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Upland Resources Ltd*

13 December 2016

BUY

Stock Data**

Share Price:	1.41p
Market Cap.:	£5.7m**
Shares in issue:	406.2m**
Fully diluted equity	456.3m**

**Pro forma post Wressle farm-in

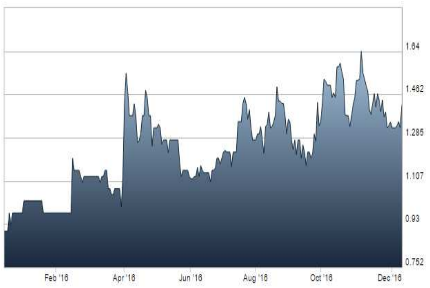
Company Profile

Sector:	Oil & Gas
Ticker:	UPL
Exchange:	LSE

Activities

Low risk oil and gas appraisal and development in the UK onshore sector.

Performance Data



Source: LSE

Directors

Stephen Staley:	CEO
Norza Zakaria:	Chairman
Jeremy King:	Non-Executive Director
Bolhassan Di	Non-Executive Director

Major Shareholders**

Norza Zakaria	29.4%
Optiva Securities	8.2%
Aimi Aizal Bin Nasharuddin	5.5%
Stephen Staley	4.9%

**Pro forma post Wressle farm-in

*Optiva Securities acts as broker to Upland Resources Limited

Upland acquires critical mass at Wressle

Upland Resources has agreed to acquire a 10% interest in UK onshore licences PEDL 180 and PEDL182 from Europa Oil & Gas for a total consideration of £1.6m. Of this consideration, £1.3m is payable in cash with the balance payable in shares priced at 1.3p. These licences contain the exciting Wressle discovery which is expected to commence production at a rate of c.500 bopd in early 2017. In order to fund this transaction and provide additional working capital, Upland has simultaneously completed a placing to raise gross proceeds of £2.2m.

The Egdon Resources operated Wressle-1 discovery well was drilled in mid-2014. The well intersected several sandstone intervals and log data indicated three primary oil bearing reservoirs in the Ashover Grit, the Wingfield Flags and the Penistone Flags intervals. Subsequent testing of these zones demonstrated an aggregate flow rate of 710 bopd in early 2015.

The initial focus of the Wressle development will be the Ashover and Wingfield intervals which will be developed simultaneously and are estimated to contain gross reserves of 0.62 mmbbls. There is also considerable upside in the Penistone which is estimated to contain gross contingent resources of 1.5 mmbbls. The same intervals are present at Broughton North, a separate fault block located northwest of Wressle and unrisked gross prospective resources within this prospect are estimated to be 0.42 mmbbls.

The development plan for Wressle-1 discovery well has already been submitted to the UK Oil and Gas Authority (OGA) and a planning application is currently being considered by North Lincolnshire Council. As such, we believe that production will commence in early 2017 at an initial gross rate of c.500 bopd generating significant cash flow to Upland. A development plan for the Penistone, which will require additional drilling to convert resources into reserves, is expected to be progressed following the commencement of production from the Ashover and Wingfield.

In early October 2016, Upland increased its interest in Block SK46c (part of PEDL299) from 16.67% to 25%. This acreage located in the East Midlands Basin contains the Hardstoft oil discovery. Hardstoft is estimated to contain risked contingent resources of 0.62 mmbbls net to Upland with further risked upside of 0.58 mmbbls in the adjacent Hardstoft East prospect.

Our development assumptions for Hardstoft, which include the drilling of up to two deviated wells into the main structures in 2018 and 2019 remain unchanged. However, since January a range of variables, including favourable changes to both the UK oil and gas production tax regime, an improved US dollar to Sterling exchange rate, Upland's larger equity interest in addition to increased confidence regarding longer term oil prices imply a substantial upgrade to our valuation of Upland's interest in Hardstoft.

We have established an upgraded NPV based assessment for Upland and we believe that the shares could be worth 3.2p on a fully diluted basis. If we strip out the higher risk elements of the portfolio which are based on the longer term exploitation of prospective resources, we arrive at a de-risked 'core valuation' and short term target price of 2.0p per share which represents attractive upside to the current share price.

Acquisition of interest in Wressle discovery

On 24 November 2016, Upland announced that it had signed a Sale and Purchase Agreement with Europa Oil & Gas (AIM: EOG) to acquire a 10% interest in PEDL180 and PEDL182 subject to UK Oil and Gas Authority (OGA) approval. These licences contain the Wressle field from which production is expected to commence at a rate of approximately 500 bopd in early 2017. The licences also contain the adjacent Broughton North prospect where there could be significant additional resource upside.

Upland has agreed to pay Europa a consideration of £1.3m in cash in addition to £0.3m in Upland shares. For this tranche of the transaction, Upland will issue 23,076,923 new shares to Europa at an issue price of 1.3p per share. The deal has a modest contingent consideration of £0.25m payable by Upland to Europa through the issue of a further 19,230,769 shares at 1.3p per share subject to certain production milestones being met by June 2025.

Europa can elect to dispose of the Upland shares following the later of six months after completion of the transaction or the date of first export of oil from the Wressle site. This is subject to a long-stop date of 1 September 2017.

Union Jack deal indicates equivalent terms

On 27 September 2016, Union Jack Oil plc (AIM: UJO) announced an agreement to acquire an additional 3.34% interest in PEDLs 180 and 182 for £0.6m. This increased the company's interest in the licences from 8.33% to 11.67%. Given that Union Jack's deal implies a value of £1.8m for a 10% interest, we are confident that Upland is conducting its transaction with Europa on at least equivalent terms.

