

## United Oil & Gas Plc\*

## 3 August 2020

### Stock Data

Share Price:	2.7p
Market cap.:	£16.9m
Shares in issue:	625.2m
Fully diluted equity:	730.9m

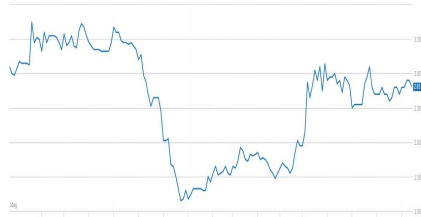
### Company Profile

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.

### Share price performance



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

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

## Walton-Morant licence in Jamaica extended

**United has extended the licence term for the highly prospective Walton-Morant licence offshore Jamaica by a further 18 months until 31 January 2022. As signalled prior to the end of the initial licence term which expired on 31 July 2020, the original operator Tullow Oil, elected not to proceed to the next stage of the licence and has relinquished its 80% interest. As such, United will now conduct further near term exploration activity on the acreage on the basis of a 100% interest with a view to introducing potential farm-in partners in order to expedite future exploration drilling activity.**

United originally farmed into Walton-Morant with a 20% interest in November 2017. Walton-Morant is a large licence area of over 32,000 km<sup>2</sup> located in the offshore region to the south of Jamaica. Tullow conducted 2D seismic surveys totalling 3,667 km over the licence in 2016 and 2017 and United participated in a 2,250 km<sup>2</sup> 3D seismic survey in 2018 with the conclusions derived from this new data published by ERCE in an updated CPR in 2019.

There are several large structures located on Walton-Morant, the most significant of which is the high-graded Colibri prospect, estimated to hold 229 mmbbls of unrisks prospective resources with a current chance of success of 20%. For a comprehensive analysis of the Walton-Morant licence and its prospectivity, we would direct investors to the United Oil & Gas research note published by Optiva Securities on 10 July 2019.

A six month extension to the initial Exploration Period for the licence was granted to the original joint venture partners in January 2020 giving Tullow and United until 31 July before a drill or drop decision was required. However, Tullow signalled its decision to exit the licence by fully writing off its interest in March 2020. With United now securing an 18-month extension to the current licence on a 100% basis, we expect that the company will focus initially on desktop studies to further de-risk Colibri and associated leads. We believe that this work will enable United to address many of the questions and issues that arose during the previous licence period when Tullow and United were seeking potential farm-in partners.

With complete control over this next phase of the licence, we believe that United has a unique opportunity to assess more comprehensively the potential of the licence and Colibri in particular which will enable the company to return to several of the previously interested parties with an enhanced proposition as sentiment in the sector continues to strengthen. Given that a future exploration well on Walton-Morant is likely to cost in the region of US\$30-\$40m on a gross basis, we believe that United will almost certainly seek at least one farm-in partner in order to expedite a maiden exploratory well on the licence.

**In our recent research note dated 5 June 2020, we established a core valuation of 8.1p per share for United despite several significant industry headwinds. This assessment was underpinned by the company's 22% interest in the Abu Sennan producing asset in Egypt which has demonstrated very robust value in a lower oil price environment. To this valuation, we have now included prospective resources upside at Abu Sennan and with the future of Walton-Morant secured until early 2022 and within United's full control; we have brought our risked assessment for Walton-Morant of 7.1p per share into our core valuation. As such, our updated valuation is now equivalent to 17.7p per share (see table overleaf). It is important to note that this metric assumes that United will hold an ultimate 50% interest (ideally carried over the cost of the exploration phase) at this stage following the anticipated introduction of one or more farm-in partners over the next 18 months.**

# United valuation summary

Outlined in the table below is our updated our sum of the parts valuation for United. Our indicative valuations have been generated in a combination of US dollars (Euros in the case of Podere Gallina in Italy) and converted into a Sterling equivalent at an average exchange rate of US\$1.26: £1.00.

Since our last update in early June 2020, we have updated our valuation to include additional potential upside from the company's interest in the exploration upside on Abu Sennan in Egypt. The Abu Sennan asset possesses significant infill and exploration drilling potential from bypassed pay and previously untargeted reservoirs and UOG estimates that there is at least 29 mmbbls of gross unrisks mean prospective resources on the licence (6.5 mmbbls net to UOG). On a risked basis, we have assumed that this could be worth a further 2.6p per share to the company.

With regard to Jamaica, we have also instigated a risked valuation to the key Colibri prospect on Walton-Morant. Within our assessment, we have assumed a chance of drilling success of 20%, a modest unit NPV of \$3.50 per barrel of risked resources and at this stage, we have factored in an ultimate equity interest of 50% for the company. This would obviously be subject to change in the event that the terms of a potential farm-out agreement vary from this early prognosis.

Our aggregate valuation table below is based on 625.2 million shares in issue and our fully diluted calculation factors in an additional 105.8 million warrants and options at exercise prices of between 1.0p and 8.0p per share.

## Valuation summary

Licence	Country	Status	Valuation US\$m	Valuation £m	Undiluted p
Abu Sennan	Egypt	Production/Development	34.1	27.1	4.3
Abu Sennan	Egypt	Prospective resources	20.6	16.3	2.6
Podere Gallina (Selva field)	Italy	Development	6.0	4.7	0.8
Podere Gallina	Italy	Contingent resources	1.3	1.0	0.2
Podere Gallina	Italy	Prospective resources	1.9	1.5	0.2
Walton-Morant	Jamaica	Exploration	56.1	44.5	7.1
P2366 (Crown)	UK	Appraisal	3.8	3.0	0.5
PL090 (Waddock Cross)	UK	Appraisal/Development	5.0	4.0	0.6
PL090 (Broadmayne)	UK	Exploration	3.7	3.0	0.5
UKCS 31st Licensing Round	UK	Exploration	6.5	5.1	0.8
Overheads		Corporate	-0.9	-0.8	-0.1
Cash (debt)		Corporate	1.8	1.4	0.2
Options and warrants		Corporate	6.4	5.1	0.0
<b>Core valuation</b>			<b>146.2</b>	<b>115.9</b>	<b>17.7</b>

Source: Optiva estimates

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