

**UK OIL & GAS INVESTMENTS PLC**  
**("UKOG" or the "Company")**

**Unaudited results for the six-month period ended 31 March 2016**

**KEY HIGHLIGHTS TO DATE (during and post-period)**

- Strong progress at Horse Hill with game-changing commercially viable initial oil flow rates from 3 horizons
- 1,688 bopd total aggregate stable dry oil flow rate from the Kimmeridge plus the overlying Portland
- Proof of concept and first commercially viable initial flow rates from the Kimmeridge Limestones at Horse Hill
- 1,365 bopd aggregate stable dry oil flow rate from two naturally fractured Kimmeridge Limestones
- Post period-end, key further acquisitions made the Company the leading player in the Kimmeridge Limestone oil play, more than doubling UKOG's gross overall acreage in the prime Weald Basin Kimmeridge "sweet spot"
- 100% ultimate ownership of multiple Horse Hill Kimmeridge look-alike prospects in the Broadford Bridge licence
- On track for two further permitted Kimmeridge exploration wells in 2017
- Accelerated appraisal and development plans at Horse Hill and Markwells Wood oil discoveries
- 37% increase in Horse Hill licence interests and hence in any associated recoverable oil resources
- New Isle of Wight Licence added 17 MMbbl net P50 recoverable Contingent and Prospective Resources
- Godley Bridge Portland gas discovery extension into Broadford Bridge added potential Contingent Resources
- 370% increase in net attributable conventional P50 Contingent and Prospective Resources, from 4.64 MMbbl to 21.64 MMbbl (note: excludes all Kimmeridge resources and Portland in Horse Hill and Broadford Bridge)
- Stable oil production from Horndean, Avington, Brockham and Lidsey fields
- Key licence extensions in process of signature by the Oil & Gas Authority ("OGA")
- £4 million raised from institutional investors via a share placing.

**CHAIRMAN'S STATEMENT**

I present the unaudited results of UK Oil & Gas Investments PLC for the six-month period ended 31 March 2016, which has seen significant success and the growth of our investments in the march towards monetising successful conventional oil exploration and appraisal activities in the south east of England.

The Company and its investments are on an exciting journey thanks to the intense efforts of our technical team and the related investment in leading edge science and technology, which has underpinned the rationale for our recent strategic acquisitions.

As a result of the ground-breaking flow test at Horse Hill and our recent acquisitions, UKOG is now a key investor and player in the UK onshore oil and gas industry, and in pole position in the new Kimmeridge Limestone oil play. The growth in our asset base has seen corresponding rapid growth in our net recoverable oil resources across the Weald Basin and the Isle of Wight.

The ground-breaking flow test results at Horse Hill in February and March were considerably above our expectations and the recent acquisitions of the Holmwood and Broadford Bridge licences have significantly increased our overall acreage within the prime Kimmeridge "sweet spot" in the Weald. We enjoy the leading technical knowledge and acreage positions within this new and exciting resource play.

The Company has a very clear two-year strategy to advance the Kimmeridge oil play to the point of commercial development. Broadford Bridge is "drill-ready" and has the necessary permits. In conjunction with the permitted Holmwood site, they offer UKOG exposure to look-alike potential to Horse Hill and we hope to be able to demonstrate and replicate similar drilling results to Horse Hill by the end of 2017.

In parallel, we will be pushing Horse Hill dubbed by the media as the “Gatwick Gusher”, towards extended long-term production tests, appraisal wells and 3D seismic acquisition and analysis. The Company will also be seeking regulatory approvals for a well to test the Portland gas discovery and Kimmeridge at Godley Bridge.

It should be noted that the onshore industry has now recognised the Kimmeridge potential since we are aware of two planned Kimmeridge wells from existing Weald oil fields by competitors. However, we will continue to have an appetite for further acquisitions, to strengthen and consolidate our position in the Weald sweet spot and maintain our leading position.

