

Upland Resources*

30 May 2018

Stock Data

Share Price:	3.1p
Market Cap.:	£14.2m
Shares in issue:	459.0m
Fully diluted equity	480.8m

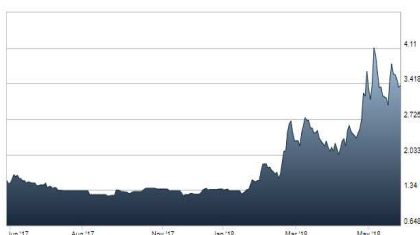
Company Profile

Sector:	Oil & Gas
Ticker:	UPL
Exchange:	LSE

Activities

Oil and gas exploration, appraisal and development in the UK onshore and offshore sectors augmented by longer term opportunities in Sarawak, Malaysia.

Performance Data



Source: LSE

Directors

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

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*Optiva Securities acts as broker to Upland Resources Limited

Company update

Upland has made significant progress over the last six months. In particular, it has established the financial capability to satisfy its obligations with regards to its interest in North Sea Licence P2235 which contains the exciting Wick prospect. In addition, the company has signed an MOU to explore for and develop oil and gas opportunities in Sarawak, Malaysia which could provide significant longer term upside for the company.

In December 2017, Upland signed a farm-in agreement with Corallian in regard to a 40% interest in UK Seaward Production Licence P2235 located on UKCS Block 11/24b. This licence contains the Wick Prospect, located in the Inner Moray Firth offshore northeast Scotland, only 2km from land. Wick is a large prospect which Upland estimates to contain P50 oil-in-place resources of approximately 250 mmbbls.

Significant progress has been made on licence P2235 since the beginning of the year. An environmental survey was completed successfully in February 2018 and Upland confirmed that it had sufficient funds to satisfy its obligations under the farm-in agreement with Corallian. This position was consolidated in May 2018 when the UK OGA gave formal consent to Upland as a farm-in on the licence and the farm-in was completed.

On the funding front, Upland commenced 2018 with nearly £2.0m of cash on the balance sheet. This was augmented in February 2018 when the company issued 74.1m shares at 1.35p per share to Tune Assets Limited to raise a further £1.0m before expenses. Upland's financial capabilities were bolstered further in March 2018 when the company issued £3.5m of loan notes in regard to a facility provided by Tune Assets, Upland Chairman, Norza Zakaria and clients of Optiva Securities.

These loan notes are interest free and may be called upon by Upland at any time and in any size. Upland may also terminate any commitments under this facility and make repayments of any size without penalty. The loan notes and fees payable can be paid by the issue of new shares in Upland valued at a 10% discount to the volume weighted average price of the shares over the five days prior to issue or can be repaid in cash at Upland's option.

While making strong progress with regards to licence P2235, Upland has reoriented its portfolio substantially. In the UK, the company terminated the Wressle development farm-in agreement in January 2018 following the refusal of planning permission from North Lincolnshire Council. Upland's initial deposit of £160,000 was returned by Europa Oil & Gas and Upland has no further obligations in regards of Wressle.

