

15 March 2021

Union Jack Oil plc

(“Union Jack” or the “Company”)

Purchase of a Royalty Interest in the Claymore, Piper and Scapa North Sea Oilfields

Union Jack Oil plc (AIM: UJO), a UK focused, onshore hydrocarbon production, development and exploration company is pleased to announce the purchase from Cambridge Petroleum Royalties Limited (“CPRL”) of a 2.5% cash generating royalty interest (“**Acquired Interest**”) that is part of the royalty unit over 20% of the revenues from oil and gas production from the Claymore, Piper and Scapa oilfields located in the Central North Sea, known collectively as the Claymore and Piper Complex (the “**Royalty**”) for a total consideration, including working capital adjustments, of US\$130,000 (£93,730) and paid from the Company’s existing cash balance.

Highlights

- An attractive, cash generating and high yielding investment, consistent with Union Jack’s wider strategy and objectives to invest in the UK oil and gas sector
- Offers superior financial returns from North Sea oil and gas production
- Generates a compelling estimated Internal Rate of Return (“**IRR**”) of approximately 129%
- Cash generating investment with an estimated average annual compound yield estimated at 16.5% over the life of the Royalty, superior to high street banks, other fixed interest, or treasury investment alternatives
- Payback, including accrued royalty payments of the original investment, is estimated to be less than 12 months
- The Company benefits from an indirect contractual exposure to North Sea offshore oil and gas production revenues without any ongoing capital investment, decommissioning and joint venture operating costs
- Represents the first such royalty investment in the Claymore and Piper Complex by Union Jack with further transactions planned for 2021 and where a second, material transaction is at an advanced stage

David Bramhill, Executive Chairman of Union Jack Oil commented: “This compelling investment in a cash generating royalty over the Claymore and Piper Complex’s oil and gas revenues, plays strongly to the Company’s technical and analytical strengths in oil and gas and represents a low-risk entry strategy to the North Sea while generating superior investment returns.

“The Royalty provides Union Jack with the benefits of an attractive cash flow stream and high yields from North Sea oil and gas production without the accompanying capital and operating costs associated with direct participation in the underlying oil field developments and infrastructure.

“The Royalty’s superior returns and cash flow characteristics are consistent with Union Jack’s wider strategy and objectives to invest in the UK oil and gas sector.

“This initial acquisition represents our first royalty investment over the Claymore and Piper Complex’s future oil and gas revenues and where we have the objective of making further investments during 2021. Encouragingly, a second material transaction is at an advanced stage.

“The objective of Union Jack remains to become a mid-tier producer and we see that is now within our grasp with development and free-flowing oil demonstrated at Wressle, the execution of the upcoming well tests at West Newton and planned drilling at Biscathorpe. All these projects are at an advanced stage and evidence significant progress towards our aim.”

Financial Merits of the Royalty

The financial benefits of the ownership of a royalty interest over the revenues of a producing oil and gas field include:

- Generation of an annuity type cash flow
- No exposure of the royalty investor to the underlying field capital or operating costs
- No exposure to field decommissioning costs
- Cash payments are made to the Royalty investor net of upstream government levies which, in the case of the North Sea, is the Petroleum Revenue Tax (“PRT”) which was permanently zero rated in 2016

Independent estimates by Oil & Gas Advisors Limited indicate that there remains a minimum of ten years of further economic production life in the Claymore and Piper Complex with the Royalty generating a superior financial return for Union Jack during that time:

- Generates a compelling estimated Internal Rate of Return (“IRR”) of approximately 129%
- Cash generating investment with an annual compound yield estimated at 16.5% over the life of the Royalty, superior to high street banks, other fixed interest, or treasury investment alternatives
- Payback of the original investment, including working capital adjustments, is estimated to be less than 12 months

Estimates of the remaining economic production life of the Claymore and Piper Complex and other related financial characteristics used:

- Forward curves for future price of oil and gas
- Publicly available cost data
- Future production rates estimated using typical reservoir Decline Curve Analysis (“DCA”)
- Historic oil and gas production figures up to November 2020 (as published by the Oil and Gas Authority)

Revenue net to CPRL’s Royalty interest in the year ended 31 December 2020 was US\$24,672.

