United Oil & Gas (UOG LN)

MARKET DATA

Bloomberg	ticker	UOG LN
Share price	p/shr	2.20
Target	p/shr	6.00
TP upside	%	173%
Shares out	Million	644.8
Fd shares	Million	759.5
Mkt cap	US$m	17.6
EV	US$m	21.1

DESCRIPTION

United Oil & Gas is a Dublin based E&P business listed on AIM with oil producing assets in Egypt and a portfolio of development and E&A assets in the UK and Jamaica.

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HIDDEN GEM

Led by a seasoned team of Intl E&P execs, United O&G (UOG LN) is an AIM-listed E&P with existing cash flow, low risk development upside and high impact exploration. The jewel in the crown is the Abu Sennan licence onshore Egypt, acquired from Rockhopper Exploration in 2020, where an active development & E&A drilling plan has the potential to double net production within 2-3 years from cash flow. Building on this platform, UOG is actively seeking production acquisitions of scale (up to 10 kboepd), drawing on its existing banking relationships to take advantage of portfolio consolidation by larger industry players. Meanwhile, in Jamaica, an ongoing farm-out process, if successful, would be a key catalyst: unlocking funding to drill a large prospect next year. We initiate coverage of UOG with a BUY recommendation and a 6.0p/shr target price, offering 173% upside to the current share price.

Figure 1: Summary financial forecasts

		2021	2022E	2023E	2024E	2025E	SUM
Production, WI	**kboepd**	**2,327**	**1,575**	**1,575**	**1,181**	**886**	**-**
Av. price*	US$/boe	58.6	96.2	86.2	79.0	63.3	-
Revenue**	**US$m**	**21.2**	**23.5**	**21.1**	**14.5**	**8.7**	**88.9**
Cash costs	US$m	(6.6)	(6.1)	(6.1)	(5.2)	(4.5)	(28.5)
EBITDA	**%**	**14.6**	**17.4**	**14.9**	**9.3**	**4.3**	**60.5**
Margin	*US$m*	69.0%	73.9%	70.9%	64.1%	48.8%	68.0%
FCF***	**US$m**	**3.4**	**6.7**	**9.3**	**5.4**	**1.9**	**26.7**
EV/EBITDA	x	1.5x	1.3x	0.7x	0.2x	(0.9x)	
FCF yield	%	19.2%	38.3%	52.8%	30.6%	11.0%	

Sources: Tennyson Securities. *Blended average realised price for gas & oil sales. **Includes gross up for taxes paid by EGPC.***ex A&D capex.

Strongly cash generative, leveraged to oil prices: UOG's sole producing asset is a 22% WI in the Kuwait Energy-operated Abu Sennan concession, containing eight producing oil fields and 3-7 mmboe of net 2P-3P (13-30 mmboe gross). A combination of modest cash operating costs (~US$6/boe), high realisations (Brent less US$1.85/bbl) and favorable economic terms (42.5% entitlement share) means the produced oil boasts healthy net backs of US$25-29-33/boe at US$80-90-100/bbl Brent prices. We forecast FY22e production of 1.6 kboepd net to UOG 22% share, underpinning group level EBITDA of US$17m on the current Brent forward curve (US$105/bbl) – equating to ~80% of UOG's EV. Looking further ahead, whilst our base case estimates (see Figure 1, above) assume a declining 2P scenario, planned & tentative E&A drilling plans over 2022-23 could easily see a doubling in net production to 3-4 kboepd in FY24 in a success case.

Near-term drilling catalysts: UOG has a self-funded business plan in Egypt which includes the drilling of 5 firm wells in 2022 (Egypt net capex US$6.8m in 2022) – comprising 3 development wells and 2 exploration wells. The first in the series (the ASD-2 development well) came ahead of prognosis adding 0.5 kboepd of net production in late Q1. Drilling is now underway at the first (ASV-1) of two exploration wells, collectively targeting 2.4 mmboe of net reserves (1.8p/shr unrisked) in low-risk structures (30-50% CoS). On success, these wells can be tied back to facilities in 60 days and pay back in under 6 months. Meanwhile, the two remaining development wells will target the Al Jahraa and ASH fields, the two largest accumulations on the block, helping to offset natural declines.

Jamaica blue sky potential, farm-out catalyst: UOG has commenced a farm-out process on its wholly owned Walton-Morant licence, offshore Jamaica. At a time of high oil prices and increasing focus on exploration in stable jurisdictions, we believe UOG has the best hope of transacting in years. We would expect any farm-out deal to fully fund a wildcat well on the block, likely on the high-graded Colibri prospect, which contains an estimated 406 mmboe of prospective resources worth ~US$2bn gross unrisked. Even in a scenario where UOG retains 20-30% of the equity into drilling this would be a transformation event for the company.

North Sea revival highlights Maria value: UOG has a 100% interest in the Maria oil find in the UK CNS. Made by Shell in the 1970s, this fallow discovery of ~6 mmbbls recoverable sits close to existing infrastructure and is a candidate for a low cost single well tie-back – offering significant value at current oil prices (6.5p/shr unrisked to UOG). Furthermore, as domestic energy security climbs up the political agenda, amidst the Ukraine war, regulatory and industry appetite to entertain projects such as this has certainly increased. The forward plan will see UOG commission a fresh reserve report and then work up potential commercialization options, which may include finding a partner to fund the development or divesting the asset entirely. We note that UOG has a track record of divesting assets in the UK CNS (the Crown discovery was sold to Anasuria Hibiscus in 2019).

Building on platform in Egypt; leveraging off existing relationships: UOG has established itself as a reputable player in Egypt through the Rockhopper transaction. Efforts to expand the portfolio substantially are given credence by the company's relationship with BP's trading arm which funded UOG's initial push in country via a US$8m loan. In our minds, this is a clear differentiating factor for UOG versus other small operators looking to expand. The M&A landscape in Egypt remains fluid with many larger operators seeking to divest or refocus portfolios, leaving opportunities for small players such as UOG to add value through deal flow. A quick glance at recent transactions in country supports the case for attractive acquisition metrics, which, when combined with debt funding, could be highly accretive for shareholders.

Value case – 0.2x P/NAV; 38% FY22e FCF yield: We estimate a Core NAV for UOG of 4.6p/shr using the Brent curve for 2022-24 and a LT flat Brent price of US$65/bbl. Our analysis ascribes value to the group's audited 2P reserves in Egypt (3.8p/shr) – plus corporate cash inflows from the recent Hibiscus litigation settlement (reached Mar 2022) and sale of UOG's Italian unit (closed Apr 2022). On top of this, we ascribe a further 1.4p of risked value to the 3P reserves in Egypt, delivering a Core + Development NAV of 6.0p/shr. Lastly, we ascribe a further 7.6p/shr of risked E&A value to the wider portfolio, comprising 0.8p/shr for 2 wells in Egypt (ASV-1X and ASF-1X), 3.2p/shr for Maria in the UK CNS and 3.6p/shr for Colibri in Jamaica (assuming 25% residual equity stake on drilling) – yielding a Total NAV of 13.7/shr (see Figure 2, below). Our target price for UOG of 6.0p/shr is aligned with Core + Development NAV. Meanwhile, on cash flow & profitability metrics, the stock trades on a FY22e EV/EBITDA, FCF yield and PE of 1.2x, 38% & 1.7x respectively – placing it at the low end of the wider UK E&P peer group.

