

29 January 2024

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is Disclosed in accordance with the Company's obligations under Article 17 of MAR.

**Union Jack Oil plc**  
**("Union Jack" or the "Company")**  
**Strategic Expansion into the United States**  
**Purchase of Producing Mineral Royalties**  
**Proposed Future USA Drilling Collaboration with Reach Oil & Gas Inc**

Union Jack Oil plc, (AIM: UJO) a predominantly UK onshore focused production, development and exploration company is pleased to announce details of its initial expansion into the United States of America ("United States" or "USA"), with the purchase of three Mineral Royalty packages ("Royalties"), brokered by the Company's agent and adviser, Reach Oil & Gas Inc ("Reach").

Union Jack is also poised to complete Joint Venture agreements with Reach, in respect of a number of value accretive, exploration, drilling, development and potential production ventures in Oklahoma, one of the highest ranked hydrocarbon production locations in the United States.

#### **Royalties Purchased to Date**

- Cronus Unit, containing a 25 well package in the Permian Basin, Midland County, Texas, (Effective date December 2023); the property is comprised of 9 Chevron and 16 XTO (a subsidiary of Exxon) operated wells
- COG Operating LLC (a subsidiary of ConocoPhillips) operated, Powell Ranch Unit, consisting of 15 wells in the Permian Basin, Upton County, Texas (Effective date November 2023); the property is comprised of 7 horizontal and 8 vertical wells
- Occidental operated Palm Springs Unit, containing 10 horizontal wells in the Permian Basin, Howard County, Texas (Effective date January 2024)
- The total cash consideration for the Royalties was US\$854,070 (£677,235)
- 10% of consideration earned since December 2023
- The Royalties are estimated to have an economic life of more than 26 years and a current Internal Rate of Return in excess of 20%

The Royalties also provide additional upside as new wells are completed and drilled on the properties at no cost to Union Jack. Chevron, one of the associated operators, has publicly stated their commitment to expanding activities in the Permian Basin.

Reach has been appointed as agent to act on behalf of Union Jack in the management of the Royalties.

The Royalties acquisition has been completed using existing cash balances.

Gneiss Energy acted as Financial Adviser to this transaction.

#### **Attraction of United States Royalties and Initial Focus Areas**

- Exposure to most active basins and largest operators in the United States
- Monthly income with no development or operating costs
- Owned in perpetuity, with no forward liabilities or obligations
- Focus on the Permian Basin, Texas, which produces approximately 6% of the world's daily oil requirements

- Oil and gas production and drilling anticipated for decades
- Each well can target multiple productive zones, such as the Lower Sprayberry, Wolfcamp A, Wolfcamp B Lower, Wolfcamp B Upper, Wolfcamp C and D, Jo Mill, and Dean and Barnett, amongst others

### **Future Collaboration with Reach on Drilling Opportunities**

In addition to Reach's role in the management of the Royalties, Union Jack is also poised to complete Joint Venture agreements with Reach, in respect of a number of value accretive, exploration, drilling, development and potential production ventures in Oklahoma, one of the highest ranked hydrocarbon production locations in the United States.

The Company's rationale in pursuing these investment opportunities is that Union Jack will acquire material interests in projects with near-term planned drilling, a high chance of success and capable of adding significant cash flow, complementing Union Jack's existing profitable, production and development interests onshore UK.

Due diligence, including a site visit, has been undertaken by Union Jack in respect of certain oil and gas investment opportunities that have received the approval of the Company's technical team. Terms are being finalised with Reach and when complete will allow the execution of Joint Venture agreements in respect of at least two material drilling programmes in Oklahoma, where the first well is planned for early Q2 2024.

Further details on the proposed future collaboration with Reach on drilling opportunities will follow upon execution of definitive documentation expected to be completed in the coming weeks.

### **Reach Oil and Gas Inc (<https://www.reachoilgas.com>)**

Reach, and its sister company Reach Energy Limited, established in 2013, are successful private, production, development and exploration entities, based in Oklahoma, with offices in Aberdeen (UK) and Oklahoma City (USA).

The Principals of Reach are:

#### **Miles Newman**

- Imperial College London (Geology)
- Britoil plc and Kerr-McGee Corporation – geologist UK, Janice and Gryphon, North Sea
- Geoscientist and Exploration Manager in London, Houston and Aberdeen
- Founder of two successful UK Continental Shelf exploration companies, Reach Exploration (North Sea) Limited and Reach Oil & Gas

#### **Jim McKenny**

- Oklahoma University (Geology)
- Represented UK based, Fisherman's Petroleum Company Ltd for over 30 years
- Represented Caithness Petroleum
- Wide experience of United States onshore oil basins

In addition, the Board of Reach is well supported by numerous, experienced oilfield personnel, which include land rights management, administration, production drilling operations and engineering completions managers.

Union Jack is committed to working with operators such as Reach, who demonstrate a strong commitment to safety, environmental and social responsibility, in all aspects of their operations.

**David Bramhill, Executive Chairman of Union Jack, commented:** “In my Chairman’s Statement, contained within the Half Yearly Report, dated 11 September 2023, I indicated that the Company was actively seeking growth opportunities in regimes with sympathetic views towards the hydrocarbon industry, without compromising the world’s environmental objectives and the aim of a Net Zero target by 2050.

“To this end, today, we are announcing a strategic expansion into the United States by investments in Permian Basin focused royalties and an intended future collaboration, with Reach, on oil and gas investment opportunities and drilling projects in Oklahoma.

“Union Jack’s existing onshore UK conventional production, development and exploration activities will remain our core focus for the foreseeable future. This distinct strategy has transformed the Company into a self-sustainable, dividend paying, profit making entity.

“We have distributed approximately £3,000,000 via dividend payments and share buy-backs in just 15 months, and the intent is to continue share buy-backs and dividend payment programme as and when appropriate.

“The evolution of Union Jack, particularly in recent years, in my opinion, has been transformational. Almost every year growth in assets or revenues has been delivered to shareholders. Management has consistently focused on value creation, such as at our flagship, Wressle development, where our interest has increased from just 8.33% to a predominant 40%, due to our acquisitive approach when value can be seen.

“The investment climate for international investment outside of the UK, especially within the United States, has improved significantly, driven primarily by streamlined asset ownership and the evolution of enabling technologies. These factors have been instrumental in Union Jack’s decision to expand its activities in the United States.

“The acquisition of the Royalties provides immediate cash-flow, is without CAPEX exposure and has the scope to grow exponentially, as new wells are drilled and completed within the prolific Permian Basin. The longevity of the Royalties is assured as the economic life of the wells is in excess of 26 years.

“The operators associated with the Royalties are all major producers, ranking highly in the S&P Global (formerly Standard & Poor’s), Fitch and Moody’s credit ratings.

“Reach has presented to Union Jack numerous investment opportunities for direct participation in the drilling of a number of wells during the course of 2024, with the first well planned for early Q2 2024.

“These projects, once finalised, will be funded from current cash balances without recourse to the Capital Markets.

“I look forward to updating shareholders on progress in respect of Union Jack’s development in the United States, that we believe, in time, will replicate our ongoing success seen in the UK.”

**Miles Newman, Chairman of Reach, commented:** “We are very pleased to be working with the Union Jack team in the USA onshore, initially advising on the purchase of Mineral Royalties in Texas, where there remains the opportunity to purchase quality oil rights in the Permian Basin, the fastest growing oil basin in the world and an area in just the mid-stages of development.

“Our team in Oklahoma City is also working on a number of near-term drilling projects which will lead to the expansion of our collaboration with Union Jack in the coming weeks.”

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