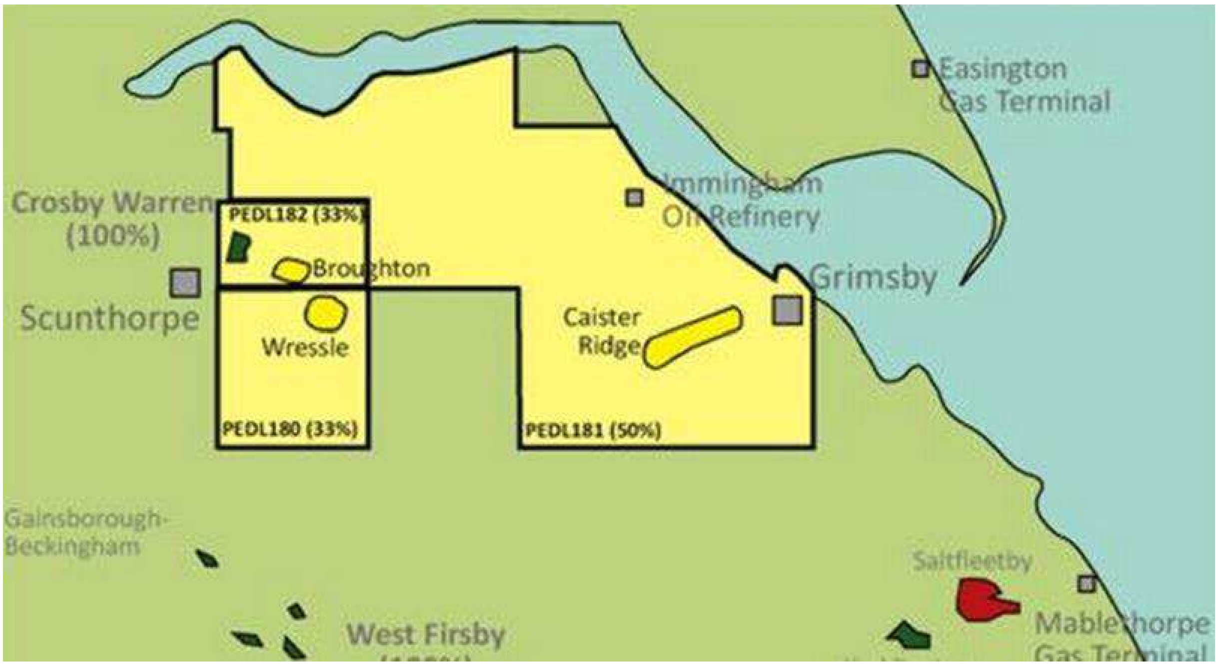
Placing

To fund this transaction, Upland has completed a placing to raise £2.2m (before costs) through the issue of approximately 169.2 million new shares at 1.3p per share. Coupled with existing cash reserves of approximately £0.8m, these new funds will be used to finance the Wressle acquisition, fund preliminary spending on the Hardstoft field in 2017 and for ongoing working capital.

The Wressle discovery

The Wressle discovery is located on licence PEDL180 in Lincolnshire on the western margin of the Humber Basin. The discovery is on trend with the producing Crosby Warren oil field and the Broughton oil discovery to the northwest. In addition, the Brigg-1 oil discovery (not shown on the map below) is also situated to the immediate southeast of the licence in a highly prospective area for oil and gas exploration.

Location of the Wressle discovery on licence PEDL180



Source: Europa Oil & Gas

Equity partners

Egdon Resources (AIM: EDR) is the operator of PEDL180 with a 25% interest in the licence. In addition to Europa, a highly experienced UK onshore player, Upland will also be partnered with privately owned Celtique Energie and Union Jack Oil (AIM: UJO) the latter of which recently increased its interest in the licence from 8.33% to 11.67% by acquiring an additional 3.34% from Europa at the end of September 2016.