## **INVESTMENT AND OPERATIONAL SUMMARY**

### ***Horse Hill (“HH-1”)***

The HH-1 flow tests in February and March 2016 were an outstanding success. On 21 March 2016 UKOG reported a commercially viable initial aggregate stable dry oil rate of 1,688 barrels of oil per day (“bopd”) from the Kimmeridge Limestones and Portland Sandstone. Approximately 1,940 barrels of crude in 14 road tankers were delivered to the Fawley Oil Refinery, which was a significant milestone for the Company.

Most importantly, the flow test gave initial proof that the Kimmeridge oil play in the Weald works and that the Kimmeridge Limestones can deliver high, commercially viable initial flow rates, in this case from a simple vertical well. The two naturally-fractured Kimmeridge Limestones showed an aggregate dry stable natural oil rate of 1,365 bopd without any clearly interpretable depletion.

The Portland Sandstone reservoir also far exceeded our expectations, producing a record-breaking commercial dry stable pumped oil rate of 323 bopd. This rate can likely be further improved using a larger pump.

To put the results into context, our pre-test expectations assumed that a Kimmeridge horizontal well could deliver at an initial rate of around 400 bopd. This case offered break-even economics at around \$40 per barrel crude prices. Our aggregate stable dry oil flow rate of 1,365 bopd from a vertical well significantly exceeded these initial assumptions and could likely be further increased by use of horizontal wells, which historically has delivered flow rates in excess of three times that of a vertical well.

We now expect that Kimmeridge oil development economics will be boosted by higher than expected well rates, delivering faster payback of investment capital, and a significant reduction in operating costs per barrel.

UKOG’s net interest in the Horse Hill licences now stands at 27.3%, following the purchase of Angus Energy’s interest in Horse Hill Developments Ltd (“HHDL”).

### ***Horse Hill next steps***

UKOG will accelerate the appraisal and development plans to include testing a third deeper Kimmeridge Limestone, longer-term production tests, a Kimmeridge horizontal appraisal well and 3D seismic acquisition and analysis.

Similarly, we plan a longer flow test of the Portland Sandstone reservoir, to be followed, in the success case, by a new Portland appraisal well. All necessary permissions are currently being sought with a plan to re-start operations at the HH-1 site in early 2017.

### ***Kimmeridge Limestone oil resource***

UKOG established itself as the leading player in the Kimmeridge oil play, increasing its overall acreage holding in the prime basin centre sweet-spot by 260% with the acquisition of the Holmwood licence and Broadford Bridge licence, the latter post the period end. This provided the Company with an additional gross 398 sq km of acreage. Both licences include regulatory approvals to drill two prospects (similar to Horse Hill) and we hope to prove a repeat of the HH-1 results by end-2017.

Utilising Nutech’s extensive regional evaluations, our acquisitions have been carefully targeted to contain the highest calculated oil in the ground. These acquisitions have also delivered us two further drill-ready well locations with planning

consents enabling Kimmeridge drilling momentum to be maintained. We have an appetite for further growth and expansion over the prime basin sweet spot.

### ***Broadford Bridge***

In June this year UKOG agreed to purchase 100% ownership of PEDL234 with a Share Purchase Agreement with Celtique Energie Petroleum Limited and an Asset Transfer Agreement with Magellan Petroleum (UK) Limited. The total consideration for these two transactions was £3.5 million, £1.25 million (36%) of which will be paid in cash and the remainder settled with the issue of new UKOG ordinary shares. The licence will be owned by the fully owned UKOG subsidiary, Kimmeridge Oil & Gas Limited (“KOG”). The overall transaction is subject to formal consent by the Secretary of State. Both Celtique and Magellan have now signed the necessary Deed of Variation with the OGA to confirm a two-year extension of PEDL234 to 30 June 2018.

Previous analyses of BB-1, primarily by US-based Nutech, strongly indicate that the licence presents look-alike Kimmeridge Limestone oil potential to that seen at Horse Hill. It should be noted that the Company’s net interest in these prospects and the potential net recoverable resources, if successful, is over three times that of Horse Hill and Holmwood.

The Broadford Bridge licence also adds contingent gas resources via the eastern extension of the Godley Bridge Portland gas discovery into PEDL234. This discovery is a prime target for a gas-to-wire electrical generation project. A Competent Person’s Report (CPR) has been commissioned.

