

Union Jack Oil PLC

11:30 11 Nov 2019

Today's Oil & Gas Update - Union Jack Oil, Baron Oil and Aminex.

Oil & Gas Daily Flow

Non-Independent Research; Marketing & Sales Commentary - MiFID II exempt information - see disclaimer below

Market Update: Monday 11 November 2019

Union Jack Oil* (LON:UJO) and Reabold Resources (RBD) - Updated Volumetrics at West Newton

Baron Oil* (LON:BOIL) - Update on Chuditch PSC, offshore Timor-Leste

Aminex (LON:AEX): Ruvuma Joint Statement with Solo Oil

Energy Prices

Brent Oil US\$61.9/bbl vs US\$61.1/bbl on Friday

WTI Oil US\$56.6/bbl vs US\$56.1bbl on Friday

Natural Gas US\$2.8/mmbtu vs US\$2.7/mmbtu on Friday

Oil Price News

- The oil price remains above US\$60/bbl largely on political hopes notably between the US and China
- With China's Fourth Plenum meeting of its ruling Communist Party having ended in October and the US 2020 presidential election campaign ramping up, both sides have reasons to initiate progress in the long-running trade war between them
- China reported six consecutive months of lower factory activity, with its Purchasing Managers' Index dropping again in October, compared to expectations of staying unchanged from September
- U.S. crude futures were also up 0.7% at \$61.5/bbl on the New York Mercantile Exchange

Gas Price News

- Natural gas futures finished higher last week and continue this trend today

Price: 0.1675

Market Cap: £25.86 m

1 Year Share Price Graph



Share Information

Code: UJO

Listing: AIM

52 week High Low
0.38 0.08

Sector: Oil & Gas

Website: unionjackoil.com

Company Synopsis:

Union Jack Oil plc is an onshore oil and gas exploration company with a focus on drilling, development and investment opportunities in the United Kingdom hydrocarbon sector listed on the London Stock Exchange AIM market (Ticker: UJO).

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- Early last week, the market hit its highest level since the week-ending 31 May, however the buying quickly dried up and prices retreated late in the week
- There is one tropical disturbance in the lower Atlantic that NOAA projects 10% chance of turning into a tropical cyclone over the next 48-hours

M&A activity builds momentum across the sector

- The past 12 months has seen the acquisition of Faroe Petroleum (FPM.L) by DNO (DNO ASA); a £380m bid for Eland Oil & Gas (ELA.L) by Seplat Petroleum (SEPL.L); and Amerisur Resources (AMER.L) currently engaged in a competitive bid.
- Aramco's proposed IPO is another good barometer for sector sentiment in our view. Days before a widely expected official approval for what would be the world's largest IPO ever, Saudi Arabia has yet again delayed the much-hyped listing by at least several weeks, with international investors seemingly not buying the Saudi insistence that the biggest oil company in the world is worth US\$2tn.

UK Sector Backdrop

- Despite a tough capital market environment, UK equities in the Oil & Gas sector remained flat YTD (2018: -16%) wiping out September's 8% gains
- AIM Oil & Gas indices were also flat YTD despite some volatility, yet stabilising 2018's 13% decline
- These indices have largely tracked the oil price, and with the futures market also remaining steady
- The small/mid cap constituents of the sector are due to engage in an active year of operational activity in 2020, with a number of high impact drilling catalysts

Company News

Union Jack Oil* (LON:UJO) and Rebold Resources (RBD) - Updated Volumetrics at West Newton

UJO - Share price: 0.26p, Market Cap: £30.3m; RBD - Share price: 0.95p, Market Cap: £62m

- The companies have today released updated volumetrics compiled by the Operator Rathlin Energy (UK) Limited at the conventional West Newton project, indicating a significant upgrade to the 2017 figures contained within the current Competent Persons Report.
- The headline numbers estimate an in-place Base Case of 146.4MMbbls of oil and 211.5Bcf of gas; and an in-place Upside Case of 283MMbbls of oil and 265.9Bcf of gas.
- The estimated resource volumes therefore firmly categorise West Newton as having significant 'company maker' potential in our view, inferring that the field is one of the UK's largest ever onshore discoveries.
- The upgraded volumetrics primarily resulted from subsequent evaluation of the drilling results from the recent West Newton A-2 appraisal well, and revised petrophysical, fluid saturation, sedimentological, and diagenetic analysis.
- The significant revision from the 2017 CPR (which estimated 183Bcf of gas) is the inclusion of a large liquids component, notably 146.4MMbo (Base Case) and 283MMbo (Upside Case).
- Please see Link to Research Note for our updated numbers for Union Jack Oil.