Equity partners in PEDL180

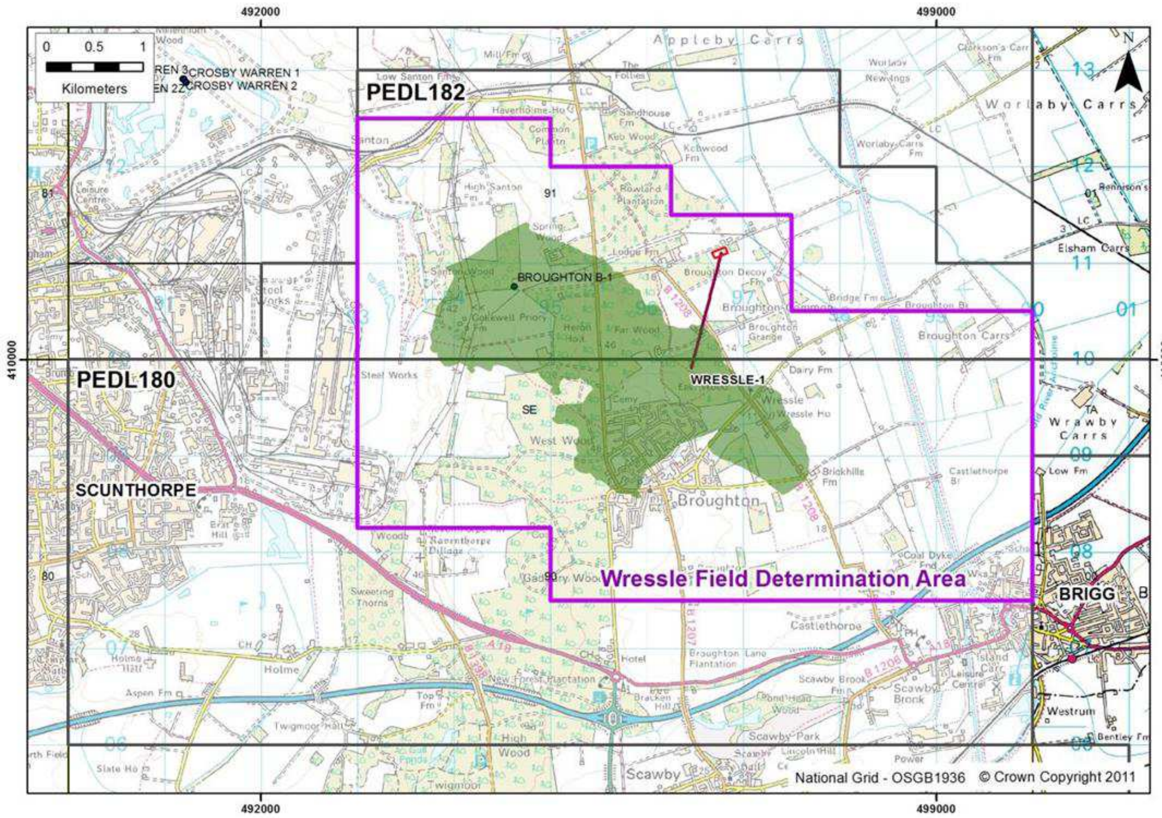
Company	Former interest	Proposed interest
Egdon Resources (operator)	25.0%	25.0%
Celtique Energie	33.3%	33.3%
Europa Oil & Gas	30.0%	20.0%
Union Jack Oil	11.7%	11.7%
Upland Resources	**-**	**10.0%**
Total	**100%**	**100%**

Source: Upland Resources, Egdon Resources

The Wressle-1 discovery well

The Wressle-1 conventional exploration well was spudded in July 2014 to probe the Wressle prospect which was defined on proprietary 3D seismic data acquired by the operator Egdon in 2012. A deviated well was drilled to a total depth (TD) of 2,240 metres; equivalent to 1,814 metres TVDSS (true vertical depth sub-sea). The well intersected several Upper Carboniferous aged sandstone reservoirs in a structurally favourable position near the crest of the Wressle structure. The map below depicts the Wressle structure in greater detail, extending over PEDL180 and PEDL182. The map also depicts the surface location of Wressle-1 and the direction of the deviated well.

Location map of the Wressle-1 well



Source: Egdon Resources

Petrophysical evaluation of MWD (measurement whilst drilling) log data indicated three primary reservoirs that were likely to contain hydrocarbons with sufficient porosity and permeability to flow at commercial rates. The well logs indicated over 30 metres measured thickness of potential hydrocarbon pay in three main intervals. These were:

- Ashover Grit: Up to 6.1 metres measured thickness (5.8 metres vertical thickness)
- Wingfield Flags: Up to 5.64 metres measured thickness (5.1 metres vertical thickness)
- Penistone Flags: Up to 19.8 metres measured thickness (15.9 metres vertical thickness)

Flow testing confirms discovery

Four intervals were tested over February and March 2015 resulting in an aggregate flow test rate of 710 bopd during operations. The Ashover Grit tested at 80 bopd with 47,000 cfpd of gas during a 16 hour main flow period and the Wingfield Flags exhibited oil volumes of up to 182 bopd and 0.456 mmcfpd. It is important to note that appreciable volumes of water were also observed and the oil recovered was good quality with a gravity of 39-40° API.

Two Penistone zones were also tested. Penistone Flags Zone 3 tested up to 1.7 mmcfpd and up to 12 bopd from a 9-metre perforated zone at the top of the formation. Gas flow rates were constrained by the equipment and flaring limits imposed by the environmental permit. The gas and oil were reported to be good quality with the oil having a gravity of 35° API.

A deeper section of the Penistone termed the Penistone Flags Zone 3a tested 77 bopd in aggregate. Zone 3a was perforated over a 7.5 metre interval and produced good quality oil with a gravity of 33° API. A total of 98.5 barrels of oil were recovered during the test, of which flow induced by swabbing produced 34.3 barrels of oil. This equates to approximately 77 bopd.

Reserves and contingent resources

The Competent Persons Report (CPR) for Wressle was published by Blackwatch Petroleum Services Ltd and focuses on the Wressle discovery. It also provides resource estimates for the Broughton North prospect located to the northwest of Wressle where there is believed to be additional upside in the same intervals as those tested at Wressle.

The CPR indicates that the Ashover and Wingfield intervals will be produced in tandem and has allocated gross 2P reserves of 0.62 mmbbls as the basis for a field development project (FDP). Note that this number is the reserves that are termed 'justified for development'.

Blackwatch notes that production, at an estimated gross rate of 500 bopd from the Ashover and Wingfield intervals, could commence in early 2017 subject to receipt of all approvals such as FDP and planning application with the Oil and Gas Authority (OGA) and North Lincolnshire Council respectively.

The results of the CPR also point to major upside in the Penistone Flags reservoir which has been ascribed a gross 2C contingent resource of over 1.5 mmbbls. Although additional drilling and development expenditure would be required to bring Penistone resources into production, this interval could be developed following the commencement of production from the Ashover and Wingfield intervals.