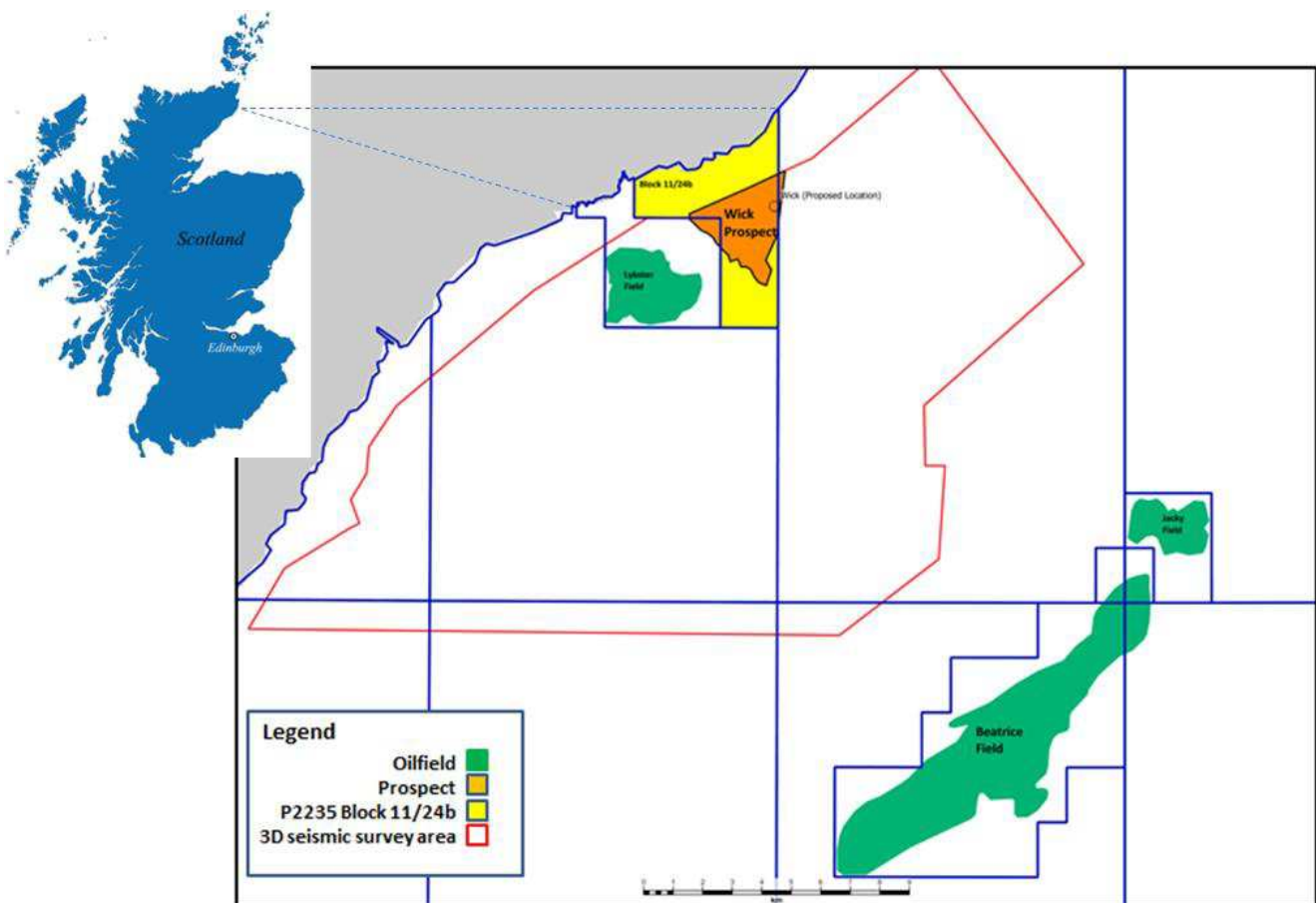
Upland has also entered into a MOU with Brooke Dockyard and Engineering Works Corp, a Sarawak state entity, for the joint assessment of exploration and development projects in the state of Sarawak in Malaysia. Following a series of meetings in Sarawak, Upland has confirmed that plans for greater Sarawakian independence in upstream oil and gas are unchanged after the recent national election. In addition, the Sarawak state oil company, Petros, is moving to take an active role as issuer of oil and gas permits and preference for new contracts will be given to Sarawakian companies and their JV partners.

The operator of licence P2335, Corallian Energy, recently entered into a letter of intent for the provision of a jack up rig to drill the Wick exploration well with offshore drilling service provider, Ensco UK Ltd. Subject to the appropriate consents, Upland expects that high impact drilling is likely to commence in Q3 2018. With the Wick structure estimated by Upland to hold in-place resources of up to 250 mmbbls, we believe that a successful drilling result has the potential to provide upside to Upland worth several multiples of the current share price.

The Wick prospect

The Wick prospect is located only 2km offshore northeast Scotland in the Inner Moray Firth. It is located in the same working petroleum system as the Lybster discovery which was drilled from an onshore location. Wick is also in close proximity to the larger Beatrice field, located approximately 22km from the Caithness coast. Beatrice reached the end of its productive life in 2015. However, during its period of peak production, total output reached approximately 54,000 bopd in the mid-1980s. Licence P2235 benefits from an extensive 3D data set depicted by the red outline on the map below.