### ***Broadford Bridge next steps***

Regulatory permissions to drill Broadford Bridge-1 (“BB-1”) are in place from West Sussex County Council and the Environment Agency. The well pad has already been constructed and KOG will seek the necessary remaining consents from the Health and Safety Executive and OGA to will drill and test the Kimmeridge Limestones in 2017. KOG will also seek permission to drill an appraisal of the Godley Bridge Portland gas discovery and also test the Kimmeridge Limestones in the same well.

The Company has commissioned independent external studies from Nutech to assess the Kimmeridge oil in the ground contained within the Licence, which will be reported in due course.

### ***Holmwood***

In two separate farm-in transactions, UKOG acquired a 30% direct interest in PEDL143, which as previously described, contains look-alike potential to Horse Hill in the Kimmeridge and Portland sections. The operator is making good progress towards drilling the Holmwood-1 well in early 2017. The OGA has consented to a two-year extension of PEDL143 to 30 September 2018.

### ***The Isle of Wight***

UKOG expects to shortly be awarded PEDL331 as part of the OGA’s 14<sup>th</sup> Onshore Licence Round following its offer to UKOG in December 2015. This award will add an estimated 17 MMbbl of net recoverable resources, including 10.2 MMbbl of Contingent Resources in the Arreton fractured Portland Limestone oil discovery and 6.8 MMbbl of prospective resources in two look-alike undrilled conventional oil prospects.

Significantly, the addition of this licence increased UKOG’s net recoverable resources within conventional reservoirs (excluding Horse Hill, Broadford Bridge and offshore IoW) almost five-fold to 21.64 MMbbl and Contingent Resources by a factor of three to 13.81 MMbbl recoverable.

### ***Markwells Wood***

Planning and Environment Agency permission applications are now being sought to develop this oil discovery. A submission to drill up to four horizontal production wells is planned to be made before the end of September 2016.

### ***Other Assets***

Horndean, Avington, Brockham and Lidsey continued stable production throughout the period.

Baxters Copse is currently in the process of receiving a two-year licence extension from the OGA and we continue to review the economics of an appraisal well.

## FINANCIAL REVIEW

The retained loss for the six-month period to 31 March 2016 amounted to £1.26 million (2015: £0.43 million). The primary driver for this was the increased activity associated with our investments, particularly the Horse Hill flow tests, which have resulted in higher professional service costs, including that of external consultants. These costs along with movements in working capital resulted in £2 million net cash being used in operating activities for the six-month period ending 31 March 2016 (2014: £1.2 million). Netting off the proceeds from the issuance of shares the net decrease in cash and cash equivalents was £1.79 million resulting in cash and cash equivalents at the end of the period of £2.79 million.

On 26 May 2016 UKOG raised £4 million through the placing of 266,666,667 new ordinary shares in the Company at 1.5 pence per share.

## OUTLOOK

Over the next twelve-month period the Directors expect to see a number of positive developments for the Company.

- In conjunction with HHDL, UKOG plan to return to the HH-1 well to conduct long-term well testing, and to drill two appraisal wells; this will establish the most likely expected recoverable volume of oil from the discovery.
- Preparations are now underway to submit the necessary documentation to acquire the regulatory permissions to proceed towards further appraisal of the Kimmeridge and Portland zones.
- KOGI is planning to drill the Broadford Bridge-1 exploration well in PEDL234, and progress regulatory approvals for a Godley Bridge exploration/appraisal well in the north of the licence.
- Europa is planning to drill the Holmwood-1 exploration well (UKOG 30%)
- UKOG is well advanced in the preparation of a Field Development Plan for the Markwells Wood oil discovery (UKOG 100% and Operator). Planning permission will also be sought from the South Downs National Park Authority, plus necessary consents from the Environment Agency.
- UKOG will finalise the onshore Isle of Wight licence (PEDL331, UKOG 65%) with OGA, following the 14th Round award.
- UKOG will continue with regulatory steps necessary to drill an appraisal well on the Arretton Main oil discovery in PEDL331 (UKOG 65%) and an exploration well on the M Prospect in P1916 offshore Isle of Wight (UKOG 77.5% and Operator).
- UKOG is considering drilling an appraisal well on the Baxters Copse discovery (IGas 50% Operator, UKOG 50%).
- New production wells are being planned on two of Angus Energy's producing licences (Lidsey and Brockham).
- UKOG plans to continue to expand its licence position in the UK onshore, particularly in its core Weald Basin Kimmeridge oil play, with additional exploration, development and production investments.

