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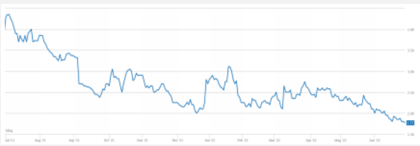
United Oil & Gas.

07th July 2022

Company Details

Share Price (Mid): 12month High / Low Ticker: Reporting Currency	1.50p* 4.49p-1.70p UOG.AIM USD
Sector:	Resources
Key Market Data	
Market:	London Stock Exchange (LSE)
No. Shares in Issue (m) Free Float (%)	644.8m 94.75%
Market Capitalisation Net Debt (Cash) Other EV Adjustments **Enterprise Value (EV)**	GBP 11.04m GBP 2.0m None **GBP 13.04m**
Next Results Date:	July 2022
Year end	28 September

1-Year Share Price Chart



Source: LSE

Company Objective: **Growth**

United Oil & Gas is a production, exploration and development company with a portfolio of low-risk cash generative production and development assets, located in Egypt and the UK, with a high-impact exploration license, located in Jamaica.

***Optiva Securities acts as Broker to United Oil & Gas. This note was prepared by the Optiva Securities research team, with input from the Management of UOG.**

*Share prices correct at 9.00am, 07 July-22

Maria Discovery; UK, Central North Sea

United Oil & Gas (UOG.AIM) ("United or the Company") is an AIM-listed production, development and exploration company with a portfolio of low-risk cash generative production and development assets. These assets are located in Egypt and the UK, with a high-impact exploration license, located in Jamaica.

This note focuses on the Company's Maria Discovery, located in the Outer Moray Firth Basin of the UK Central North Sea. **We value the Maria project at £33.5 million or 5.2p per share on a risked basis. On an unrisked basis we value the project at £109.1 million or 14.0p per share.**

- **Existing Discovery:** United has estimated that the Maria Discovery contains c. 6 mmboe as a mid-case of recoverable resources.
- **Proximity to Existing Infrastructure:** The licence that contains the Maria Discovery is located in proximity to existing established infrastructure in the Central North Sea, near the substantial Piper, MacCulloch and Claymore Oil Fields. This area contains a number of advanced stage development projects, including the Marigold and Yeoman discoveries.
- **Attractive to North Sea Producers and Developers:** The pre-existing infrastructure in the area immediately around Maria dramatically improves the project's development credentials making it an attractive bolt-on project for existing producers and developers in the area and new entrants.
- **Additional Jurassic Potential**: In addition to the Maria Discovery, the licence also contains two Jurassic Discoveries to the south, Brochel and Maol. Maol was previously drilled by Shell in 1987, and on test flowed at over 1950 BOPD and 2.96 MMSCFPD.
- **Establishing Reputation for Generating Returns on Capital:** United has recently secured a total of US$5m from the sale of interests in projects and portfolio management. This ability to realise value through the monetisation of projects, is a core part of the Company's strategy as it seeks to advance projects, divest or farm out interests and then reinvest the profits to advance other projects.
- **2022 Milestones:**
  - A competent persons report for Maria is targeted for completion in Q3-2022.
  - This will form an important knowledge base from which United can optimise the commercial discussions with interested parties.
- **Valuation:** We value Maria at £33.5 million or 5.2p per share on a risked basis. On an unrisked basis we value the project at £109.1 million or 14.0p per share.

Executive Summary

United Oil & Gas has built a track record of securing assets at the licencing round stage, working the projects up and then monetising its interest in the projects to larger companies, generating an attractive return on capital, which will be reinvested to grow the company.

In April of this year, United completed the disposal of its 20% non-operator working interest in the Selva Gas Project, located in Italy, through the sale of its 100% interest in UOG Italia Srl to joint venture partner Prospex Energy PLC for a consideration of €2.165m (c. $2.54m). This removed United's exposure to the upcoming capital development costs associated with the project and allowed it to generate cash flow to redeploy through its other interests.