Figure 2: Valuation summary

NET ASSET VALUE

Asset	Gross	Interest	WI	US$/boe	Unrisked		CoS	Risked	
	mmboe		mmboe		US$m	p/share		US$m	p/share
Egypt 2P	13	22%	3	12.45	36	3.8	100%	36	3.8
Hibiscus litigation					3	0.3		3	0.3
Italian portfolio sale					3	0.3		3	0.3
Net cash YE21					(3)	(0.4)		(3)	(0.4)
Warrant proceeds					6	0.7		6	0.7
Core NAV	**13**		**3**		**43**	**4.6**		**43**	**4.6**
Egypt 3P	16	22%	4	7.32	27	2.8	50%	13	1.4
Development NAV	**29**		**6**		**70**	**7.4**		**57**	**6.0**
Egypt (ASV-1X well)	3	22%	1	7.32	4	0.4	30%	1	0.1
Egypt (ASF-1X well)	8	22%	2	7.32	13	1.4	50%	7	0.7
UKCS – Maria discovery	6	100%	6	10.00	60	6.4	50%	30	3.2
Jamaica (Colibri-1 well)*	406	25%	102	3.53	359	38.1	10%	34	3.6
Total NAV	**452**		**116**		**506**	**53.7**		**129**	**13.7**

Valuation assumptions:

Brent US$105-93-84/bbl 2022-23-24 then US$65/bbl flat LT

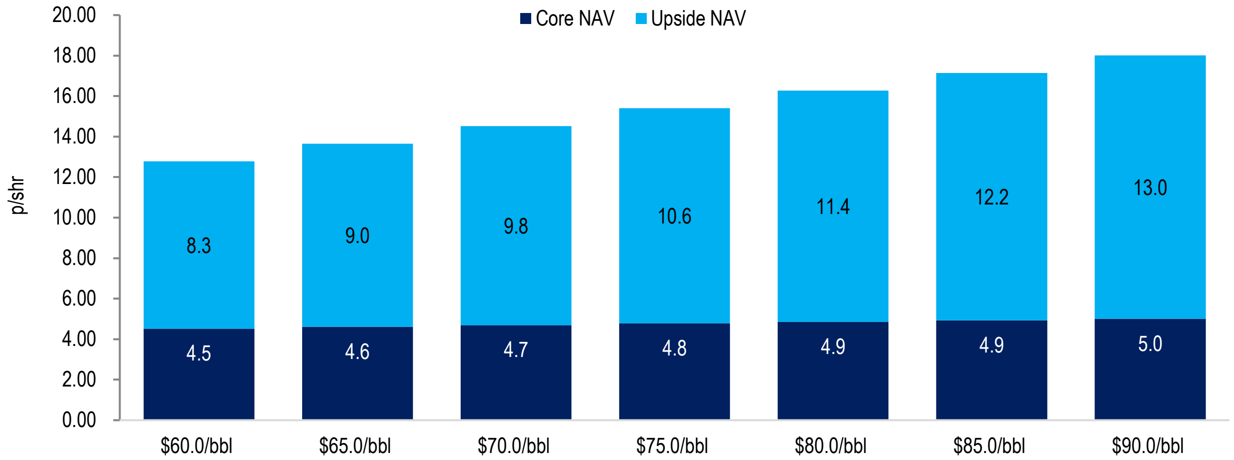
Discount rate 10%.

1.22 US dollar / £.

644.8m basic shares, plus 114.7m warrants & options = 759.5m fully diluted.

Source: Tennyson Securities. *Assumes: 1) hypothetical farm-out reduces working interest to 25% for funding exploration well and 2) 50% development risk layered on top of 19% geological chance of success (i.e 10% overall CoS).

Figure 3: Sensitivity table – NAV at various long term Brent oil price assumptions



Source: Tennyson Securities.

Figure 4: Financial summary – P&L, cash flow and balance sheet

FYE 31ST DEC		2021	2022E	2023E	2024E	2025E
Total WI oil & gas production	**boepd**	**2,327**	**1,575**	**1,575**	**1,181**	**886**
Entitlement share	%	42.5%	42.5%	42.5%	42.5%	42.5%
Net entitlement production	boepd	990	670	670	502	377
Average realised price*	US$/boe	59	96	86	79	63
Revenue (unhedged)	**US$m**	**21.2**	**23.5**	**21.1**	**14.5**	**8.7**
Operating costs	US$m	(4.9)	(4.6)	(4.6)	(3.9)	(3.4)
	US$/boe	*5.8*	*8.1*	*8.1*	*9.1*	*10.4*
G&A costs	US$m	(1.7)	(1.5)	(1.5)	(1.3)	(1.1)
	US$/boe	*2.0*	*2.6*	*2.6*	*3.0*	*3.4*
EBITDA	**US$m**	**14.6**	**17.4**	**14.9**	**9.3**	**4.3**
EBITDA margin	*US$/boe*	*69.0%*	*73.9%*	*70.9%*	*64.1%*	*48.8%*
DD&A	US$m	(4.1)	(2.3)	(2.3)	(1.7)	(1.3)
Other	US$m	(1.6)	-	-	-	-
Finance expense, net	US$m	(2.9)	(0.7)	(0.7)	-	-
Profit before tax	**US$m**	**5.9**	**14.3**	**11.9**	**7.6**	**3.0**
Income tax	US$m	(1.9)	(1.9)	(1.9)	(1.5)	(1.0)
Net income	**US$m**	**4.1**	**12.4**	**10.0**	**6.1**	**2.0**
EPS (fully diluted)	c/shr	*0.62*	*1.63*	*1.31*	*0.80*	*0.26*
Profit before tax	**US$m**	**5.9**	**14.3**	**11.9**	**7.6**	**3.0**
Cash flow reconciliation	US$m	9.7	3.0	3.0	1.7	1.3
Working capital movements	US$m	(3.1)	-	-	-	-
Interest paid, net	US$m	(1.5)	-	-	-	-
Tax paid	US$m	(1.9)	(1.9)	(1.9)	(1.5)	(1.0)
Net operating cash flow	**US$m**	**9.1**	**15.4**	**13.0**	**7.8**	**3.3**
Cash flow margin	*US$/boe*	*10.7*	*26.8*	*22.6*	*18.1*	*10.1*
Capex	US$m	(5.7)	(8.7)	(3.7)	(2.4)	(1.3)
Acquisitions	US$m	0.2	5.0	-	-	-
Free cash flow	**US$m**	**3.5**	**11.8**	**9.3**	**5.4**	**1.9**
Debt movement, other	US$m	(5.4)	(2.7)	(2.7)	-	-
Share issuance	US$m	0.4	-	-	-	-
Net increase (decrease) in cash	**US$m**	**(1.4)**	**9.1**	**6.6**	**5.4**	**1.9**
Cash	US$m	0.4	9.5	16.1	21.5	23.4
Total assets	**US$m**	**33.8**	**44.2**	**52.2**	**58.3**	**60.2**
Debt	US$m	2.4	1.9	-	-	-
Other liabilities & decommissioning	US$m	7.0	5.6	5.6	5.6	5.6
Shareholder equity	US$m	24.3	36.7	46.6	52.7	54.7
Total equity & liabilities	**US$m**	**33.8**	**44.2**	**52.2**	**58.3**	**60.2**
P/E	x	*4.4x*	*1.7x*	*2.1x*	*3.4x*	*10.6x*
EV/EBITDA	x	*1.5x*	*1.2x*	*0.7x*	*0.2x*	*(0.9x)*
FCF yield	%	*19.2%*	*38.3%*	*52.8%*	*30.6%*	*11.0%*
Net debt / EBITDA trailing	x	*0.2x*	-	-	-	-

Source: Tennyson Securities. *Blended realised price = Brent less US$1.85/bbl for oil and US$3.36/mcf flat for gas. Assumes Brent strip US$105-93-84/bbl 2022-23-24 and US$65/bbl thereafter.