Your Board of Directors will continue to seek out further attractive investments in line with the UKOG's investment strategy.

## Qualified Persons Statement

Stephen Sanderson, UKOG's Executive Chairman, who has over 35 years of relevant experience in the oil industry, has approved the information contained in this announcement. Mr. Sanderson is a Fellow of the Geological Society of London and is an active member of the American Association of Petroleum Geologists.

## Glossary of Terms

Term	Meaning
3D seismic	Seismic data collected using the three-dimensional common depth point method
API	American Petroleum Institute; API gravity, usually expressed as degrees API, is a measure of how heavy or light a petroleum liquid is compared to water
bopd	Barrels of oil per day

Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status
discovery	A discovery is a petroleum accumulation for which one or several exploratory wells have established through testing, sampling and/or logging the existence of a significant quantity of potentially moveable hydrocarbons
flow test	A flow test or well test involves testing a well by flowing hydrocarbons to the surface, typically through a test separator. Key measured parameters are oil and gas flow rates, downhole pressure and surface pressure. The overall objective is to identify the well's capacity to produce hydrocarbons at a commercial flow rate
gas-to-wire development	A development wherein gaseous hydrocarbons are used as fuel to generate electrical power for subsequent export and sale
horizontal well	A well that during drilling is steered so as to be at or close to 90 degrees from the vertical to follow a particular geological stratum or reservoir unit
limestone	A sedimentary rock predominantly composed of calcite (a crystalline mineral form of calcium carbonate) of organic, chemical or detrital origin. Minor amounts of dolomite, chert and clay are common in limestones. Chalk is a form of fine-grained limestone. The Kimmeridge Limestones are effectively chalks being comprised of the remains of calcareous planktonic algae
MMbbl	Million barrels
moveable oil	Oil that can flow or be pumped to the surface
naturally fractured reservoirs	Fractured reservoirs contain cracks or surface of breakage within rock; fractures can enhance permeability of rocks greatly by connecting pores together; naturally fractured reservoirs have been created over geological time by nature, not man-made via hydraulic fracturing
oil in the ground	Or oil in place, the quantity of oil or petroleum that is estimated to exist originally in naturally occurring accumulations in the ground before any extraction or production
play	A set of known or postulated oil and or gas accumulations sharing similar geological, geographic and temporal properties, such as source rock, migration pathways, timing, trapping mechanism and hydrocarbon type
prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target
Prospective Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and chance of development
recoverable resources	Those quantities of petroleum (oil in this case) estimated, as of a given date, to be potentially recoverable from known accumulations
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by development and production status
sandstone	A clastic sedimentary rock whose grains are predominantly sand-sized. The term is commonly used to imply consolidated sand or a rock made of predominantly quartz sand
side-track	Re-entry of a well from the well's surface location with drilling equipment for the purpose of deviating from the existing well bore to achieve production or well data

from an alternative zone or bottom hole location, or to remedy an engineering problem encountered in the existing well bore.

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**Consolidated Income Statement (Unaudited)**  
**for the six months ended 31 March 2016**

