Union Jack welcomes the participation of Humber Oil & Gas, its Commercial Partner, as an additional stakeholder in Wressle
- Union Jack remains in a robust financial position, with current cash reserves of £2 million and is fully funded for its existing drilling commitments during 2018

Commenting, David Bramhill, Executive Chairman of Union Jack, said:

“This Acquisition, with no upfront cash payment, increases our interest in Wressle from 15% to 27.5%. The Acquisition is highly attractive and significant to Union Jack’s future and reaffirms Union Jack’s and its joint venture partners’ commitment to the development of Wressle.

“The Acquisition has an immediate positive impact on Union Jack by instantly increasing its reserves and resources base by 83% to in excess of 855,000 barrels of oil equivalent. Revised site design and hydrological work in respect of the development of Wressle continues which is subject to the new planning application being successful. Once Wressle is in production, it will result in an initial constrained production anticipated to be 500 barrels of oil per day gross, adding production in excess of 137 barrels of oil per day net to Union Jack and transforming the Company’s financial position.

“The justification for Union Jack acquiring an additional interest in Wressle is the transformative economic impact to the Company, as we believe that when commercial oil production at Wressle is established, it would provide Union Jack with cash flows of approximately US\$4 million per annum in the current oil price environment. After taking operating costs into consideration, that are estimated to be below US\$15 per barrel, such net revenues would propel Union Jack into a material revenue generating oil and gas production company. In further support of the Acquisition, the economics are robust and net asset value accretive down to an oil price of US\$35 per barrel.

“The Written Ministerial Statement released on 17 May 2018 demonstrates an encouraging positive shift in Governmental attitude towards the importance of UK energy production and provides the Board with further comfort on obtaining a favourable development decision.

"I welcome our Commercial Partner, Humber Oil & Gas, as a direct stakeholder in Wressle, a project that we believe offers significant commercial potential. Wressle also possesses several additional possible upside value drivers, which include, the impact of production on gas and electricity sales over and above that used on site and, the potential volumetric bonus that exists in the Penistone Flags reservoir. Using the deepest recorded oil, the Contingent Resource estimates for the Penistone Flags have been conservatively calculated. The confirmation of a deeper oil water contact at Wressle would have a positive impact on increasing the resource volumes attributable to this formation.

Acquisition Details

The Company has entered into a Sale and Purchase Agreement ("**SPA**") with Celtique, whereby Union Jack, its Commercial Partner, Humber Oil & Gas Limited ("**Humber**") and Egdon Resources U.K. Limited ("**Egdon**"), will acquire Celtique's entire 30% interest in licences PEDL180 and 182 (the "**Licences**") containing Wressle and the Broughton North Prospect (the "**Acquisition**"), for nil initial consideration with a Deferred Consideration element payable in cash only on commercial oil production being established. The effective date for the transaction is 1 January 2018.

The Deferred Consideration of £2,500,000 for Celtique's entire 30% interest is only payable on first commercial production from the Licences being established and will result in Union Jack, Humber and Egdon acquiring 12.5%, 12.5% and 5% legal and economic interests respectively in the Licences.

Prior to first commercial oil production at Wressle being established, the Union Jack Board will give appropriate consideration to the range of funding options suitable for the Acquisition. Wressle is an attractive, low-cost and low-risk hydrocarbon development project with Reserves and Contingent Resources, which lends itself to offtake financing from production and the opportunity to choose from a range of favourable debt and structured finance options.

New Wressle Field Development Application

An application to extend the existing planning consent for a further year was submitted to the North Lincolnshire Council on 13 April 2018.

In respect of a revised Wressle Field Development application, since January 2018, the operator has drilled two deeper cored groundwater boreholes in addition to the investigation boreholes previously drilled. The data from these operations is being used to support the new application which will contain a revised site design and hydrological risk assessment. The operator has received and integrated results of the positive hydraulic conductivity tests executed on the core samples. The new Wressle Field Development application will be submitted in June 2018.

Other

On completion of the Acquisition, the interests in PEDL180 and PEDL182 will be as follows:

Egdon Resources U.K. Limited (operator)	30.0%
Europa Oil & Gas Limited	30.0%
Union Jack Oil plc	27.5%
Humber Oil & Gas Limited	12.5%

On completion of the Acquisition, the tables below show the net volumes of hydrocarbons attributable to Union Jack pre and post-acquisition.

Net Volumes of hydrocarbons attributable to Union Jack pre-acquisition

	GROSS VOLUMES			NET VOLUMES ATTRIBUTABLE TO UNION JACK PRE-ACQUISITION		
	OIL MMSTB	GAS BCF	OIL EQUIV MMBOE	OIL MMSTB	GAS BCF	OIL EQUIV MMBOE
2P Ashover Grit and Wingfield Flags	0.62	0.20	0.65	0.09	0.03	0.10
2C Penistone Flags	1.53	2.00	1.86	0.23	0.30	0.28
Broughton North Mean Unrisked Prospective Resources	0.51	0.51	0.60	0.08	0.08	0.09

Net Volumes of hydrocarbons attributable to Union Jack post-acquisition

	GROSS VOLUMES			NET VOLUMES ATTRIBUTABLE TO UNION JACK POST-ACQUISITION		
	OIL MMSTB	GAS BCF	OIL EQUIV MMBOE	OIL MMSTB	GAS BCF	OIL EQUIV MMBOE
2P Ashover Grit and Wingfield Flags	0.62	0.20	0.65	0.16	0.05	0.18
2C Penistone Flags	1.53	2.00	1.86	0.42	0.55	0.51
Broughton North Mean Unrisked Prospective Resources	0.51	0.51	0.60	0.15	0.15	0.16

Completion of the Acquisition is subject to Oil and Gas Authority approval.

Any Deferred Consideration in relation to the Acquisition will not become payable until commercial oil production from the Licence is established, and is defined in the SPA as: *"...the commencement of production of Petroleum for commercial sale, which shall not include any Petroleum produced as a result of the testing, completion or commissioning of the discovery well"*.

Under the terms of the Acquisition, 25% of Celtique's 30% interest in PEDL180 is the subject of a 2.5% Net Profits Interest ("NPI") to a third party. The NPI will only become payable following commercial production and recovery of all costs including, drilling, testing, planning and development. In acquiring interests in the Licences, Union Jack and its joint venture partners will take on the NPI obligation in proportion to their respective legal and economic interests under the Acquisition.

In accordance with the "AIM Rules - Note for Mining and Oil and Gas Companies", the information contained within the announcement has been reviewed and signed off by Graham Bull, Non-Executive Director, who has over 46 years of international oil and gas industry exploration experience.

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