Recoverable and contingent oil resources at Wressle (mmbbls)

Recoverable resources (mmbbls)	Low	Med	High
Ashover Grit	0.26	0.54	1.12
Wingfield Flags	0.03	0.08	0.17
Total	**0.29**	**0.62**	**1.29**
Contingent resources (mmbbls)	**1C**	**2C**	**3C**
Penistone Flags	0.68	1.5	2.76

Source: Blackwatch

Gas resources

Gas resources at Wressle are very modest and the CPR has allocated only 0.2 BCF as justified for development from Ashover and Wingfield. It is expected that the gas produced could be monetised on site via small scale power generation and the electricity subsequently sold into the national grid. A project such as this could easily be scaled up for the larger gas resources ascribed to the Penistone Flags interval should development of this interval commence.

Recoverable and contingent gas resources at Wressle (BCF)

Recoverable resources (BCF)	Low	Med	High
Ashover Grit	0.08	0.16	0.31
Wingfield Flags	0.02	0.04	0.09
Total	**0.10**	**0.20**	**0.40**
Contingent resources (BCF)	**1C**	**2C**	**3C**
Penistone Flags	0.86	2.00	3.57

Source: Blackwatch

Broughton North

There is additional upside to the Wressle resource numbers with regard to the Broughton North prospect which is a fault block situated immediately to the northwest of Wressle.

Blackwatch has attributed a mean prospective resource of 0.51 mmbbls of oil plus 0.51 BCF of gas. To these numbers, the CPR has ascribed a Geological Chance of Success (CoS) of between 40% and 49%.

Prospective oil resource estimates for the Broughton North prospect (mmbbls)

Unrisked prospective resources (mmbbls)	Low	Best	High	Mean
Penistone	0.10	0.27	0.58	0.31
Ashover	0.05	0.15	0.41	0.20
Total unrisked prospective resources	**0.15**	**0.42**	**0.99**	**0.51**
Chance of success (%)	**%**	**%**	**%**	**%**
Penistone	49%	49%	49%	49%
Ashover	40%	40%	40%	40%
Risked prospective resources (mmbbls)	**Low**	**Best**	**High**	**Mean**
Penistone	0.05	0.13	0.28	0.15
Ashover	0.02	0.06	0.16	0.08
Total risked prospective resources	**0.07**	**0.19**	**0.44**	**0.23**

Source: Blackwatch

Summary valuation of Wressle

With the acquisition of a 10% interest in Wressle, we have increased the scope of our sum of the parts valuation methodology for Upland. In addition to the company's existing interest in the Hardstoft field which is covered in this report and in considerable detail in our note published in January 2016, we have elected to ascribe three discrete valuations to the component parts of the company's latest acquisition in order to provide clarity and highlight areas which carry a different risk rewards profile. Our summary valuation of Wressle is outlined in the table below.

Valuation summary for Wressle

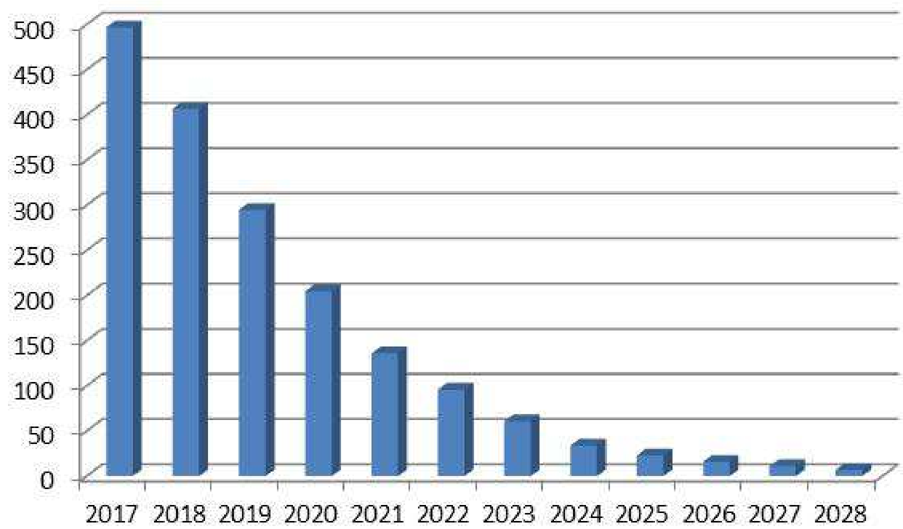
Asset	Status	US$m	£m
Ashover and Wingfield	Development	1.6	1.3
Penistone Flags	Discovery	2.3	1.8
Broughton North	Prospect	0.3	0.2
Total		**US$4.2m**	**£3.3m**

Source: Optiva estimates

Valuation of Wressle

For our core Wressle valuation, we have assumed that the two intervals, the Ashover Grit and the Wingfield Flags are produced together. In line with the CPR, we have assumed that production commences in early 2017 at a rate of almost 500 bopd and declines thereafter on a comparatively steep gradient.

Production profile for Ashover and Wingfield (bopd)



Source: Blackwatch, Optiva estimates

Core assumptions

In our NPV 10 assumptions, we have factored in an average oil price of US$55 per barrel in 2017 escalating thereafter to US$80 per barrel by 2021 and flat thereafter.

Summary of oil price assumptions (US$)

Year	2016E	2017E	2018E	2019E	2020E	2021E	Thereafter
Oil Price (US$)	43.00	55.00	65.00	70.00	75.00	80.00	80.00

Source: Optiva estimates

Our valuation also incorporates modest income (less than US$0.2m at peak) derived from generating electricity from produced gas and delivering it directly into the grid.