COMPANY BACKGROUND/OVERVIEW:

United Oil & Gas (UOG LN) was founded in 2015 by CEO Brian Larkin and listed on the LSE Main Board in 2015, later moving to AIM in 2019. UOG is a full cycle E&P company with a diverse portfolio spanning Egypt, UK and Jamaica.

UOG's core Egyptian licence was acquired in 2020 from Rockhopper Exploration for US$16m in cash and UOG shares, bringing first production and revenue to the group. The Abu Sennan concession, in which UOG holds a 22% interest, is operated by Kuwait Energy Egypt (25%).

In 2017 UOG farmed into Tullow Oil's Walton-Morant exploration licence offshore Jamaica and in 2020 took full control of the licence following Tullow's withdrawal. A farm-out process is currently underway to fund the first well.

UOG also owns various development licences onshore and offshore UK, including the Maria oil discovery in the CNS.

SWOT ANALYSIS:

Strengths
- Diversified asset portfolio
- Free cash flow generating
- Onshore, low cost, close to infrastructure
- Debt relationship with BP
- Proven mngt & Board, strong technical team

Weaknesses
- Small scale production base
- Limited investor audience for small cap E&Ps

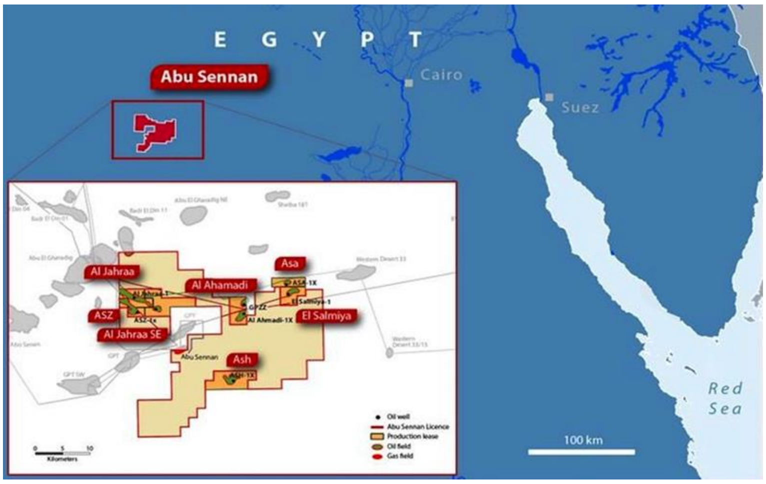
Opportunities
- Jamaica farm-out
- Production acquisitions
- North Sea partnerships
- Abu Sennan reserve upgrades

Threats
- Geopolitics
- Any unexpected weakness in commodities

RESERVES & PRODUCTION:

WI production:	1.5-1.65 kboepd
WI 2P reserves:	3.0 mmboe
WI 3P reserves:	6.6 mmboe

EGYPT ASSET MAP:



SHAREHOLDERS & CREDITORS:

Top shareholders*

Hargreaves Lansdown	13.9%
Jarvis Inv. Mgt.	10.5%
Interactive Investor Trading	9.0%
UOG Management	5.3%
Joshua Rowe	4.9%
Halifax share dealing	3.9%
David Newlands	3.2%
W Richards	3.1%
Premier Miton	3.0%

Debt facility

BP pre-payment facility (matures YE23)	US$5.4m YE21

MANAGEMENT & BOARD:

Graham Martin, Non-Exec. Chairman: Energy lawyer, former Exec. Director of Tullow Oil (1997-2016). Present NED of UK-listed titanium producer Kenmare Resources.

Brian Larkin, CEO: Founder of United O&G. Trained accountant, formerly worked for Tullow Oil and Providence Resources in various key commercial and finance roles.

Jonathan Leather, COO: Geologist, 20 years' industry experience. Formerly worked for Tullow Oil (2007-15), where he held a number of senior technical roles; ex. Shell UK.

Peter Dunne, CFO: Seasoned finance professional with 14 years' oil & gas experience. Formerly CFO of private E&P Boru Energy. Ex Origin Enterprises and Petroceltic.

Iman Hill, NED: Petroleum Engineer, 30 years' industry experience. Exec. Director of International Association of O&G Producers (IOGP) and NED of Oil Spill Response Ltd (OSRL). Formerly held various senior mgnt roles at Shell, BG, Sasol and Dana Gas.

Tom Hickey, NED: Former CFO of Tullow Oil (2000-08). Present CEO of Boru Energy, a private West African E&P backed by The Carlyle Group.

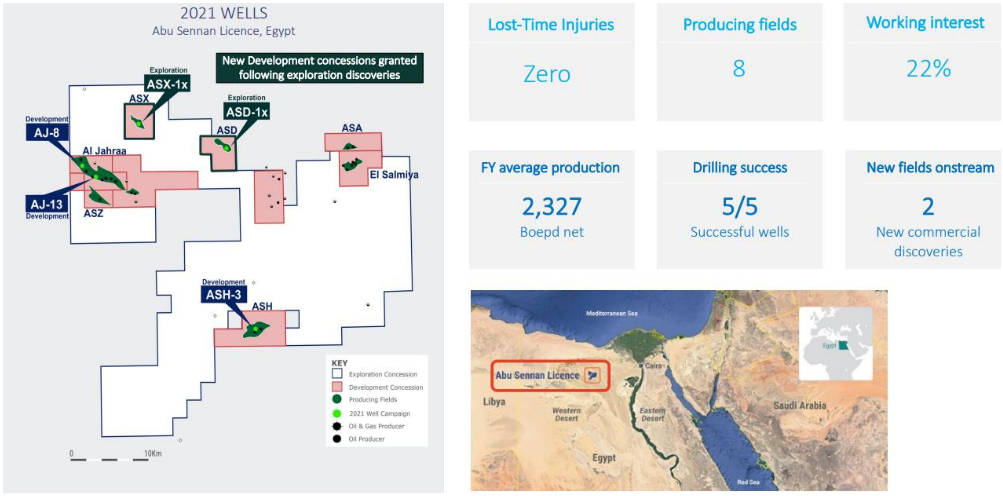
Source: Tennyson Securities, UOG. *As at 31 March 2022.

1 EGYPTIAN PORTFOLIO

Asset overview

UOG holds a 22% interest in the Abu Sennan concession in the northern part of the Western Desert region, onshore Egypt (see Figure 5, below). The licence is operated by Kuwait Energy Egypt (25%), a subsidiary of Hong Kong-listed United Energy Group, through a JV between EGPC (Egyptian state oil company) and the contractor group of companies (which also includes partners Global Connect 25% and Dover Investments 28%). The surrounding area has seen extensive hydrocarbon development over the years, including the Abu El-Gharadig field complex immediately to the northwest (operated by Khalda Petroleum, a JV between Apache and China Petrochemical) where oil production peaked at more than 50 kbopd during 2017.

Figure 5: Abu Sennan concession map, 2021 activity summary & YE21 reserves



YE21 audited reserves	Oil (mmbbls)	Gas (bcf)	Total (mmboe)
<u>Gross licence</u>			
1P	3.8	2.4	4.3
2P	**11.7**	**8.4**	**13.3**
3P	25.0	25.1	30.1
<u>Net to UOG (22%)</u>			
1P	0.8	0.5	0.9
2P	**2.6**	**1.9**	**3.0**
3P	5.5	5.5	6.6

Source: UOG, ERCE.