The amount shown above does not include accounts receivable of approximately US\$120,000 which is now, contractually, to be paid to Union Jack in due course.

The Acquired Interest represents Union Jack’s first investment in the Royalty and the Company has the objective of making further investments during 2021. A second, material transaction is currently under negotiation and is at an advanced stage.

Oil & Gas Advisors Limited acted as financial adviser to the Company in respect of this transaction.

Background on the Claymore and Piper Complex

The Claymore and Piper Complex has produced in excess of 1.8 billion barrels of oil and 262 billion cubic feet of gas to date, of which approximately 6 million barrels of oil and 2 billion cubic feet of gas was produced in 2020.

The Operator of the Claymore and Piper Complex is Repsol Sinopec Resources UK Limited, an oil and gas exploration and production company that has extensive hydrocarbon interests in the UK North Sea.

Claymore Complex

The Claymore Complex is located within block 14/19 of the UK Continental Shelf in the Central North Sea, 161 kilometres north east of Aberdeen.

The development consists of two fixed, steel bridge-linked platforms in 110 metres of water.

The complex also includes the Scapa oilfield developed as a sub-sea tie-back to the Claymore platform, which produced first oil in 1985. In addition, Claymore provides an up and over transportation service to Golden Eagle. Hydrocarbons are transported via a 14 inch oil export pipeline from Golden Eagle and delivered to the Claymore pipeline.

Piper Complex

Piper was initially authorised for development in 1974 and lies within block 15/17 of the UK Continental Shelf in the Central North Sea, 193 kilometres north east of Aberdeen.

The Piper B platform was installed in 1992 and production commenced in 1993. Piper B's process facilities separate production from the Piper, Saltire, Chanter and Tweedsmuir reservoirs into oil, natural gas liquids and dry gas. The platform receives gas for fuel gas provision from the Frigg gas network when required.

Scapa Field

The Scapa Field is located in UK North Sea Block 14/19 in the Witch Ground Graben, 112 miles northeast of Aberdeen.

The field was discovered in 1975 by the 14/19-9 well which tested 32° API crude from the Scapa Sandstone Member of the Early Cretaceous Valhall Formation.

Production from the Scapa field is exported through the existing Claymore and Piper infrastructure.

Royalty Manager

Repsol Sinopec Resources UK Limited, acting in its capacity as the Operator of the Claymore and Piper Complex, is currently holding all monies accruing to the holders of the Royalty (the "**Accrued Royalty**"), to which individual holders of the Royalty are entitled in proportion to their respective ownership of the Royalty. All cash disbursements to the holders of the Royalty, including disbursements of the Accrued Royalty, are undertaken by a royalty manager, that awaits a new appointment.

Royalty Presentation

A presentation in respect of the Company's interest in the Claymore Piper Complex Royalty can be found on the homepage of the Union Jack website www.unionjackoil.com.

For further information, please contact:

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Glossary

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| Internal Rate of Return or IRR | <p>The internal rate of return is a financial metric used to assess the attractiveness of a particular investment opportunity. The IRR for an investment effectively estimates the rate of return of that investment after accounting for the initial investment and all its projected cashflows and taking into account the time value of money.</p> <p>The internal rate of return is also a discount rate that makes the net present value (“NPV”) of all future cash flows equal to zero in a discounted cash flow analysis.</p> |
| Petroleum Revenue Tax or PRT | <p>A tax on the profits from oil and gas production from the UK Continental Shelf. Unlike Corporation Tax, which is charged on the aggregate profit arising from all oil fields owned by a company, PRT is charged on each owner’s share of the profits of each individual oil field. PRT was permanently zero rated in 2016.</p> |
| Subsea Tieback | <p>The subsea tieback is an engineering solution connecting a well head to an existing production centre via a pipeline laying on, or buried beneath, the seafloor.</p> |
| Yield | <p>Yield refers to the earnings generated and realized on an investment over a particular period of time and is expressed as</p> |

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| | a percentage based on the invested amount, current market value, or face value of the security. It includes the interest earned or dividends received from holding a particular security. |
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