In March of this year, the Company also reached an agreement with Anasuria Hibiscus UK Ltd. in relation to the sale of the P2366 Licence in the UK North Sea. This resulted in an additional US$2.5m payable to United in three instalments between the date of the settlement agreement and 29 December 2022, which is on top of the US$0.95m United received on completion of the deal back in 2019.

In addition, United had also previously entered into a binding sale and purchase agreement (SPA) with Quattro Energy Limited to sell its UK Central North Sea Licences; P2480 and P2519 for a consideration of up to £3.2m (c $4.4m), while this deal did not close, as Quattro did not complete its fundraising process by the long-stop date, it demonstrates the entrepreneurial nature of United's business.

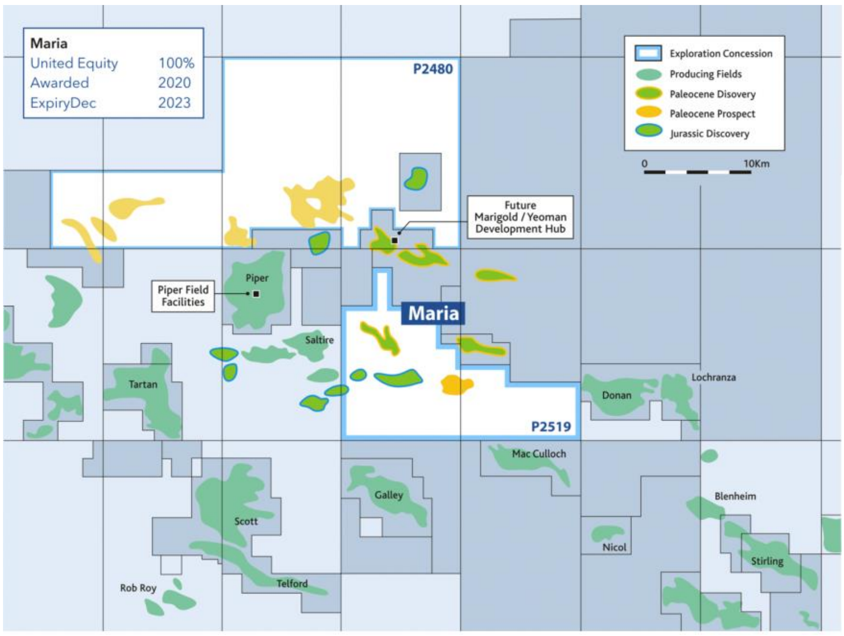
United's strategy is to repeat this success by divesting or farming out existing assets within the portfolio, while also acquiring new interests at low-costs that can be worked up and then monetised.

As part of its strategy United has evaluated and participated in the last three UK licencing rounds, focusing its efforts on areas with existing or near-term infrastructure and upcoming development activity, where it can leverage the strategic location of the assets. By focusing on lower-risk appraisal and exploration opportunities in high-quality reservoirs it is able to generate some exciting opportunities.

The Maria Discovery

The Maria Discovery is located within Licence P2519 and includes Blocks 15/18e and 15/19c, covering an area of c. 225 km^2 (Figure 1). United Oil & Gas was provisionally awarded a 100% interest in the licence in September 2020, with the award of the licence confirmed in January 2021.

Figure 1: Map of the Maria Discovery



Source: United Oil and Gas

The P2519 licence is close to existing infrastructure and is located in a highly prospective area of the Central North Sea, which includes the Marigold and Yeoman Discoveries, where there is significant development activity taking place, and the substantial Piper, MacCulloch and Claymore Oil Fields (Figure 1).

The P2519 licence contains the existing Maria Discovery, located within the Upper Palaeocene Forties Sandstone. Maria was discovered by Shell/Esso in 1976 while drilling for deeper, Piper-equivalent targets, but at the time was not considered commercially viable.