The Abu Sennan concession encompasses nine development licences (outlined in red in the map above), governing 10 commercial oil discoveries, plus the surrounding exploration licence (outlined in blue) covering an area of ~644 sq km. The development licences have 20 years or more left to run (plus a 5 year extension option) and the current phase of the exploration licence runs to Sept 2023 (with one commitment well which will be satisfied in 2022).

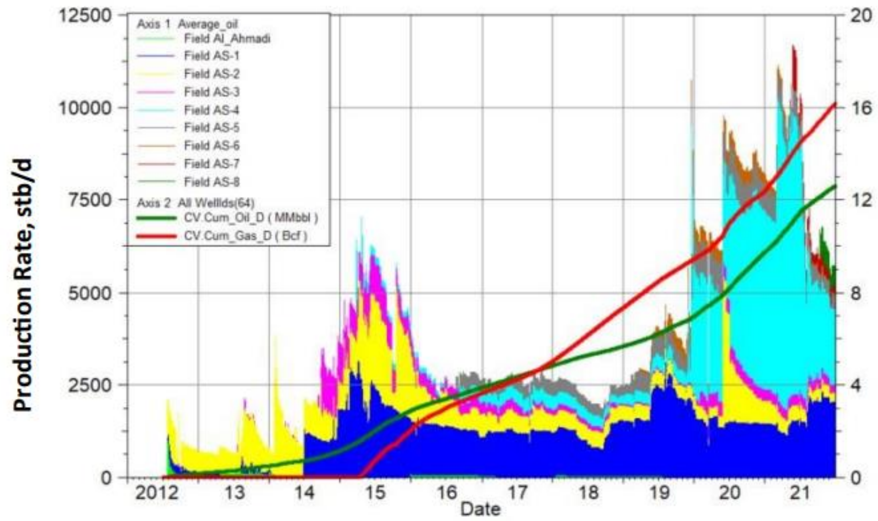
UOG's reserve auditor ERCE estimates gross 1P-2P-3P reserves of 4.3-13.3-30.1 mmboe (0.9-3.0-6.6 mmboe net to UOG), the majority of which is oil (~86% in central 2P case). Current gross production is ~7.1 kboepd (1,567 boepd net to UOG) from 20 wells and 8 producing fields, comprising ~5.8 kbopd of oil (33-42° API crude) and ~1.4 kboepd of associated gas. The oil sells at a modest US$1.85/bbl discount to Brent and the gas at a fixed contract price of US$3.36/mcf.

Licence background

Although the first discovery on the Abu Sennan licence (ZZ) was made pre-1985, it wasn't until after the turn of the century that development activity started in earnest. In 2008, then operator Dover Investments, acquired 3D seismic over the majority of the licence area. This led to the drilling of four wells in 2011, discovering the Al Ahmadi, Al Jahraa and El Salmiya fields.

Trial production started in 2012 using rented facilities and trucking operations. Additional drilling took place in 2013-14 resulting in the discovery of the Abu Roash-C (AB-C) reservoir in the Al Jahraa field, the largest reservoir found to date in the licence (see Al Jahraa production in dark blue (labelled AS-1) in Figure 6, below). Subsequently, in 2014, rental facilities were replaced by permanent facilities serving the El Salmiya, ASA, Al Ahmadi and Al Jahraa fields.

Figure 6: Abu Sennan concession oil production history



Source: UOG.

The commercialisation of associated gas followed in 2014-15, with construction of a new gas pipeline connecting to a third party GPC facility – located 12km from the Al Ahmadi field. Further E&A drilling activity continued throughout 2018-22 lifting the number of individual reservoir accumulations to 23 across 10 separate fields (ZZ & Al Ahmadi are now fully depleted). A summary of key well results is shown in Figure 7, below. As it stands, the Al Jahraa and ASH fields are by far the largest, collectively accounting for over three-quarters of total production.

Figure 7: Key well results 2020-22

Well name	Field	Date	Gross IP**	Net pay / reservoir
ASD-2	**ASD**	**Mar-22**	**2,100 boepd**	**25.5m net pay Abu Roash / Bahariya**
Al Jahraa-13	Al Jahraa	Jan-22	600 boepd	17.5m net pay Bahariya
ASX-1X	ASX	Oct-21	870 boepd	10m net pay Abu Roash
ASD-1X	ASD	May-21	1,295 boepd	22m net pay AR, Bahariya, Kharita
ASH-IST2	ASH	May-21	1,000 boepd*	Workover of existing well
ASH-3	**ASH**	**Mar-21**	**4,000 boepd**	**27.5m net pay Alem El Buieb**
El Salmiyah-5	**El Salmiyah**	**Jun-20**	**2,900 boepd**	**>120m net pay Kharita, AR**
ASH-2	**ASH**	**Jan-20**	**3,000 boepd**	**Alem El Buieb**

Source: UOG, Rockhopper. *incremental flow, post workover. *Initial stabilised production rates.

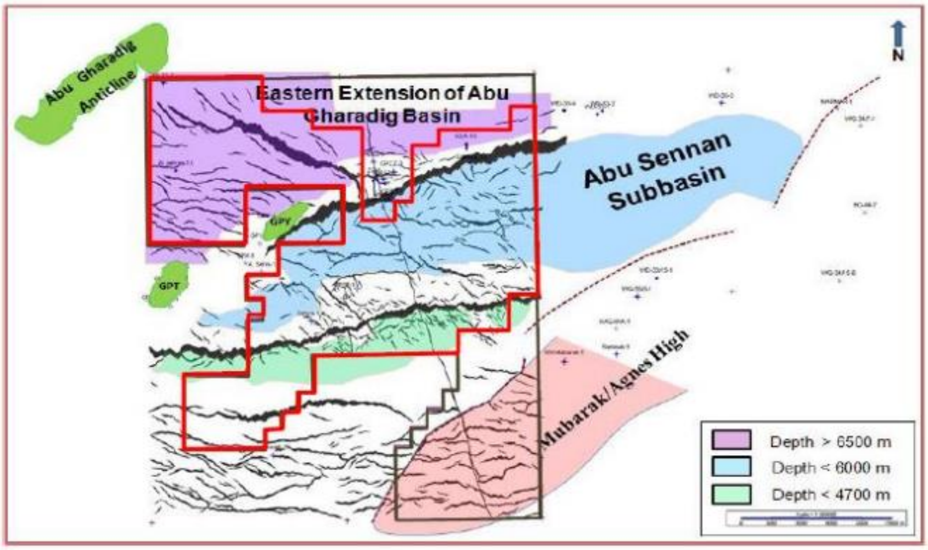
As the chart in Figure 6 shows above, gross licence production peaked at >10 kboepd in H1 2021, roughly four times the level of early 2019. The step up in output has been driven by the development of the ASH field, which accounted for ~60% of cumulative production between

Jan 2020 and July 2021. In mid-2021, the ASH field saw an earlier and larger than expected increase in water cut, leading to an associated fall in production (see ASH field production contribution (labelled AS-4) shown in Figure 6, above). Subsequently, a programme of intervention work at the field including the installation of two out of three planned ESPs has allowed ASH production to stabilise at reduced levels.