	Notes	6 months 31 Mar 2016 (Unaudited) £'000	6 months 31 Mar 2015 (Unaudited) £'000
<b>Turnover</b>		66	197
Cost of sales		(78)	(127)
<b>Gross profit</b>		<b>(12)</b>	<b>70</b>
<b>Operating expenses</b>			
Administrative expenses		(1,199)	(491)
Foreign exchange losses		(13)	-
Depreciation and amortisation expense		(39)	-
<b>Underlying operating loss</b>		<b>(1,263)</b>	<b>(421)</b>
<b>Operating loss</b>		<b>(1,263)</b>	<b>(421)</b>
Gain on settlements of derivative financial instrument		-	61
Share of associate loss		-	(4)
Interest payable and similar charges		-	(19)
<b>Net loss before taxation</b>		<b>(1,263)</b>	<b>(383)</b>
<b>Taxation</b>		-	-
<b>Loss for the period</b>		<b>(1,263)</b>	<b>(383)</b>
<b>Attributable to:</b>			
Owners of the Parent		(1,263)	(383)
Non Controlling interest		-	-
		<b>(1,263)</b>	<b>(383)</b>
<b>Other comprehensive expenses</b>			
Transfer of unrealised gains to income statement		-	(44)
<b>Total comprehensive loss</b>		<b>(1,263)</b>	<b>(427)</b>
<b>Attributable to:</b>			
Owners of the Parent		(1,263)	(427)
Non Controlling interest		-	-
<b>Loss per share</b>		<b>Pence</b>	<b>Pence</b>
Basic	2	(0.06)	(0.02)

**Consolidated Statement of Financial Position (Unaudited)**  
**as at 31 March 2016**

	Notes	31 Mar 2016 (Unaudited) £'000	30 Sep 2015 (Audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration & evaluation assets		1,353	1,309
Investment in associate		2,063	2,063
Available for sale investments		368	368
Oil & Gas properties		1,532	1,566
<b>Total non-current assets</b>		<b>5,316</b>	<b>5,306</b>
<b>Current assets</b>			
Inventory		2	2
Trade and other receivables		2,525	1,683
Cash and cash equivalents		2,798	4,590
<b>Total current assets</b>		<b>5,325</b>	<b>6,275</b>
<b>Total Assets</b>		<b>10,641</b>	<b>11,581</b>
<b>Current liabilities</b>			
Trade and other payables		467	329
Borrowings		-	111
<b>Total current liabilities</b>		<b>467</b>	<b>440</b>
<b>Non-current Liabilities</b>			
Provisions		359	359
Borrowings		-	-
<b>Total non-current liabilities</b>		<b>359</b>	<b>359</b>
<b>Shareholders' Equity</b>			
Share capital		11,788	11,787
Share premium account		31,917	31,622
Share based payment reserve		659	659
Accumulated losses		(34,549)	(33,286)
<b>Total shareholders' equity</b>		<b>9,815</b>	<b>10,782</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,641</b>	<b>11,581</b>

## Consolidated Statement of Changes in Equity for the 6 months ended 31 March 2016

	Share capital	Share premium	Share based payment reserve	Revaluation reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 October 2014</b>	<b>11,726</b>	<b>23,192</b>	<b>351</b>	<b>44</b>	<b>(31,661)</b>	<b>3,652</b>
Loss for the year	-	-	-	-	(1,695)	(1,695)
Other comprehensive income						
– Transfer to income statement	-	-	-	(44)	-	(44)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44)</b>	<b>(1,695)</b>	<b>(1,739)</b>
Issue of shares	61	8,922	-	-	-	8,983
Cost of share issue	-	(492)	-	-	-	(492)
Share option expired	-	-	(70)	-	70	-
Share based payments	-	-	378	-	-	378
<b>Balance at 30 September 2015</b>	<b>11,787</b>	<b>31,622</b>	<b>659</b>	<b>-</b>	<b>(33,286)</b>	<b>10,782</b>
Loss for the year	-	-	-	-	(1,263)	(1,263)
Issue of shares	1	295	-	-	-	296
Cost of share issue	-	-	-	-	-	-
Share option expired	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-
<b>Balance at 31 March 2016</b>	<b>11,788</b>	<b>31,917</b>	<b>659</b>	<b>-</b>	<b>(34,549)</b>	<b>9,815</b>