Conclusion: A significant resource upgrade for both company's at West Newton, underlining the considerable potential within the project. We would expect increased investor focus on both companies with clear running room still evident in both stocks.

*SP Angel acts as Nominated Advisor and Broker to Union Jack Oil

Baron Oil* (LON:BOIL) - Update on Chuditch PSC, offshore Timor-Leste

Share price: 0.02p, Market Cap: £3.3m

- On Friday, Baron announced that SundaGas had been awarded a provisional licence by the O&G authority of Timor-Leste ("ANPM") over an area containing the offshore Chuditch discovery leading to a 100% increase in Baron's share price.
- SundaGas is a Singaporean based E&P company focused on exploring and developing gas opportunities across the greater Sunda / SE Asia region.
- On 1 October 2016, Baron entered into a 6-month joint venture agreement ("JVA") with SundaGas, whereby Baron paid a monthly fee to SundaGas to help search for new business opportunities in SE Asia.
- Although the JVA is no longer active, the Chuditch PSC was one of the SE Asian targets identified during the course of the JVA and if any of the licences identified during the JVA period were to be pursued and awarded to SundaGas, Baron has the right to farm-in to 33.3% of SundaGas' interest.
- As SundaGas has been awarded a 75% interest in the Chuditch PSC, Baron is now entitled to farm into an effective 25% interest in the asset.
- The remaining 25% of the Chuditch PSC has been awarded to TIMOR GAP (the T-L NOC), which is fully carried.
- Late on Friday, the ANPM published a media release with some further details of the provisional licence award to SundaGas and TIMOR.
- The PSC is situated in the south of the former Joint Petroleum Development Area (JPDA) with total Contract Area approximately c.3570km².
- SundaGas and TIMOR GAP are committed to carry out an Exploration Work Program for a seven-year Exploration Period.
- The Minimum Exploration Work Requirements in the initial period (Years 1-3) include the seismic reprocessing (Pre-Stack Depth Migration) of 800 km² of 3D seismic data and 2000 line kilometres of 2D seismic data, and review of hydrocarbon potential of the entire contract area (geological and geophysical studies), and drilling of one appraisal well if the result of the seismic reprocessing supports the presence of a significant structure associated with the Chuditch discovery.
- The second period (Years 4 and 5) includes Post-Well evaluation study and drilling of one exploration well, and development scenario planning for Chuditch discovery.
- The third period (Years 6 and 7) includes geological and geophysical studies, development scenario planning, and drilling of two exploration or appraisal wells.

Conclusion: Baron's relationship with SundaGas has delivered what appears to be a very exciting opportunity in our view. Offshore Timor-Leste has long been the hunting ground of the majors, with considerable gas exploration activity having taken place resulting in material discoveries in the region.

*SP Angel acts as Nominated Advisor and Broker to Baron Oil

Aminex (LON:AEX): Ruvuma Joint Statement with Solo Oil

Share price: 1.3p, Market Cap: £47m

- Aminex and Solo have taken the opportunity to clarify the situation regarding the firm and contingent budgets designed to fulfil remaining work commitments and to progress development of the Ntorya gas field (which sits within the Ruvuma PSA).
- Both parties are encouraged by recent positive movements within Tanzania in relation to the progression of licence activity.
- The joint venture partners have agreed a 2020 Work Programme and Budget which remains subject to approval by the relevant Tanzanian authorities.
- The firm approved budget for 2020 is US\$1.447m (gross), principally relating to licence maintenance and planning activity.
- The contingent budget for 2020 is US\$41.425m (gross) and relates primarily to the drilling of Chikumbi-1 and the acquisition of extensive 3D and 2D seismic surveys.

- These budget elements are contingent on the Mtwara licence extension for the drilling of the Chikumbi-1 well and the granting of the Ntorya development licence for the seismic programmes.

Conclusion: Aminex and Solo will be encouraged that the growing demand for natural gas consumption, which has prompted the fast-tracking of pre-drilling activities, should ensure that drilling operations at Chikumbi-1 will at long last proceed. Further good news is that AEX will shortly commence receiving advance payments of up to US\$3m against the cash consideration due on completion of the Ruvuma farm-out and has also applied for a three-year extension of the Nyuni Area PSA with a revised work programme.

Research - Oil & Gas

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+SP Angel employees may have previously held, or currently hold, shares in the companies mentioned in this note.

Sources of commodity prices

Oil Brent, WTI

ICE

Natural Gas

NYMEX

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