Regional geology and key fields

The Abu Sennan licence sits in the Western Desert at the intersect of the Abu Gharadig and Abu Sennan basins (see Figure 8, below). The discovered reservoirs in the licence area are Cretaceous in age and consist predominantly of interbedded marine shales and sandstones – split into four stacked members: the Abu Roash, Alam El Bueib, Upper & Lower Bahariya and Kharita formations. Reservoir qualities tend to be moderate with porosities varying between 9-16%. Well production rates vary from a few hundred barrels per day to several thousand in some wells. Traps are typically structural in nature, comprising mainly fault bounded dip closures and horst blocks. Meanwhile, the principal seal is provided by marine mudstones of the Abu Roash formation.

Figure 8: Geological setting of the Abu Sennan concession



Source: UOG.

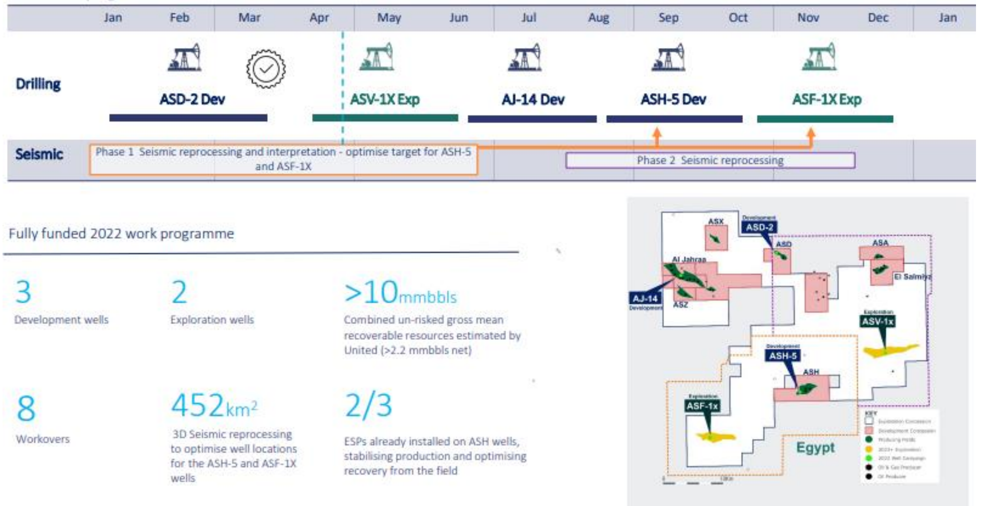
The Al Jahraa field sits in the northwest of the licence area (see Figure 5, above) and comprises an elongated anticline with fault bounded control. It contains oil in the Abu Roash (C, D, E & G units) and the Upper & Lower Bahariya reservoirs at depths of 2,750-3,050m TVDSS. The core field was discovered in 2011 with a southeast extension following in 2016. So far thirteen wells have been drilled across the greater discovery area. A water injection campaign commenced in mid-2018. As of YE21, on a gross basis, the field was delivering 2.3 kbopd and 1.8 mmscf/d of gas with cumulative oil production of 5.1 mmbbls and gas of 1.3 bcf. In terms of future development, the current plan is to drill two infill wells and three recompletions across the various productive reservoirs.

The ASH field was discovered more recently in 2015 and produces from the deeper Alam El Bueib formation at 3,700m TVDSS. It sits in the south-central part of the licence (see Figure 5, above). There are 3 wells in the field, all of which produced oil impressively on test (at flow rates of up to 7 kbopd in ASH-2), although increased water cut led to rapid declines. As of YE21, on a gross basis, the field was delivering 2.1 kbopd and 4.6 mmscf/d of gas, with cumulative oil production of 3.6 mmbbls and gas of 2.1 bcf. In terms of future development, the current plan is to drill two additional infills wells.

2022 development & exploration programme

UOG has commenced a fully funded firm 5 well programme for 2022 targeting a mix of development and exploration objectives (see summary table in Figure 9, below) across the licence.

Figure 9: 2022 drilling programme



Source: UOG.

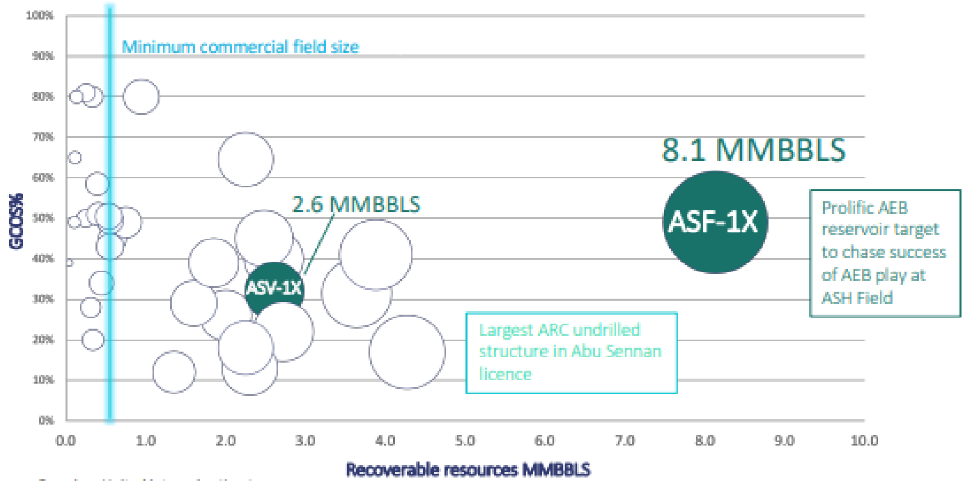
- **ASD-2 (complete):** The first development well on the ASD field came in ahead of prognosis, encountering 26m of net pay across multiple oil bearing reservoirs (Abu Roash and Bahariya). It was put onstream in late Q1 2022 at a rate of 2.1 kboepd (462 boepd net to UOG), exceeding pre-drill expectations. This well was key in UOG extending its H1 2021 net production guidance of 1,500-1,650 boepd across the FY.
- **ASV-1X (drilling ahead):** ASV-1 is an exploration well on the ASV structure, a fault-bounded play on the eastern flank of the licence area (see Figure 9, above). The primary targets are sandstone Abu Roash (ARC) reservoirs, which are key producers across the licence area (such as the Al Jahraa field). The well will also penetrate the secondary Kharita stacked reservoir sequence. Gross prospective resources are estimated at 2.6 mmbbls (0.6 mmbbls net) with a chance of success of roughly 1 in 3 (trap and migration are key risks). Success here would extend the Abu Roash trend of fields into the southeast of the licence, potentially de-risking additional prospects.
- **AJ-14 (Q3 2022):** AJ-14 is an infill well on the Al Jahraa field and will target the main Abu Roash reservoirs with the hope of accessing additional reserves and accelerating production. To give an idea of productivity, the AJ-13 well come onstream in early 2021 at ~600 bopd gross (~130 bopd net)
- **ASH-5 (Q3 2022):** The fourth well in the programme is ASH-5 on the ASH field which will target the prolific Alam El Bueib reservoirs. The production uplift from this well could be substantial with the earlier ASH-2 and 3 wells each coming onstream at 3-4 kbopd gross (660-880 bopd net).
- **ASF-1X (Q4 2022):** The final well in the programme is the ASF-1 exploration well, the largest undrilled structure of the block, targeting 8.1 mmbbls of gross prospective resources (1.8 mmbbls net). The prospect is located in the southwest corner of the licence and comprises a tilted fault block, with primary reservoir objectives in the proven Abu Roash and Alam El Bueib reservoirs. The well has a chance of success of around 1 in 2, with trap and migration the key pre-drill risks. Success here would

extend the Abu Roash and Alam El Bueib trend into the southwest corner of the licence, potentially de-risking additional prospects.