**Statement of Cash Flows (Unaudited)**  
**for the six months ended 31 March 2016**

	Notes	6 months 31 Mar 2016 (Unaudited) £'000	6 months 31 Mar 2015 (Unaudited) £'000
<b>Cash flows from operating activities</b>			
<b>Operating loss for the period:</b>		(1,263)	(421)
Adjustments for:			
Depreciation and amortisation		39	-
<b>Net operating loss before changes in working capital</b>		(1,224)	(421)
Increase in receivables		(842)	(196)
Increase / (decrease) in accounts payable		138	(584)
<b>Net cash used in operating activities</b>		(1,928)	(1,201)
<b>Cash flows from investing activities</b>			
Payments for intangible assets		(44)	(1,483)
Investment in associate		-	-
Payments for oil & gas properties		(5)	-
Payments to acquire available for sale investments		-	(590)
Interest received		-	-
<b>Net cash used in investing activities</b>		(49)	(2,073)
<b>Cash flows before financing</b>		(1,977)	(3,274)
<b>Cash flows from financing activities</b>			
Proceeds from issuance of shares		296	2,208
Costs of issue of shares		-	(120)
Interest paid		-	(19)
Receipts from settlements of financial instrument			201
Proceeds from borrowings			621
Repayment of borrowings		(111)	(216)
<b>Net cash provided by financing activities</b>		185	2,675
<b>Net decrease in cash and cash equivalents</b>		(1,792)	(599)
Cash and cash equivalents at beginning of the period		4,590	982
<b>Cash and cash equivalents at end of the period</b>		2,798	383

## Notes to the half-yearly results

### 1. Basis of preparation

As permitted IAS 34, 'Interim Financial Reporting' has not been applied to these half-yearly results. The financial information of the Company for the six months ended 31 March 2016 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("adopted IFRS") and are in accordance with IFRS as issued by the IASB. The condensed interim financial information has been prepared using the accounting policies which will be applied in the Company's statutory financial statements for the period ending 30 September 2016.

The financial information shown in this publication is unaudited and does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The comparative figures for the financial year ended 30 September 2015 have been derived from the statutory accounts for 30 September 2015. The statutory accounts have been delivered to the Registrar of Companies. The auditors have reported on those accounts; their report was unqualified and did not contain statements under the section 498(2) or 498(3) of the Companies Act 2006.

### 2. (Loss) per share

The calculation of the basic and diluted (loss) per share is based upon

	<b>6 months 31 Mar 2016 (Unaudited) £'000</b>	<b>6 months 31 Mar 2015 (Unaudited) £'000</b>
<hr/> <u>(Loss) attributable to ordinary shareholders</u>	<hr/> <u>(1,263)</u>	<hr/> <u>(383)</u>
	<hr/> <b>Number</b>	<hr/> <b>Number</b>
Weighted average number of ordinary shares for calculating basic loss per share	2,032,319,539	1,624,785,121
	<hr/> <b>Pence</b>	<hr/> <b>Pence</b>
<hr/> Basic and diluted loss per share	<hr/> <u>(0.06)</u>	<hr/> <u>(0.02)</u>

### 3. Availability of the Interim Report

Copies of the report will be available from the Company's registered office and also from the Company's website [www.ukogplc.com](http://www.ukogplc.com)