We have assumed that opex at peak production is equivalent is between US$8.00 and US$10.00 per barrel and increases on a unit basis as field production declines.

We estimate that remaining gross capex on the field is approximately US$2.6m, all of which will be incurred in late 2016 and early 2017. We understand that historical expenditure on the field is approximately $10.2m (c.£8.2m) prior to this. We have factored in an aggregate tax rate of 40% on pre-tax cash flow, reflecting a corporation tax rate of 30% and a Supplementary Charge of 10%.

As a consequence of these variables we arrive at a valuation for Upland's 10% interest of almost US$1.6m, equivalent to approximately £1.3m at an average exchange rate of US$1.26: £1.00.

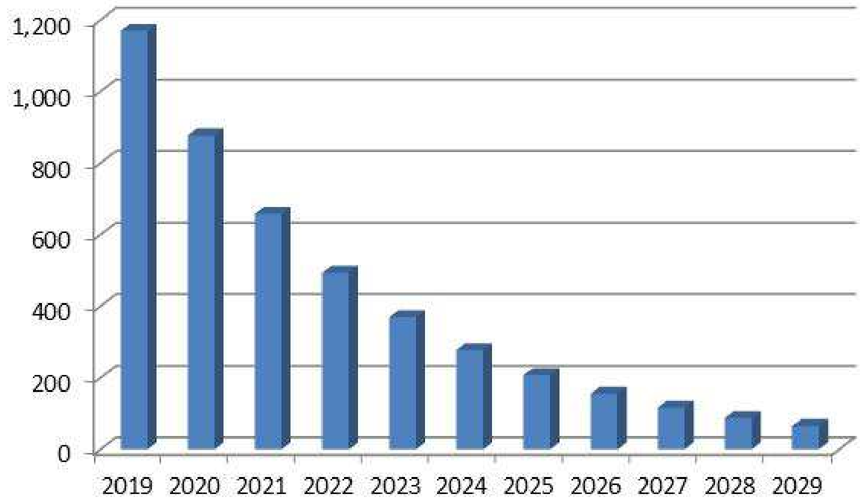
We estimate that there is a further upside from the Ashover and Wingfield if there is additional drilling conducted on the field in 2019 to access the 3P reserves which are double that of the 2P. Extending the scope of the current field development could add a further £1.1m to Upland's core valuation although we have not included this in our summary at this stage.

Penistone upside

The Penistone Flags interval represents a significant degree of upside to the existing development given the increased volume of resources estimated to be in situ. We have ascribed a valuation to the Penistone Flags using the production profile outlined below and a range of similar variables to those ascribed to the Ashover and Wingfield. However, there is a substantial capex and permitting requirement to bring the Penistone into production and we have assumed that additional drilling and facilities expenditure will be in the order of US$23.5m (US$2.35m net to Upland) in order to conduct a full development project.

Nevertheless, with existing facilities already in place for the Ashover and Wingfield production, we believe that infrastructure will not provide an impediment to the development of the Penistone and we have ascribed a valuation of over £1.8m for Upland's interest.

Production profile for the Penistone Flags interval (bopd)



Source: Blackwatch, Optiva estimates

Broughton North prospect

The Broughton North prospect represents longer term upside for Upland although prospective resources of over 0.5 mmbbls would represent appealing upside to an existing production project at Wressle. Applying a range of variables similar to those for the existing Wressle development and factoring in gross drilling expenditure of US$6.2m in 2018 to the prospect, we arrive at an indicative unrisked gross valuation for the prospect of approximately US$7.2m.

To this, we have applied Upland's 10% interest and a 40% CoS as indicated by the lower end of the range of expectations from the CPR. Consequently, we are factoring in a modest indicative valuation of £0.23m for Upland's interest in the prospect at this stage.

Hardstoft oil discovery

On 6 October 2016, the UK's oil and gas regulator, the Oil and Gas Authority (OGA) announced that the Department of Energy & Climate Change (DECC) executed Petroleum Exploration and Development Licence 299 (PEDL299) in respect of Block SK46c, following its award to the Upland's wholly-owned subsidiary, Upland Resources (UK Onshore) Limited (Upland UK) and its bid partners. Block SK46c contains the Hardstoft oil discovery. Further details including drilling and seismic activity conducted historically on Hardstoft is available in greater detail in our initiation report on Upland dated January 2016.

Immediately prior to the formal award of Block SK46c to Upland and its equity partners, Upland increased its interest in the licence from 16.67% to 25% as announced on 4 October 2016. This agreement was pursuant to Europa's acquisition of Shale Petroleum and the subsequent transferral of Shale Petroleum's interest on Block SK46c to Upland. The equity interests in Block SK46c are outlined below and await approval from the OGA.