Potential running room

The Abu Sennan licence has significant running room, with more than 30 mapped prospects and leads (see Figure 10, below). Whilst most of the structures are relatively modest in size (1-8 mmbbls gross), the chance of success is high (averaging 1-in-3) and historically the exploration hit rate has exceeded 70% since 2011 (80% for all drilling activity). The majority of the inventory is targeting proven play types with the same trap configurations and reservoirs as the producing fields.

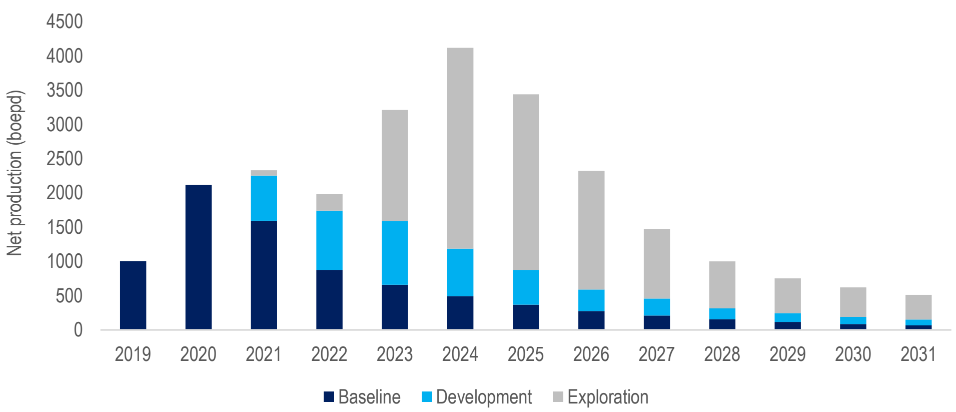
Figure 10: Prospect inventory and chance of success



Source: UOG.

Since acquiring its interest in the licence in 2019 UOG has presided over a period of significant production growth and reserve replacement – largely thanks to drilling success over the period. Over the years 2019-21 production has increased by 119% and 2P reserves by 114%. Given the characteristics of the block and past success, UOG is seeking to repeat this feat over the coming years, with further E&A and development drilling activity seen in 2022-24 funded from base CF. The chart below illustrates the potential for production growth on the back of incremental exploration success over the coming few years.

Figure 11: Indicative production growth with exploration success*



Source: UOG. *Assumes success in 9 exploration prospects with ~4.4 mmboe of cumulative incremental reserves.

Fiscal terms & economics

The Abu Shennan concession is governed under a Production Sharing Contract with relatively attractive economics. The key terms are as follows:

- **Cost recovery:** the contractor group is able to recover all its costs from up to 30% of revenues. For the purposes of cost recovery, capex is depreciated over 5 years and opex in the year incurred. Unrecovered costs can be carried forward indefinitely.
- **Profit share:** the remaining 70% of revenue, available after deducting cost recovery, is divided between the contractor group (17.9%) and EGPC (82.1%).
- **Taxes:** all income taxes are paid for by EGPC out of its share of petroleum profits.

There is a significant cost recovery pool available to the contractor group, amounting to US$89m as of YE21. As such, for the foreseeable future, the contractor group is expected to receive 30% (cost recovery) and 12.53% (profit share = 70% x 17.9%), giving a revenue entitlement of 42.53%.

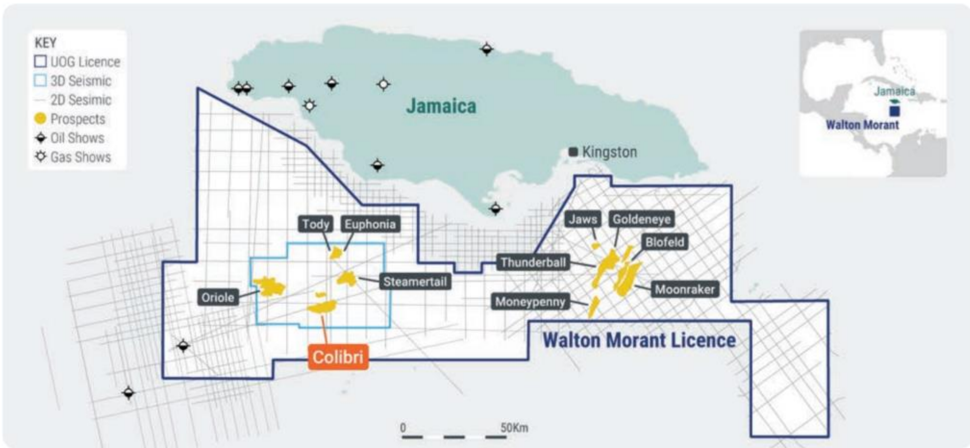
BP facility

UOG secured a pre-payment facility from BP to finance the acquisition of the Abu Sennan licence in 2020. The original loan was for US$8m, of which ~US$5.4m was outstanding as of YE21. The maturity of the facility was extended earlier this year, from 30 Sept 2022 to 31 Dec 2023 – freeing up additional capital for capital reinvestment. Under the current amortisation scheduled UOG pays US$223k per month in repayments. The new terms provide downside protection at US$70/bbl for a volume of oil through to end Dec 2023.

2 JAMAICA EXPLORATION

UOG holds a 100% interest in the Walton-Morant exploration licence offshore Jamaica, covering a substantial area of ~22,400 sq km to the south of the island nation (see Figure 12, below) in water depths ranging from 50m to 2,000m. The block was originally wholly owned and operated by Tullow Oil which negotiated a production sharing agreement with the Government in 2014. UOG subsequently farmed in for a 20% stake in 2017 on ground floor terms, agreeing to fund its pro-rata share of future exploration costs. Following a period of low oil prices and a shift away from exploration, Tullow Oil withdrew from the licence at the end of the initial exploration period (2020) assigning its equity share and operatorship over to UOG.

Figure 12: Walton-Morant licence, offshore Jamaica



Source: UOG.

Walton-Morant is a frontier exploration licence with a commensurate risk-reward profile. Historic oil exploration activity in Jamaica has been very limited. The nearest producing fields are located several 100kms north offshore Cuba. Eleven legacy wells have been drilled in country since 1955 (1955-1982) including two in the offshore (see map above). Whilst all these wells encountered oil & gas shows – providing encouragement for a working petroleum system – the lack of seismic coverage proved a major restricting factor for early exploration.