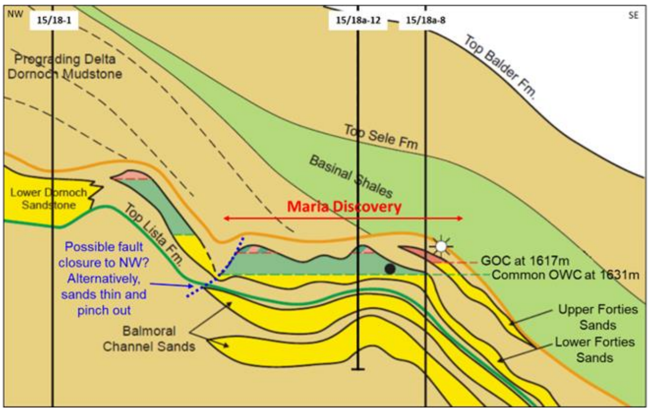
United has estimated that the licence contains c. 6 million barrels of oil equivalent (mmboe) as a mid-case of recoverable resources at the Maria Discovery (Figure 1 and 2). United's analysis suggests that the commercial threshold for oil developments with proximity to infrastructure in this part of the North Sea is c. 4-5 million barrels of oil (MMbbls), indicating that Maria is potentially a viable development opportunity.

United believe that Maria could be developed as a subsea well tieback to nearby infrastructure such as at Piper Facility via a 5km tieback to the Chanter field. Such an option would have relatively low capex and could generate significant returns, even at an oil price of US$80/bbl.

In addition to the Maria Discovery, the P2519 Licence also contains two Jurassic Discoveries to the south, Brochel and Maol (Figure 1). Maol was previously drilled by Shell in 1987, and flowed at over 1,950 barrels of oil per day (BOPD) and 2.96 million standard cubic feet of gas per day (MMSCFPD). Brochel was drilled by Veba in 2000 and a Galley Sandstone reservoir was discovered with a 10.5m oil column, but flow rates were never tested.

Importantly the Jurassic Discoveries lie on trend with the Chanter Field to the west where the Piper and Galley sands are oil-bearing reservoirs. Brochel and Maol are located on the same east-west fault terrace as the Chanter Field, and are down dip of the Saltire and Iona Fields, which are in turn down-dip of the Piper Field (Figure 1). Further Jurassic exploration potential remains on other fault terraces adjacent to the Maol and Brochel Discoveries.

Figure 2: Idealised Cross Section of the Maria Discovery



Source: UK Central North Sea Introduction to Licence P2519 Presentation, April 2021

2021/2022 Work Programmes

During the first-half of 2021 United focused on securing new 3D seismic data and the interpretation of this data with the initial mapping providing positive indications on the existing Maria, Brochel and Maol discoveries and the deeper Jurassic targets.

Further work during the second half of 2021 was on hold due to the proposed sale of the project to Quattro Energy Limited but United has now commenced work leading towards a competent persons report for the project, which should will support the company in commercial discussions with interested parties.

