

United Oil & Gas Plc*

9 March 2020

Stock Data

Share Price:	1.85p
Market cap.:	£11.5m
Shares in issue:	619.2m
Fully diluted equity:	712.5m

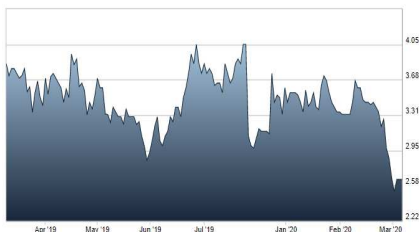
Company Profile

Sector:	Oil & Gas
Exchange:	AIM
Ticker:	UOG

Activities

Oil and gas exploration, development and production company with existing assets in Egypt, UK, Italy and Jamaica. Management strategy is to expand the current portfolio with value accretive acquisitions focused primarily on stable international jurisdictions.

Performance Data



Source: LSE

Directors

Graham Martin:	Non-Exec. Chairman
Brian Larkin:	Chief Executive Officer
Jonathan Leather:	Chief Operating Officer
David Quirke:	Chief Financial Officer
Alberto Cattaruzza:	Non-Exec. Director

Important Notice

OSL's investment research products are paid for by corporate clients as part of their retainer fee. As such, this document falls under Article 12 3 (b) of the European Commission's Delegated Directive of 7 April 2016 and it qualifies as an 'acceptable minor non-monetary benefit' and does not qualify as 'chargeable research'. OSL are therefore able to send this document to investors without the requirement for any compensation to be paid to OSL from the recipients – it is 'freely available'.

*Optiva Securities acts as joint broker to United Oil & Gas Plc

Proportion of Abu Sennan production hedged

The operations and share prices of both the integrated and junior oil and gas companies have come under severe pressure following Saudi Arabia's decision to instigate a global oil price war compounded by the impact of the coronavirus and efforts to contain it. However, in this regard we note that United is comparatively well protected from the worst of the potential downside given that more than one third of the company's production from the Abu Sennan concession in Egypt is protected by fixed price mechanisms for both oil and gas.

United completed the acquisition of Rockhopper Egypt Pty Ltd, which includes a 22% non-operated interest in the Abu Sennan concession onshore Egypt on 28 February 2020. The total consideration was US\$16m funded by the issue of 114.5 million United shares to Rockhopper and a prepayment facility of US\$8.0m provided by BP. In addition United issued 150.6 million placing shares to new and existing investors and 8.4 million subscription shares to fund the balance of the transaction.

In light of the recent collapse in global oil prices sparked by the collapse of Saudi Arabia's alliance with Russia, investors should note that a significant proportion of United's share of production from Abu Sennan is protected by fixed price mechanisms. Additionally, low operating costs of c.US\$6.50 per barrel indicate that the project's economics are highly robust with the asset breaking even at oil prices below US\$30.00 per barrel.

Under the terms of the BP prepayment facility, approximately 6,600 barrels of crude per month is based on a floor price of US\$60/bbl for the next 30 months. This equates to approximately 220 bopd out of United's current net oil production which currently totals 1,450 bopd (out of total output of c.1,700 boepd).

Additional to this, we estimate that approximately 20-25% of United's net production will comprise gas from mid-March onwards, up from a level closer to 15% at the start of the year. This is due to the imminent completion of a gas pipeline on the Al Jahraa field which will bring a further 1,000 boepd (220 boepd net to United) of gas on stream when completed.

Given that we have applied a fixed price of US\$3.29 per mcf to Abu Sennan gas output and we anticipate gas price stability in relation to the current level of oil prices*, this element of United's revenue is stable and already factored into our assumptions regarding Abu Sennan production. *(A price of US\$2.65 per mmbtu will apply if Brent is US\$22.00 per barrel or more. At a calorific value of 1.24 mmbtu per mcf, a gas price of US\$3.29 per mcf is implied).

In summary, we estimate that some 33%-38% of United's Egyptian oil and gas production is contracted at fixed prices affording the company significant protection from the current oil price environment. As outlined in our reports in January and February 2020 we initially ascribed a valuation of United's interest in Abu Sennan of almost \$35m. Just as we would not upgrade this assessment immediately in the face of an oil price spike, we feel it only prudent to gauge our next valuation assessment in the context of the direction of oil prices over the next two to three months during a period of *relative* stability.

