

Upland Resources*

16 January 2019

BUY

Stock Data

Share Price:	2.2p
Market Cap.:	£12.9m
Shares in issue:	585.5m
Fully diluted equity	606.3m

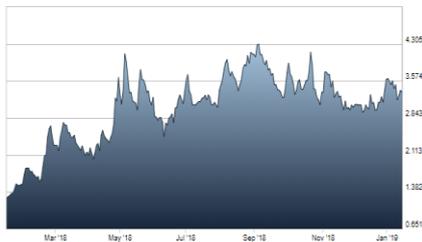
Company Profile

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 Tunisia and Malaysia.

Performance Data



Source: LSE

Directors

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

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*Optiva Securities acts as broker to Upland Resources Limited

Wick well result

Upland Resources announced that the Wick exploration well in which the company holds a 40% interest was unsuccessful. As such, the operator, Corallian Energy has completed drilling operations and will now plug and abandon the well. Although this is a disappointing result for Upland, the company has widened its portfolio of assets considerably over the last twelve months and is now in a position to concentrate its efforts on exciting longer term opportunities in Tunisia, onshore UK and Sarawak in Malaysia.

The Wick exploration well is located on UK North Sea block 11/24b and was drilled to a total depth of 1,000m. The objective of the well was the Beatrice Sandstone which was encountered at 933m but was found to be water bearing. Provisional petrochemical analysis indicated that the Beatrice Sandstone had a gross thickness of 22.8m and 19.8m of net sandstone with 17.2% average porosity.

Although disappointing for the company, Wick represented one of the highest risk prospects in Upland's portfolio and the company is now in a position to focus its attention on the rest of its portfolio. In particular, we expect that the company will press ahead with activities in Tunisia where the company secured the highly prospective onshore Saouaf licence in northern Tunisia in December 2018.

We refer investors to our recent note on Upland from 14 January 2019 which outlines the company's interest in Saouaf in considerably greater detail. However, in summary Saouaf covers an area of over 4,000 km² and independent consultant, Blackwatch Petroleum Services, has ascribed nearly 2 TCF of gas across 12 separate structures on the licence. Of particular interest to Upland is likely to be the Dekrila discovery estimated to contain over 227 BCF of gas. Dekrila is located close to the large diameter Transmed gas pipeline, one of several that traverse the licence.

Under the terms of the agreement with the Tunisian government, Upland has agreed to conduct early stage exploration work over an initial two year licence period which will include acquiring 300 km of new 2D seismic and reprocessing existing seismic data on the licence.

Upland also signed a Memorandum of Understanding with Brooke Dockyard and Engineering Works Corp. to jointly assess, explore and develop hydrocarbon opportunities in the State of Sarawak, Malaysia in April last year. In addition, Upland retains a 25% interest in the Ineos-operated conventional Hardstoft oil discovery located in onshore UK which provides a potentially attractive medium term development opportunity for Upland.

Given the unequivocal result from Wick, we have removed it from our aggregate valuation of Upland. Consequently, our valuation of the company is reduced from 14.1p to 7.4p per share on a fully diluted basis. Given that the Saouaf licence, awarded less than a month ago, now represents the majority of Upland's value proposition, we anticipate that the company will seek to accelerate exploration activities in Tunisia in order to unlock the huge potential upside on the licence.

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