## Appendix

### Operational and Investment Review

#### **Horse Hill Developments Ltd ("HHDL"), Licences PEDL137 and PEDL246, Weald Basin**

- Flow testing took place in February and March 2016, with the results summarised in UKOG's RNS of 21 March 2016.
- The final total aggregate stable dry oil flow rate from two Kimmeridge Limestones plus the overlying Portland Sandstone was 1,688 bopd. Over the 30-90 hour flow periods from each of the 3 zones, no clear indication of any reservoir pressure depletion was observed.
- The final Portland test of 323 bopd, over an 8.5-hour period is the highest stable dry oil flow rate from any onshore UK Portland well. On further testing, with a larger pump, the rate doubled from the previously reported stable dry oil rate of 168 bopd. The Portland was produced at maximum pump capacity and showed no clear indication of depletion. It is likely that the rate can be further increased using a higher capacity downhole pump during the next planned test.
- Proof that the Kimmeridge Limestones contain significant volumes of moveable light oil that can be flowed to surface at potentially commercial rates.
- As previously reported, the stable, natural dry oil flow rate of 464 bopd from the Lower Kimmeridge Limestone is the first ever flow from this rock unit in the Weald Basin and onshore UK.
- Based on the analysis of published reports from all significant UK onshore discovery wells, the Company concludes that the well's 1,688 bopd is likely the highest aggregate stable dry oil flow from any onshore UK new field wildcat discovery well.
- Based on the analysis of published reports from all significant UK onshore discovery wells, the Company concludes that the 901 bopd from the Upper Kimmeridge zone is likely the highest stable natural dry oil flow rate from a single reservoir in any UK onshore new field wildcat discovery well.
- High quality Brent Crude produced: light, sweet oil (40 degrees API in Kimmeridge, 35-37 degrees API in Portland) 1,940 barrels delivered to the Esso Fawley refinery.
- Preliminary analysis confirms that the Lower and Upper Kimmeridge Limestone units are naturally fractured reservoirs with high deliverability.
- On 5 October 2015, UKOG announced the results of a conceptual Weald Kimmeridge Limestone tight oil development study by Xodus. This showed that future developments could respect the rural beauty and way of life of the locality by putting wellheads and pumps below ground level and controlling production to minimise HGV impact on local road infrastructure.
- On 21 October 2015, UKOG announced that Nutech had calculated a gross oil in place ("OIP") of 15,700 MMbbl in UKOG's eight licences in the Weald Basin. Nutech calculated that 124,000 MMbbl of OIP was contained in their 1,261 square mile study area in the Weald Basin.
- Regulatory consents for HH-1 flow testing were received from the Environment Agency and OGA, in respectively November 2015 and January 2016; planning permission from Surrey County Council was already in place from the 2014 drilling phase.
- On 18 April 2016, UKOG announced that it had acquired a further 12% interest in HHDL, taking UKOG's interest to 42%; UKOG's interest in the two Horse Hill licences (PEDL137 and PEDL246) is now 27.3%.

**Note: As noted in the Company's previous announcements, all estimated OIP volumes in this announcement should not be construed as Contingent Resources, Prospective Resources or Reserves.**

#### **Broadford Bridge Licence (PEDL234)**

- UKOG signed agreements with Celtique Energie and Magellan Petroleum to acquire 100% ownership of the 300 sq km (116 sq miles) Weald Basin licence PEDL234. The acquisitions more than double the Company's net acreage holdings in the prime Kimmeridge Limestone Oil play, as proven by the Horse Hill-1 ("HH-1") oil discovery.
- The licence includes regulatory permission to drill the Kimmeridge at the Broadford Bridge-1 ("BB-1") site. Furthermore, the licence contains a further mapped gas appraisal opportunity, in the eastern extension of the Godley Bridge Portland gas discovery.
- The transactions are conditional upon the extension of the Licence and the usual regulatory approvals being granted by the Secretary of State for Energy and Climate Change ("Secretary of State").

- For a total consideration of £3.5 million, the Company will obtain 100% ownership of the licence via a Share Purchase Agreement ("SPA") with Celtique Energie Petroleum Limited ("CEPL") to acquire Celtique Energie Weald Limited ("CEWL") who own a direct 50% interest in the Licence and an Asset Transfer Agreement with Magellan Petroleum (UK) limited ("Magellan") who own a 50% interest in the licence.
- Additionally, via a second Asset Transfer Agreement, the Company will be assigned Magellan's 22.5% direct interest in offshore Isle of Wight licence P1916, taking UKOG's interest to 100%.
- The overall transaction is subject to formal consent by the Secretary of State.
- Upon and subject to completion, the licence ownership and operatorship will be held by KOGI, a 100% UKOG owned private intermediary company. A further announcement will be made once the agreements have become unconditional.
- Previous analyses by Nutech and the Company, of wells and seismic within and immediately surrounding the Licence, strongly suggest that the Licence presents look-alike Kimmeridge Limestone oil potential to that seen at Horse Hill. The BB-1 structure is very similar in UKOG's view to both the HH-1 oil discovery and the nearby Balcombe-1 oil discovery, following the same overall structural trends. The Balcombe-1 well, drilled in 1986, recovered 48 barrels of oil from what the Company interprets to be a naturally fractured Upper Kimmeridge Limestone. The recovered oil was typed to a Kimmeridge Clay shale source rock by Burwood et al in 1991.