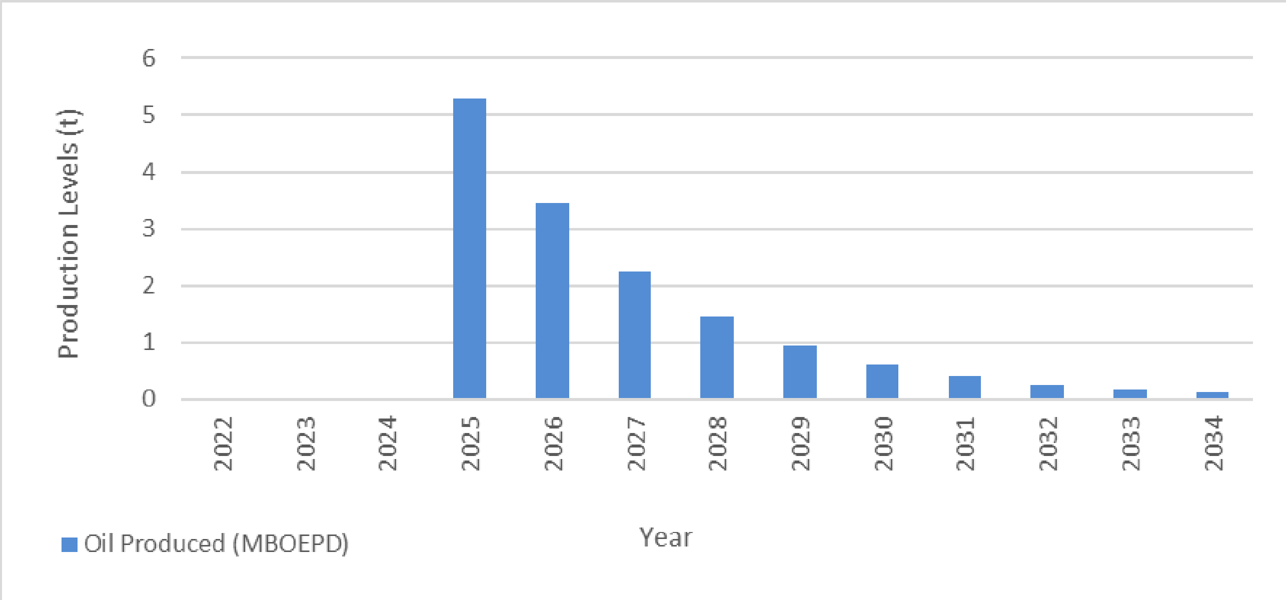
By the end-July 2022, United expects to have completed a technical work programme for Maria, including rock physics and reservoir modelling, which will feed into a CPR that is expected to completed by the end of Q3 2022. Following the completion of the CPR, United is expecting to assess the potential commercialisation options for the project.

The current licence is due to expire in December 2023 and we would anticipate that the project would have moved into the next phase of development, by committing to a well, at this point in order to secure a two-year licence renewal.

Forecasts

We produced forecasts and value Maria assuming a subsea well tieback to nearby infrastructure with development commencing in 2024 and first production commencing in 2025. We assume initial production levels of around 5.3 MBOEPD in 2025, declining at a rate of 35% per annum to 3.4 MBOEPD in 2026 and MBOEPD in 2025 (Figure 3). We assume production continues to decline at a rate of 35% until production ends in 2034.

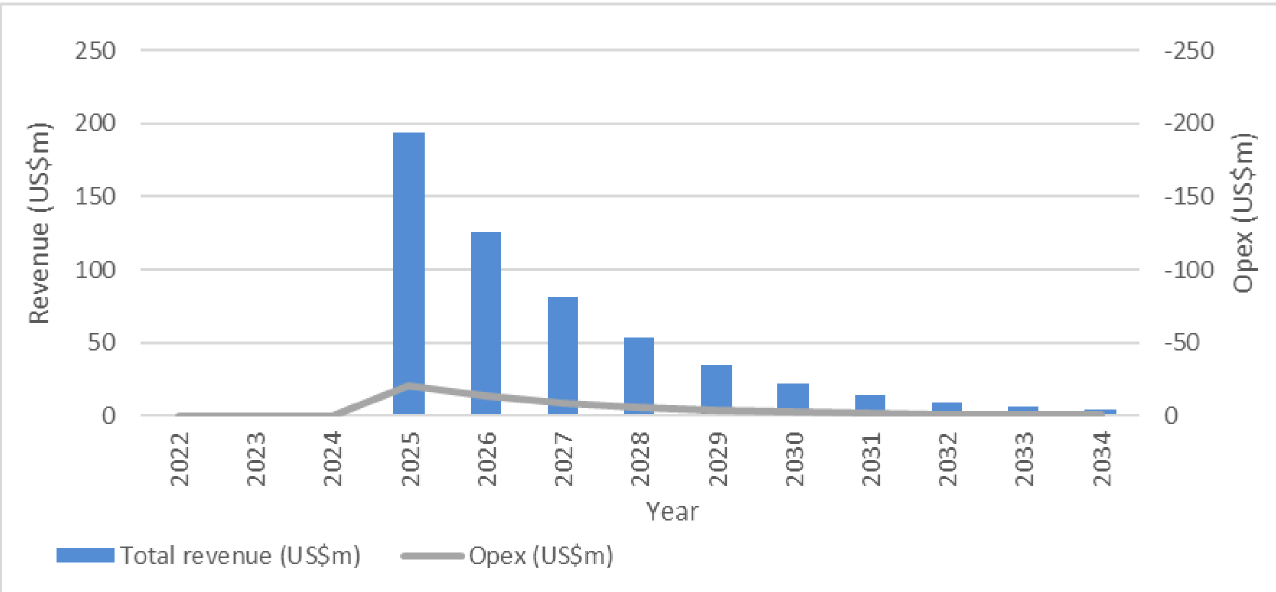
Figure 3: Forecast Production from Maria