THIS DOCUMENT IS NOT FOR DISTRIBUTION INTO THE UNITED STATES, JAPAN, CANADA OR AUSTRALIA

General disclaimers

OSL's investment research products are paid for by corporate clients as part of their retainer fee. As such, this document falls under Article 12 3 (b) of the European Commission's Delegated Directive of 7 April 2016 and it qualifies as an 'acceptable minor non-monetary benefit' and does not qualify as 'chargeable research'. OSL are therefore able to send this document to investors without the requirement for any compensation to be paid to OSL from the recipients – it is 'freely available'.

This is a marketing communication under the rules of the Financial Conduct Authority ("FCA"). It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This document, which presents the Optiva Securities Limited ("OSL") research department's view, cannot be regarded as "investment research" in accordance with the FCA definition. The contents are based upon sources of information believed to be reliable but no warranty or representation, expressed or implied, is given as to their accuracy or completeness. Any opinion reflects OSL's judgement at the date of publication and neither OSL, nor any of its affiliated or associated companies, nor any of their directors or employees accepts any responsibility in respect of the information or recommendations contained herein which, moreover, are subject to change without notice. OSL accepts no liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document (except in respect of wilful default and to the extent that any such liability cannot be excluded by the applicable law).

The document is confidential and is being supplied solely for your information. It must not be copied or re-distributed to another person / organisation without OSL's prior written consent.

This is not a personal recommendation, offer, or a solicitation, to buy or sell any investment referred to in this document. The material is general information intended for recipients who understand the risks associated with investment. It does not take account of whether an investment, course of action, or associated risks are suitable for the recipient.

OSL manages its conflicts in accordance with its conflict management policy. For example, OSL may provide services (including corporate finance advice) where the flow of information is restricted by a Chinese wall. Accordingly, information may be available to OSL that is not reflected in this document. OSL and its affiliated or associated companies may have acted upon or used research recommendations before they have been published.

This document is approved and issued by OSL for publication only to UK persons who are authorised persons under the Financial Services and Markets Act 2000 and to professional clients, as defined by Directive 2004/39/EC as set out in the rules of the Financial Conduct Authority. Retail clients (as defined by rules of the FCA) must not rely on this document.

Specific disclaimers

OSL acts as joint broker to United Oil & Gas ("UOG"). OSL's private and institutional clients hold shares in UOG.

This document has been produced by OSL independently of UOG. Opinions and estimates in this document are entirely those of OSL as part of its internal research activity. OSL has no authority whatsoever to make any representation or warranty on behalf of UOG.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO THE UNITED STATES OF AMERICA, OR DISTRIBUTED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA OR TO ANY US PERSON AS DEFINED IN REGULATION S UNDER THE UNITED STATES SECURITIES ACT OF 1933. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF UNITED STATES SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO CANADA OR DISTRIBUTED IN CANADA OR TO ANY INDIVIDUAL OUTSIDE CANADA WHO IS A RESIDENT OF CANADA, EXCEPT IN COMPLIANCE WITH APPLICABLE CANADIAN SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO AUSTRALIA OR DISTRIBUTED IN AUSTRALIA OR TO ANY RESIDENT THEREOF EXCEPT IN COMPLIANCE WITH APPLICABLE AUSTRALIAN SECURITIES LAWS. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF AUSTRALIAN SECURITIES LAWS.

NEITHER THIS DOCUMENT NOR ANY COPY OF IT MAY BE TAKEN OR TRANSMITTED INTO OR DISTRIBUTED INTO JAPAN OR TO ANY RESIDENT THEREOF FOR THE PURPOSE OF SOLICITATION OR SUBSCRIPTION OR OFFER FOR SALE OF ANY SECURITIES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF JAPANESE SECURITIES LAWS.

NEITHER THIS REPORT NOR ANY COPY HEREOF MAY BE DISTRIBUTED IN ANY JURISDICTION OUTSIDE THE UK WHERE ITS DISTRIBUTION MAY BE RESTRICTED BY LAW. PERSONS WHO RECEIVE THIS REPORT SHOULD MAKE THEMSELVES AWARE OF AND ADHERE TO ANY SUCH RESTRICTIONS.

Copyright © 2020 Optiva Securities Limited, all rights reserved. Additional information is available upon request.

**Optiva Securities Limited, 49 Berkeley Square, London, W1J 5AZ
Tel: 0203 137 1902, Fax: 0870 130 1571**

Member of the London Stock Exchange. Authorised and regulated by the Financial Conduct Authority.