Current equity interests in Block SK46c

Company	Former interest	Proposed interest*
Upland Resources	**16.67%**	**25%**
Europa Oil & Gas	16.66%	25%
Shale Petroleum (UK) Ltd	16.66%	-
Ineos (operator)	50.00%	50%

Source: Company *Subject to OGA approval

Block SK46c is the core asset

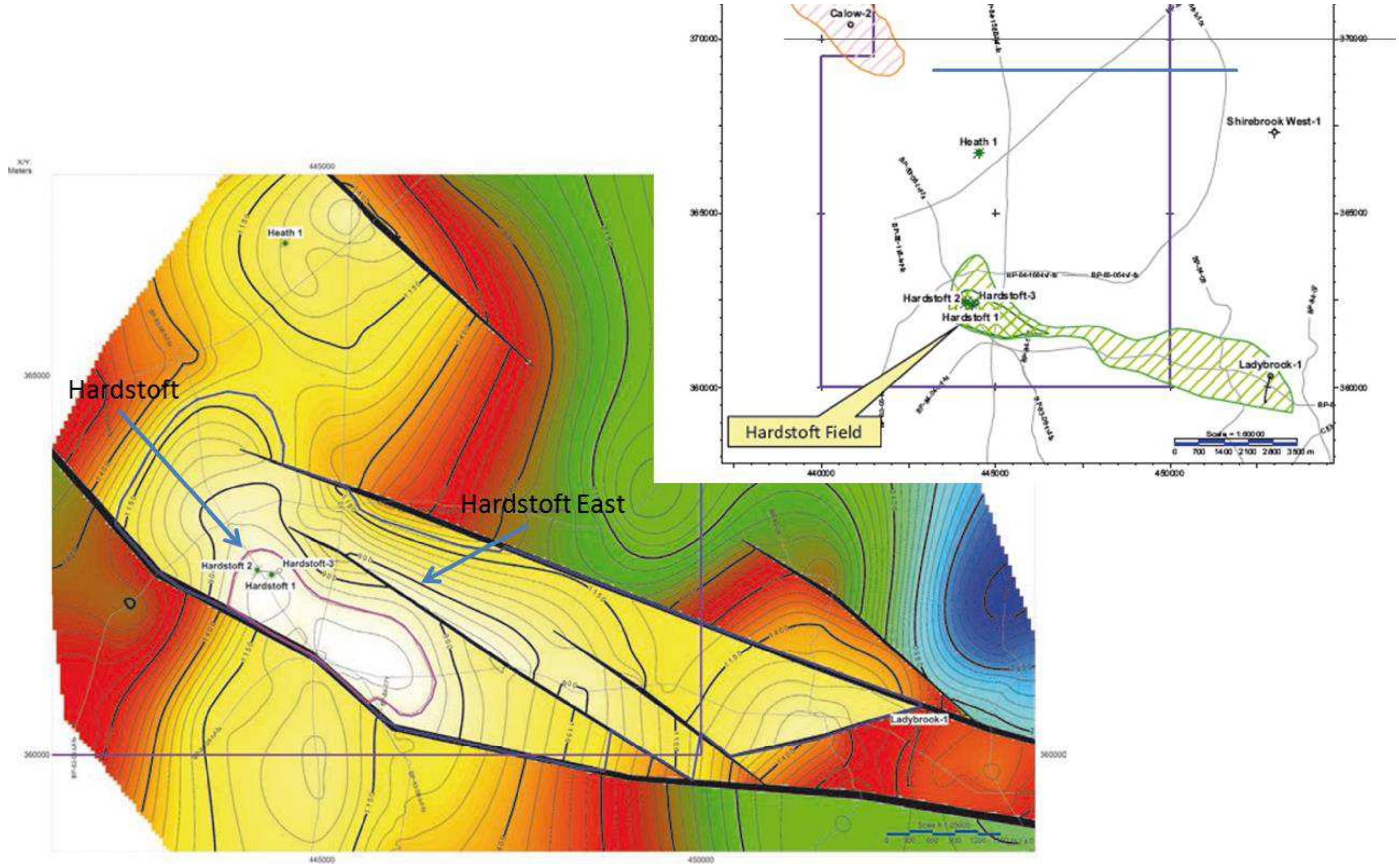
The interests outlined in the table above will apply to the main conventional oil and gas play within the block, while Ineos will retain all the rights and obligations to unconventional hydrocarbon plays such as shale gas and oil which would likely require fracture stimulation ("fracking") at later stages of development.

Block SK46c provides a very exciting opportunity to Upland as it contains the Hardstoft oil field which was the first oil discovery made in the UK, in 1919. This field produced oil without water cut for several years after its initial development. It is currently non-producing. However, Upland believes that modern high angle (deviated) wells drilled into the main structures could access a gross resource in excess of 6.75 mmbbls, of which more than 1.68 mmbbls would be attributable to Upland.

About Block SK46c

With an approximate area of 100km^2, Block SK46c is located on the western side of the East Midlands Oil Province near the market town of Chesterfield. The area is very accessible and traversed by numerous roads including the M1 motorway. No additional licence restrictions have been placed on the area and the Hardstoft structure limestone does not require multi-stage fracking.

Map depicting Block SK46c and the Hardstoft discovery



Source: Blackwatch Petroleum Services Limited, Upland Resources

The Chatsworth Estate exclusion

The block also excludes a portion which is retained by the Trustees of the Duke of Devonshire's Chatsworth Estate under the CE Licence (CE001) in which the three original Hardstoft wells were drilled.

Although the section of the block retained by the Chatsworth Trustees represents a significant proportion of the block by area, Blackwatch estimates that only between 6.34% and a maximum of 9.31% of the oil in place is covered by the Chatsworth area as the excluded section of the block is almost entirely located to the north of the Hardstoft structure which is believed to extend in a broadly easterly trend as depicted on the picture above.

We believe that this caveat on the licence is not an issue for the partners given that the current location of the Hardstoft discovery well is now used for retail activities and the expected utilisation of deviated development drilling implies that there will be flexibility on the surface well locations. This exclusion is factored into Blackwatch Petroleum Services' resource estimates outlined in the next section.