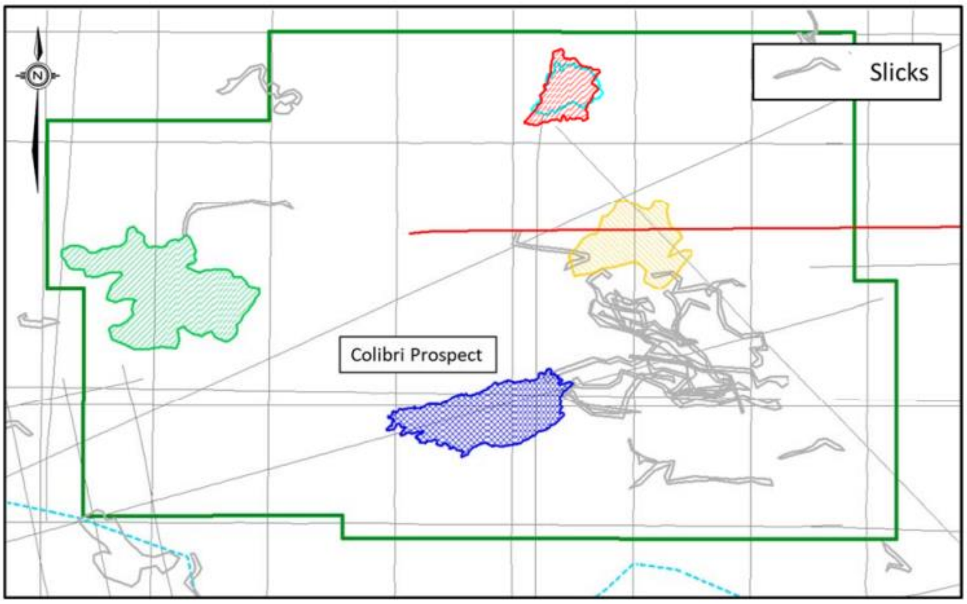
Figure 13: Gross prospective resource estimates – Gaffney Cline & Associates, Dec 2020

Basin	Prospect / lead	P90	P50	P10	Mean mmboe	GCoS %
Walton	Colibri	33.4	223.0	966.0	406.0	19.0%
	Oriole	44.7	172.0	453.0	220.0	13.0%
	Streamertail	35.6	160.0	480.0	221.0	13.0%
	Tody	9.4	39.8	113.0	53.2	14.0%
	Euphonia	6.5	28.8	81.0	38.3	14.0%
Morant	Thunderball	76.3	417.0	1,356.0	603.0	10.0%
	Moonraker	44.9	225.0	718.0	323.0	10.0%
	Moneypenny	30.8	128.0	370.0	173.0	10.0%
	Blofeld	29.9	129.0	361.0	171.0	8.0%
	Goldeneye	41.1	140.0	346.0	174.0	10.0%
	Jaws	6.7	28.3	82.4	38.5	8.0%
Total		**359.3**	**1,690.9**	**5,326.4**	**2,421.0**	

Source: Gaffney Cline & Associates.

Modern day exploration activity carried out by Tullow and latterly UOG has focused on the acquisition of new seismic, field studies and basin modelling. An excellent dataset now exists including >2,250 sq km of 3D seismic. On the back of this work, in late 2020 UOG commissioned Gaffney Cline & Associates to conduct a resource assessment of the block. The report identified 2.4bn bbls of gross prospective resources across 11 prospects, including the drill-ready Colibri prospect with more than 400 mmbbls of potential (see Figures 12 & 13, above).

Figure 14: Colibri prospect and surface slick traces



Source: UOG.

The licence contains two main areas of hydrocarbon prospectivity, namely the Walton basin (west) and Morant basin (east) – as shown in Figure 12, above. The Colibri prospect sits in the center of the Walton basin in water depths of ~750 meters. It comprises a fault-bounded structure against an east-west orientated high. The reservoir is interpreted as a carbonate platform. The geometry of the trap is well imaged on 3D seismic data. Further improving confidence in hydrocarbon presence, a cluster of satellite slicks have been mapped to the east of the prospect (as illustrated in Figure 14, above). Gaffney Cline & Associated carries a geological chance of success of 1 in 5.

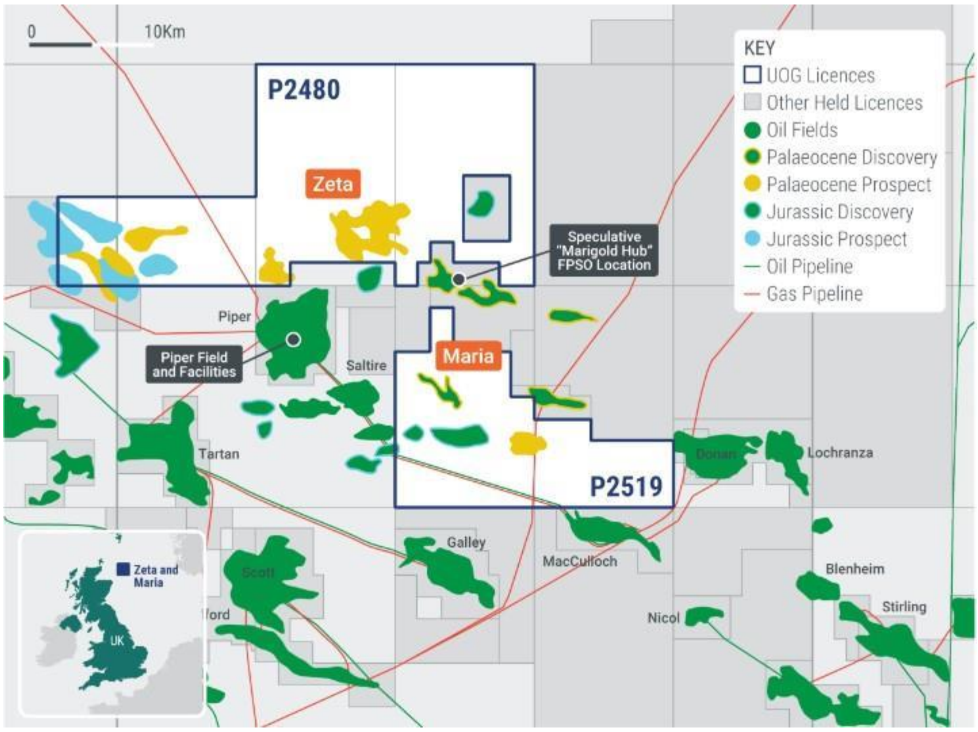
3 OTHER ASSETS – UK

UK assets

Beyond Egypt and Jamaica, UOG holds interests in the Central North Sea (CNS) and onshore UK. The most valuable of these is its 100% ownership of P2519 in the UK CNS (see Figure 15, below), which was awarded to UOG in the OGA's 32nd (2020) Licencing Rounds. The licence is located close to existing infrastructure in the Outer Moray Firth, including the Piper oil field and associated facilities immediately to the west.

- **P2519** contains the Maria oil discovery made by Shell in 1976 which holds an estimated 6 mmboe of recoverable resources. At current oil prices Maria has commercial potential as a single well tie-back. It also contains the nearby Brochel and Maol oil discoveries. Maol was drilled by Shell in 1987 and tested over 2,000 boepd.

Figure 15: Licences P2480 and P2519, UK CNS

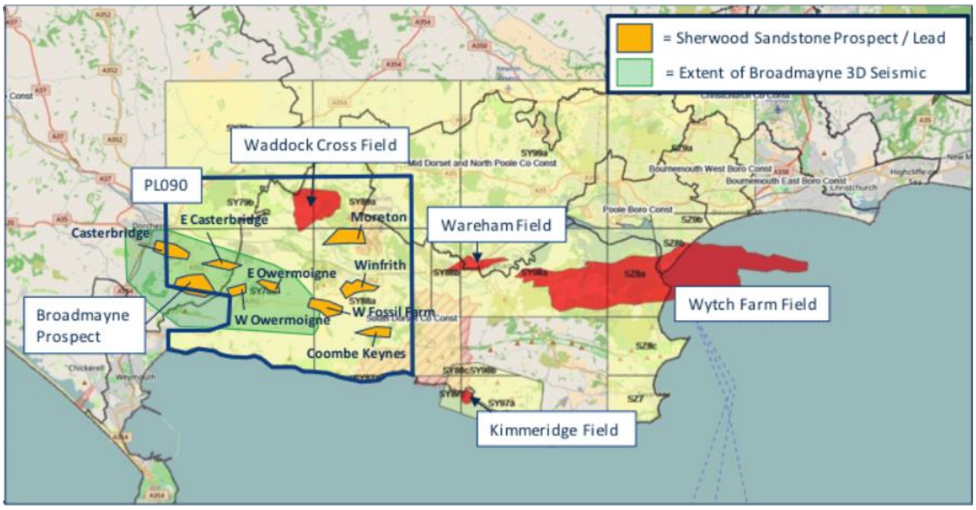


Source: UOG.