Location map of Block 11/24b showing the Wick Prospect



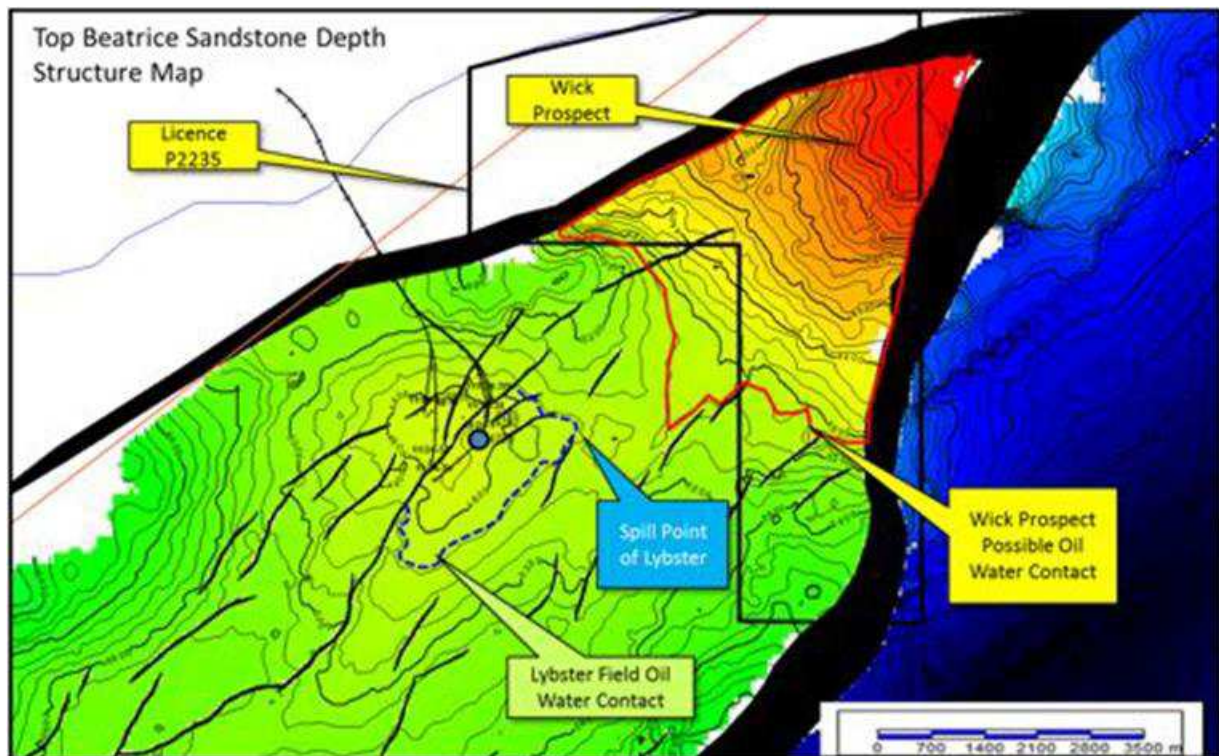
Source: Corallian Energy

Drilling to commence in Q3 2018

The operator of Wick, Corallian Energy has indicated that drilling of Wick is expected to commence in Q3 2018. The low cost vertical well will be drilled in shallow water using a jack up rig and Corallian expects that the dry hole cost will be approximately £5.2m on a gross basis.

The partners in P2235 have a solid understanding of the Wick prospect and its geology given the proximity of nearby discoveries and the extent of the 3D data over the prospect. In particular, Upland has a sound appreciation of the key fault risk outlined clearly in the structure map below.

High relief Wick structure map



Source: Corallian Energy

Potential value of Wick to Upland

Upland estimates internally that in-place resources in the entire Wick structure could be 250 mmbbls gross and the Blackwatch CPR estimates mean oil in place of 219 mmbbls in licence P2235 alone indicating a sizeable structure nonetheless. These estimates include the Wick Deep prospect which augments the overall in place numbers considerably.

We have calculated that on the basis of the lower in place resources estimate, a recovery factor of 30% and an estimated NPV per barrel of recoverable oil of \$14.79, Wick could be worth \$485.9m net to Upland on an unrisksed basis. This is equivalent to 72p per share on a fully diluted basis, a huge uplift on the current share price in the event of a successful exploration well.

For the purposes of our fully risksed valuation, we have ascribed a considerably more conservative discovery to the Wick exploration well amounting to gross recoverable reserves of 23.4 mmbbls. To this we have applied the economics of a relatively low cost field development which should avoid most UK onshore planning delays. This consists of two production wells and a water injection well which could be drilled from onshore or offshore locations. After the application of a 40% chance of success, we have calculated a risksed valuation of \$56.2m to Upland's 40% interest, equivalent to 8.4p on a fully diluted basis. This pre-drill valuation estimate forms part of our fully risksed aggregate valuation of the company seen on the next page.

North Africa could provide longer term upside

Given the relatively early stages of negotiations, we have not yet included any valuation upside for Upland potential interests in Morocco or Tunisia where the company has evaluated several assets. Upland notes the high gas prices, substantial hydrocarbon targets and attractive licensing terms in these jurisdictions in addition to improved political stability in Tunisia. Consequently, the company is currently focusing its efforts on a potentially attractive acquisition opportunity which has the potential to significantly augment the existing portfolio.

Aggregate risked valuation

Our aggregate fully risked valuation for the company is outlined below. As expected, the high impact Wick exploration well is the key driver to our valuation and a successful drilling result here has the potential to provide upside to Upland worth several multiples of our core valuation. In addition, the later inclusion of assets from Sarawak or North Africa will enable us to add further layers of value to Upland's expanding portfolio as deals are concluded.

Upland Resources valuation summary

Valuation summary		Valuation	Valuation	Undiluted	Diluted
Item	Status	\$m	£m	p	p
Hardstoft field	Contingent resources	7.3	5.3	1.1	1.1
Hardstoft East	Prospective resources	4.9	3.5	0.8	0.7
Wick exploration prospect	Prospective resources	56.2	40.5	8.8	8.4
Overheads	Corporate	-1.0	-0.7	-0.2	-0.1
Cash (debt)	Corporate	3.6	2.6	0.6	0.5
Loan notes	Corporate	-4.8	-3.5	-0.8	-0.7
Options	Corporate	0.4	0.3	0.0	0.1
Total		66.4	48.0	10.4	10.0

Source: Optiva

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