Hardstoft resource estimates

Blackwatch has estimated that oil in place in the Hardstoft and Hardstoft East structures on SK46c is up to 55 mmbbls with up to 19 mmbbls recoverable, although deterministic calculations yield even larger volumes. In regard to the Hardstoft structure, the CPR has attributed 2C contingent resources of 3.1 mmbbls to the main Hardstoft structure and attributed a geological chance of success of 80% to the recovery of said resources. In regard to Hardstoft East, Blackwatch has attributed best estimate prospective resources of 3.65 mmbbls with a 64% chance of success. Note that these resource estimates exclude the proportion retained by the Trustees of the Chatsworth Estate under the CE Licence (CE001).

Since early production on Hardstoft has demonstrated the presence of source rock, seal, reservoir and trap, we believe that the low risk status ascribed to the deposit is justified. Given that Hardstoft East is unproven at this stage, we are satisfied that the risk factor is higher although the prospect is still defined as relatively low risk given its proximity to the main structure.

Hardstoft resource estimates (gross and net to Upland)

Contingent resources (mmbbls)	**1C**	**2C**	**3C**
Hardstoft field (mmbbls)	0.49	3.10	18.46
Net to Upland (mmbbls)	0.12	0.78	4.62
Risk factor (%)	80%	80%	80%
Risked resources (mmbbls)	0.10	0.62	3.69
Prospective resources (mmbbls)	**Low**	**Best**	**High**
Hardstoft East prospect (mmbbls)	0.58	3.65	26.06
Net to Upland (mmbbls)	0.15	0.91	6.52
Risk factor (%)	64%	64%	64%
Risked resources (mmbbls)	0.09	0.58	4.17
Total gross resource estimate	**1.07**	**6.75**	**44.52**

Source: Blackwatch Petroleum Services Limited, Upland Resources

Hardstoft valuation summary

In January, we published an indicative range of valuations for Hardstoft based on flat forward oil prices ranging from US$30 to US$80 per barrel over the life of field development and production. However, since January 2016, the oil sector has recovered considerably with Brent prices improving from lows of less than US$29 in mid-January to current levels above US$50 per barrel. As such, we have elected to model Hardstoft in line with the oil price assumptions that we outlined for Wressle in the previous section of this report in order to achieve consistency and comparability within our assessment of Upland's portfolio.

Valuation methodology

We have applied an indicative work programme to a notional field development at Hardstoft in order to generate a NPV of a barrel of oil in the ground. Within our assumptions, we have assumed that the drilling programme is successful and both the Hardstoft and Hardstoft East structures are oil bearing in line within the mid-range of expectations.

Our initial assumptions are based on the outline work programme shown in the table below. These are indicative at this stage given that the partners may elect to adjust the work programme over the next two years.

Anticipated work programme summary

Item	Gross (US$m)	Net to Upland (US$m)	Net to Upland (£m)	Commences
Seismic data acquisition	0.5	0.06	0.05	2017E
Well preparation	0.1	0.03	0.02	2017E
Appraisal well	3.0	0.75	0.60	2018E
Development well	3.0	0.75	0.60	2019E
Total	**6.6**	**1.59**	**1.26**	

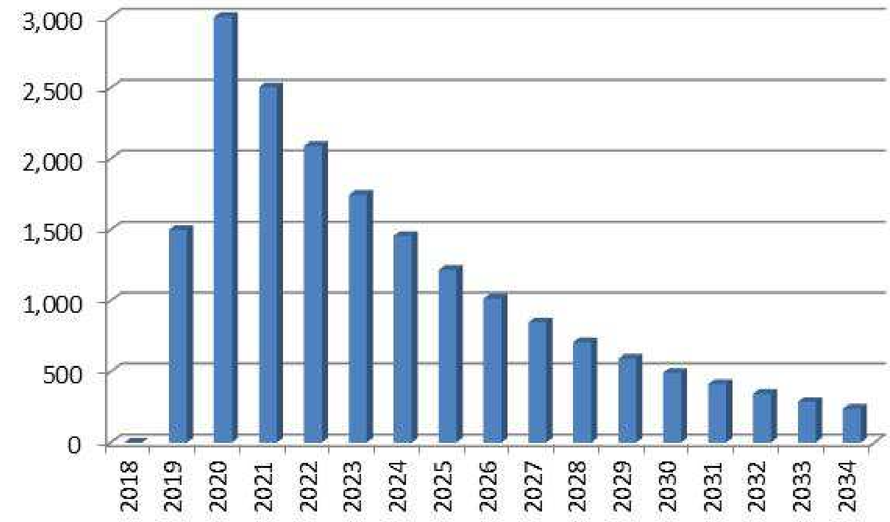
Source: Upland Resources   Upland share of seismic data acquisition costs only 12.5%

At present, anticipated drilling activity on Hardstoft is unfunded with the company's initial priorities represented by its recent acquisition of its interest in Wressle. It is likely that Wressle will provide initial cash flow to the company in the first half of 2017. Although we assume that most of this cash will be earmarked for further development at Wressle and ongoing working capital requirements, Upland requires very modest sums in order to fulfil its share of work obligations at Hardstoft in 2017 and we believe that an additional equity raise in order to fund the company's share of appraisal drilling on the field will not be conducted until at least 2018.

Other assumptions

We have assumed that first oil production commences in 2019 and reaches a peak of 3,000 bopd in 2020 from two producing wells before declining at a rate of approximately 17% per annum from 2021. Our estimated production profile is outlined below.