In Q3 2021 UOG entered into an agreement to sell P2519 and P2480 to private E&P Quattro Energy for up to £3.2m. However, Quattro failed to raise the requisite funds to complete the acquisition and UOG has decided to hold on to the assets in light of the run up in oil prices. Looking forward, UOG's first step will be to commission a reserve report on Maria. Following this, the company will evaluate other monetisation options with a view to realising a higher value for the asset without significant capital outlay. This may include an outright sale or potentially a farm-out to a development / appraisal partner, with a view to moving the project forward.

Onshore UK, UOG owns a 26.25% stake in the Waddock Cross field and a 18.95% interest in the surrounding exploration licence, which sits close to the Wytch Farm field on the south coast (see Figure 16, below). This is a non-core asset for the company and is unlikely to see any substantial levels of activity in the near-term.

Figure 16: Licence PL090



Source: UOG.

Divestments – Italy and UK

UOG has recently completed the divestment of its legacy interest in Italy, through the sale of UOG Italia Srl for a consideration of €2.165m (£2.54m) to AIM-listed Prospex Energy. The main asset is a 20% stake in the Podere Gallina licence which contains the Selva gas development (where UOG would have incurred capex of €0.8m).

In addition, UOG has recently settled a legal dispute around the Dec 2019 divestment of the Crown discovery in the CNS to Hibiscus. Under the terms of the settlement deal, Hibiscus has agreed to pay UOG US$2.5m in three installments over the course of 2022. This brings an end to the matter and no further amounts are due to UOG in relation to the sale.

4 MANAGEMENT & BOARD

UOG boasts an accomplished management team and Board, with a breadth of oil industry and financial experience. The Executive team is led by founder and CEO Brian Larkin, with support from COO Jonathan Leather and CFO Peter Dunne.

CHIEF EXECUTIVE OFFICER – BRIAN LARKIN

Brian is the founding director of UOG.

He is a Qualified Accountant and has an MBA from Dublin City University. Brian has extensive oil and gas industry experience having worked for both Tullow Oil and Providence Resources. At Tullow Oil, Brian held positions in both finance and commercial, and worked on a variety of production, development and exploration projects in South America and Asia and carried out numerous investment case recommendations.

At Providence, Brian worked in senior finance and commercial positions. During his time with Providence, Brian worked on a wide portfolio of assets in regions including the Gulf of Mexico, offshore Ireland, onshore United Kingdom, and offshore Nigeria.

CHIEF OPERATING OFFICER – JONATHAN LEATHER

Jonathan has over 20 years' experience in the oil industry and holds a Geology degree from Oxford University, a PhD in Sedimentology from Trinity College, Dublin, and an MBA from Warwick University. Jonathan worked for Tullow Oil from 2007 to 2015, where he held a number of senior positions, including membership of the Global Exploration Leadership Team. Jonathan also managed Tullow's Subsurface Technology Group – a team Jonathan established and built up to provide specialist technical input across the company in both exploration and development. As part of this, Jonathan worked on global assets and opportunities ranging from onshore producing fields to deepwater frontier exploration.

Prior to Tullow Oil, Jonathan worked for Shell UK Ltd. During his time there, Jonathan was involved in a number of exploration and development projects, and worked on North Sea, European, Middle Eastern and Malaysian assets.

CHIEF FINANCIAL OFFICER – PETER DUNNE

Peter joins from Boru Energy Limited, the West African focussed private oil and gas company where he was CFO and brings over 20 years' experience of working in senior finance leadership roles including over 14 years in the upstream Oil and Gas sector. Prior to Boru, Peter was Group Finance Director at Origin Enterprises plc and before that spent seven years with Petroceltic International plc, latterly as Corporate Finance Director. During his time in Petroceltic, the Company merged with Melrose Resources plc, with the enlarged group carrying out operations across North Africa, the Mediterranean Basin and Black Sea, with operated production in excess of 25,000 boepd.

NON-EXECUTIVE CHAIRMAN – GRAHAM MARTIN

Graham is an experienced senior natural resources executive and brings a wealth of international expertise. From 1997 to 2016 he served as an Executive Director of Tullow Oil, an oil and gas exploration, development and production company listed in London, Dublin and in Ghana. Prior to Tullow, Graham was a partner at the US energy law firm Vinson & Elkins LLP, having started his legal career in Scotland. He is currently also a Non-Executive Director of Kenmare Resources plc, one of the leading global producers of titanium minerals and zircon listed in London and Dublin.

He holds a degree in Law and Economics from the University of Edinburgh.

NON-EXECUTIVE DIRECTOR – IMAN HILL

Iman Hill is currently Executive Director of the International Association of Oil & Gas Producers (IOGP). She also serves as non-executive Independent Board Director of Oil Spill Response Ltd. (OSRL).

Iman is a Petroleum Engineer with 30 years' experience in the oil & gas industry with extensive global expertise in the technical and commercial aspects of the petroleum business, in particular field development, capital projects and production operations. Iman's experience has been gained in the Middle East, North and West Africa, South America, the Far East, and the North Sea in a number of diverse settings from onshore to ultra-deep water.

Iman began her career with BP and worked in a variety of technical positions before becoming a Senior Reservoir Engineer. In 1995 she joined Shell International where she held positions such as Senior Regional Adviser Africa to the E&P CEO and the Chairman of Shell as well as GM Shell Egypt and Chairwoman of Shell Companies in Egypt. As Senior Vice President Brazil, Iman also led BG Group's first ultra-deep water development of the super-giant Santos Basin pre-salt fields. Additionally, at BG, as SVP Developments and Operations, Iman was responsible for driving top quartile performance in maturing developments to sanction, well engineering and operations. Iman has also held the positions of VP Africa at Sasol and Technical Director, GM UAE and President Egypt for Dana Gas in the UAE, where she also ran the one of the Egyptian join ventures in her role as Managing Director and Board member of The Egyptian Bahraini Gas Derivatives Company.

NON-EXECUTIVE DIRECTOR – TOM HICKEY

Tom is currently CEO of Boru Energy Limited, the West African focussed private oil and gas company, which is supported by The Carlyle Group. Tom is known across the oil and gas industry and beyond as a significant contributor to the success of Tullow Oil plc in his role as CFO from 2000-08. During this time he was central to the successful conclusion of major acquisitions and exploration discoveries which helped shape that company into a leading Independent oil and gas exploration and production company.

He developed and implemented the financial strategy which saw Tullow grow from a micro-cap company to a FTSE 100 business valued at $15bn. In addition to his work with Boru and Tullow, Tom has served on the Boards of a number of oil and gas businesses, building experience in finance and operations in projects across the globe, including markets in which United currently participate.

Tom is a Commerce graduate of University College Dublin and a Fellow of the Irish Institute of Chartered Accountants.

Tennyson

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Market index : FTSE AIM ENERGY

Date	Market Index level	Share Price (p)	Target Price (p)	Opinion
UOG				
19 May 2022	1,478.88	2.20	6.00	BUY

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