Source: Optiva Securities

In our valuation we assume a flat oil price of US$100/bbl and an average opex of US$10.6/bbl. During the first year of production, we forecast Maria to generate revenue of US$193.5 million, declining to US$125.7 million in 2026 and US$81.7 million in 2027 (Figure 4). Over the life of the field, we forecast the operation will generate US$545 million in revenue.

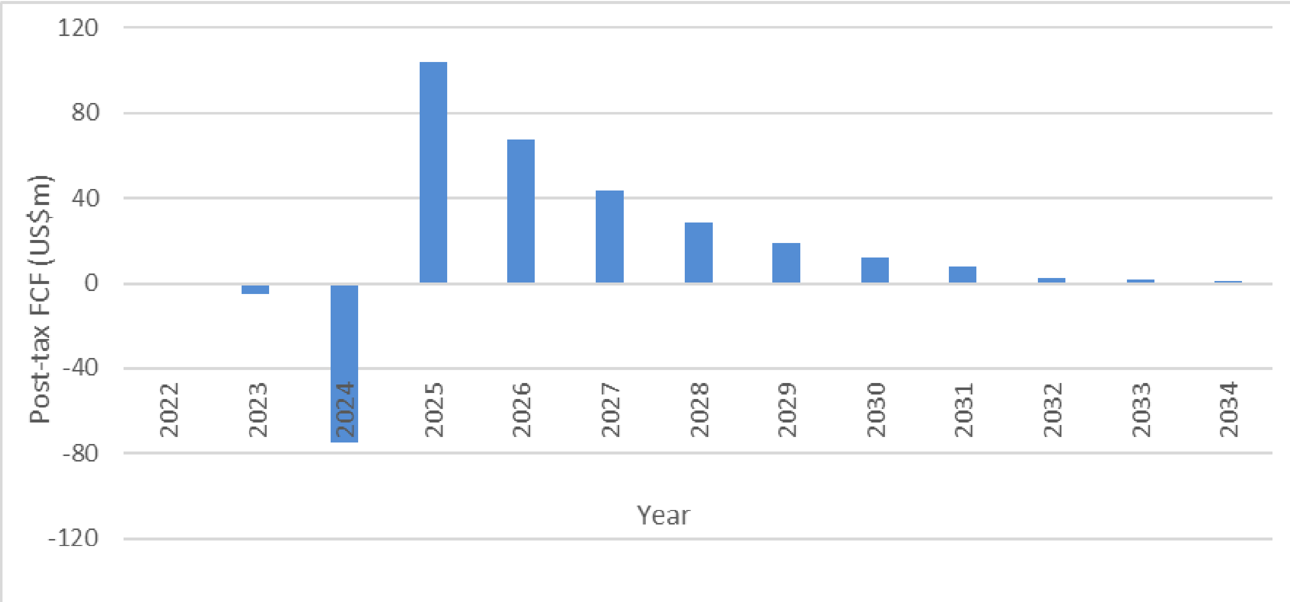
Figure 4: Forecast Revenue from Maria



Source: Optiva Securities

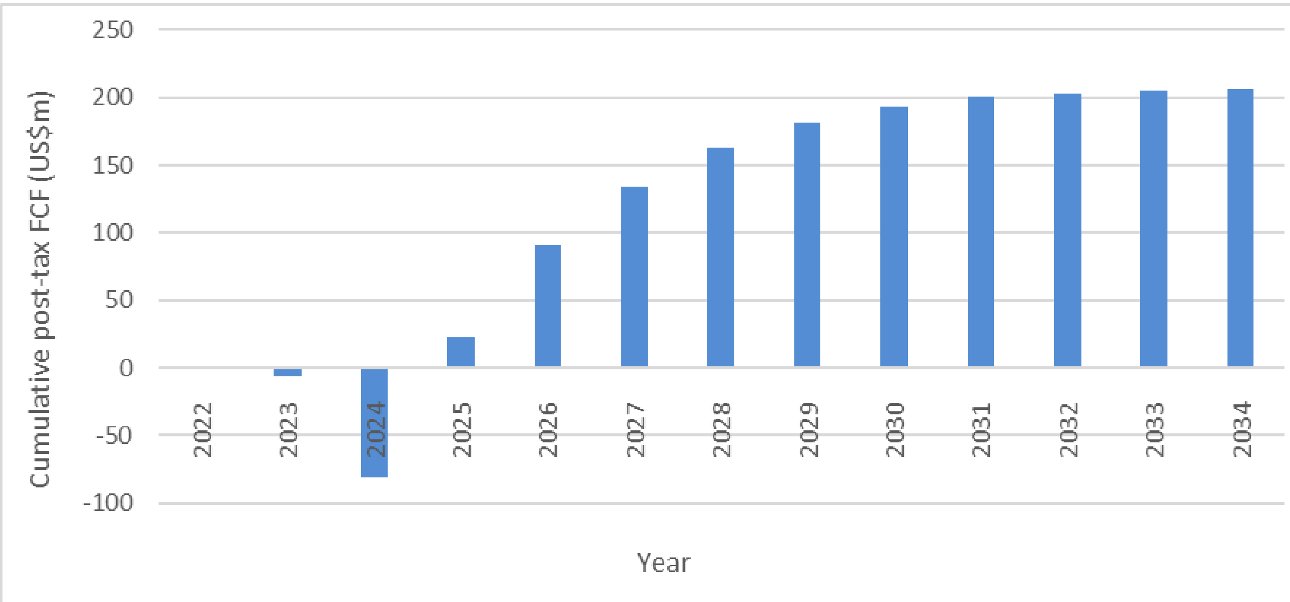
In order we assume around US$1 million is spent on studies in 2022 and an additional US$2 million in 2023. We assume development capex of US$75 million is spent in 2024, with abandonment expenditure (abex) of US$9.4 million spent over 3 years at the end of the operations life. We forecast free cash flow (FCF) of US$172.9 million in 2025, reducing to US$112.4 million in 2026 and US$73.1 million in 2027 (Figure 5). In our valuation and forecasts we assume that Maria becomes FCF positive in 2025, and generates a total FCF of US$205.8 million over the 10-years of operation (Figure 6).

Figure 5: Forecast FCF from Maria



Source: Optiva Securities

Figure 6: Forecast Cumulative FCF from Maria



Source: Optiva Securities

Valuation

Based on our forecasts, Maria has an un-risked valuation of £109.1 million or 14.0p per share, based on a DCF analysis using a discount rate of 10%. To our risked valuation we apply a 3% geopolitical risk discount, a 60% development stage discount to arrive at a risked valuation of £33.5 million or 5.2p per share (Figure 7).

Figure 7: Maria Summary Valuation

IRR (%)	83.5
NPV10 (US$m)	109.1
Un-risked valuation o f Maria (£m)	90.6
Un-risked valuation of Maria (£/share)	0.140
Geopolitical risk discount (%)	(3.0)
Development stage risk discount (%)	(60.0)
Risked valuation of Maria (£m)	33.5
Risked valuation of Maria (£/share)	0.052
Shares in Issue	644.80

Source: Optiva Securities Estimates

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