Hardstoft estimated production profile (mmbbls)



Source: Optiva estimates, Upland Resources

We have assumed opex of US$15.00 to US$20.00 per barrel at peak production escalating on a unit basis as production declines. No royalties are incurred on the field. However, we anticipate that profits will incur corporation tax of 30% and the application of the Supplementary Charge of 10% (reduced from 32% in the UK Government March budget).

After applying this range of variables to the existing resource estimates for Hardstoft, we have generated an NPV 10 of US$14.65 per barrel of resources in the ground.

Indicative valuation for Hardstoft

Outlined below is our indicative valuation for Hardstoft. In this case, we have elected to separate the valuations for the contingent and prospective resources for the field given that we expect that a second well to target the prospective resources on Hardstoft East will likely be contingent on the success of the first well probing the main Hardstoft structure. To each classification of resources we have applied our notional NPV 10 outlined above to generate the indicative valuations below.

Although the resources have been risked technically according the competent persons assumptions, we have applied an commercial discount to both segments of the valuation to reflect primarily the likelihood that a drilling programme will be funded by additional equity and such a fund raising carries the risk of the company being unable to raise additional capital in the future.

Valuation summary of contingent and prospective resources at Hardstoft

Asset	Status	Value (US$)	Value (£)
Hardstoft field	Contingent resources	9.1	7.2
Less commercial discount*		15%	15%
Hardstoft core valuation		**7.7**	**6.1**
Hardstoft upside	***Status***		
Hardstoft field	*Prospective resources*	*8.6*	*6.8*
*Less commercial discount**		*40%*	*40%*
Hardstoft prospective resources value		***5.1***	***4.1***

Source: Blackwatch, Upland Resources, Optiva estimates *Relates primarily to funding requirement and risk

Company valuation summary

Outlined below is our summarised valuation for Upland Resources based on the combination of the asset valuations discussed within this report. To this we have also included the key corporate items including a full year's overhead, existing cash and a modest amount of outstanding options. Our assumptions are based on the current US Dollar to Sterling exchange rate of US$1.26 to £1.00, shares in issue of 406.2 million and a fully diluted equity number of 456.3 million.

Item	Status	Valuation US$m	Valuation £m	Undiluted p	Diluted p
Hardstoft field	Contingent resources	7.7	6.1	1.5	1.3
Hardstoft East	Prospective resources	5.1	4.1	1.0	0.9
Wressle field					
Ashover & Wingfield	Production	1.6	1.3	0.3	0.3
Penistone Flags	Contingent resources	2.3	1.8	0.5	0.4
Broughton North	Prospective resources	0.3	0.2	0.1	0.1
Overheads	Corporate	-0.7	-0.6	-0.1	-0.1
Cash (debt)	Corporate	1.5	1.2	0.3	0.3
Options	Corporate	0.4	0.3	0.0	0.1
Total		**18.2**	**14.4**	**3.5**	**3.2**

Source: Optiva estimates

Identifying core value

Given that our sum of the parts valuation is higher than the current share price notwithstanding that we have risked the larger parts of the upside within the portfolio to account for future equity raises, we believe that it is important to identify a 'core' valuation in order to generate a near term target price for the shares. With this in mind, we have focused on the reserves and contingent resource elements of the portfolio only at this stage of Upland's evolution and also excluded the cash element within the portfolio as we assume that these funds are earmarked for investment in Wressle and do not constitute free cash.

With these exclusions, we have established a core valuation of 2.0p per share (fully diluted) which represents a short term target price for the shares and attractive upside to the current share price.

Cash flow assumptions

In order to illuminate the major assumptions that comprise our sum of the parts valuation, we have outlined below two tables which depict the potential revenue and cash flow that the development of Upland's asset base could generate over the long term.

These forecasts reflect the all development assumptions and variables outlined in this report although it should be noted that the potential revenue and cash flows related to Broughton North assume successful drilling and are unrisked in this example.

As noted previously, we are confident that Upland will be able to fund its near term objectives from existing cash resources for at least twelve to eighteen months until expenditure on the development of the Penistone and the Hardstoft field becomes required by the respective operators.

Potential revenue and cash flow attributable to Upland by asset (US$m)

Net revenue to UPL	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Ashover & Wingfield	0.00	1.02	0.98	0.77	0.58	0.41	0.29	0.18	0.10	0.07	0.05
Penistone	0.00	0.00	0.00	3.20	2.57	2.06	1.55	1.17	0.88	0.66	0.50
Broughton North	0.00	0.00	0.00	0.79	0.68	0.58	0.46	0.37	0.30	0.24	0.19
Hardstoft	0.00	0.00	0.00	9.58	20.53	18.29	15.27	12.75	10.65	8.89	7.42
Total revenue ($)	**0.00**	**1.02**	**0.98**	**14.35**	**24.36**	**21.33**	**17.57**	**14.47**	**11.92**	**9.86**	**8.16**

Net cash flow to UPL	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Ashover & Wingfield	-0.20	0.81	0.67	0.38	0.26	0.16	0.09	0.03	0.01	0.00	0.00
Penistone	0.00	-1.12	-1.23	2.66	1.35	1.05	0.75	0.52	0.35	0.23	0.13
Broughton North	0.00	0.00	-0.62	0.67	0.36	0.30	0.23	0.17	0.13	0.09	0.07
Hardstoft	0.00	-0.09	-0.75	3.98	10.22	8.90	7.12	5.64	4.41	3.38	2.53
Total cash flow ($)	**-0.20**	**-0.39**	**-1.94**	**7.69**	**12.18**	**10.41**	**8.19**	**6.37**	**4.90**	**3.71**	**2.73**

Source: Optiva estimates

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