#### **Holmwood Licence (PEDL143) – Europa Oil & Gas Limited ("Europa")**

- The Holmwood licence, operated by Europa, lies immediately west of the Horse Hill licence PEDL137, to the south of the Brockham oil field. UKOG sees look-alike potential to Horse Hill in the Holmwood licence. The licence contains a well-defined Portland sandstone look-alike to the Horse Hill and Collendean Farm oil discoveries. In addition, Nutech calculated that the Kimmeridge limestone play, now proven by HH-1, extends over the entire licence together with the underlying Kimmeridge, Oxford Clay and Lias limestone and shale resource oil plays. The Holmwood well will test the Portland and Kimmeridge objectives and is planned to be drilled in early 2017.
- On 16 June 2016, Europa received a letter from the OGA confirming a two year licence extension to 30 September 2018.
- On 23 November 2015, UKOG announced that it had executed a second farm-in to Holmwood, bringing UKOG's licence interest to 30%; OGA approved UKOG's first farm-in on 18 November 2015 and the second on 18 December 2015.
- On 23 September 2015, UKOG announced that Surrey County Council had given planning permission for the drilling of the Holmwood-1 exploration well.

#### **Isle of Wight, P1916 and PEDL331**

- In December 2015, OGA offered UKOG and its co-venturers licence PEDL331, which has an area of approximately 200 km<sup>2</sup> in southern onshore Isle of Wight (UKOG 65%), adjacent to the offshore Isle of Wight licence (P1916). The offered licence terms have been accepted. By the Company. Formal award of the licence, along with all other remaining 14<sup>th</sup> Round licences by OGA is expected in due course.
- In January 2016, UKOG announced the results of an independent volumetric analysis by Xodus Group ("Xodus") of the Arreton-2 oil discovery ("Arreton Main") and the adjacent low-risk Arreton North and South Prospects ("Arreton Prospects"). Gross P50 OIP of 219 MMbbl was estimated for Arreton Main and the Arreton Prospects. Xodus estimated net P50 Contingent Resources of 10.2 MMbbl for Arreton Main, and net P50 Prospective Resources of 6.8 MMbbl for the Arreton Prospects.
- The award of PEDL331 will also permit the M prospect in licence P1916 to be drilled from an onshore location.

#### **Markwells Wood Oil Field and Baxters Copse Oil Discovery**

- UKOG has contracted Barton Willmore to work on a new planning application for a Markwells Wood oil field development. UKOG intends to submit this planning application in September to the South Downs National Park Authority. UKOG plans to develop the field with up to four new horizontal production wells.
- On 16 October 2015, UKOG announced that the Markwells Wood planning permission had been extended until 30 September 2016.
- In Late June 2016, both UKOG and IGas Energy Plc ("IGas"), the operator, signed a Deed of Variation with the OGA to extend the Baxters Copse PEDL 233 for a further 2 years to 30 June 2018. The extension, when granted, will permit

the drilling of a Baxters Copse-2 appraisal well. The commercial prospectivity of the Baxters Copse oil discovery and possible shallower objectives is still under technical evaluation by the Company and IGas.

**UKOG (GB) Limited, UKOG Weald Limited and UKOG Solent Limited - Horndean and Avington Producing Oil Fields**

- The Horndean field continued stable oil production throughout the period.
- In early 2016, the Avington field commenced cycled production, with periods of shutdowns to recharge the reservoir; as a result, Avington operating costs have significantly reduced.

**Lidsey and Brockham Producing Oil Fields: Angus Energy Limited ("Angus Energy")**

- UKOG has a 6% share ownership of Angus Energy, which operates and produces oil from both the Lidsey and Brockham oil fields in the Weald Basin.
- The Brockham field is the closest analogous Portland sandstone producing oil field to the Horse Hill-1 Portland sandstone discovery.
- Lidsey produces from the same Great Oolite limestone reservoir as UKOG's Horndean and Avington oil fields and the Markwells Wood and Baxter's Copse oil discoveries.
- Angus Energy plans to drill a side-track at Brockham, possibly to test the Kimmeridge Limestones and a new well at Lidsey. We understand that OGA consent to drill the Brockham side track has been obtained.