

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

Unaudited results for the six-month period ended 31 March 2023

CHIEF EXECUTIVE'S STATEMENT

I am pleased to present the unaudited results of UK Oil & Gas PLC ("UKOG") for the six-month period ended 31 March 2023.

This interim period was dominated by progress made by the Company's wholly-owned subsidiary, UK Energy Storage Ltd ("UKEn"), at Portland Port in Dorset, which plans to provide key enabling hydrogen energy infrastructure to help the UK realise a future powered by home-grown renewable energy. Much time was also spent in evaluating the shallow Pinarova prospect in Turkey prior to its drilling and testing post period. Testing will be resumed in the well pending import of larger perforating guns into Turkey.

We have made significant progress with our hydrogen project in Dorset, having signed an Agreement to Lease with Portland Port Limited covering two sites at the former Royal Navy port. We intend to develop a hydrogen energy hub, centred around large scale hydrogen storage in manmade salt caverns.

Portland Port is ideally situated for the construction of large salt caverns as it overlies a 450-metre thick, high quality rock salt or halite section of Triassic age. Halite deposits with sufficient thickness to accommodate significant caverns are confined to only three areas of mainland Great Britain and are found in Dorset, Cheshire and along the north-east Yorkshire coast. This is a proven and safe technology used in the UK and globally since the 1970s.

We aim to build 19 hydrogen storage caverns wholly within the Dorset Halite member of the Triassic salt sequence, a 100-metre thick pure halite seam, lying about 2.4 kilometres beneath the port's land and in the adjacent offshore. Each lozenge shape cavern will be around 90 metres tall and occupy around the same volume as St Paul's Cathedral in London. Portland Phase 1 plans to provide around 1 billion cubic metres of storage, which could provide around 10% of the UK's estimated strategic hydrogen storage capacity by 2030. A second phase entirely in the adjacent offshore could see this capacity double by 2035. The project is also unique in that it plans to provide the UK with one of the first strategic hydrogen batteries, whereby otherwise curtailed renewable wind, solar and nuclear power can be used to generate green hydrogen which can be stored then reconverted to power to meet peak power demand periods.

We are also in discussions with government about using some of the caverns to provide transitional natural gas storage, but our goal is firmly focussed on the transition to hydrogen and its use as a superb energy storage medium.

The Company has liaised closely with government specialists from the Department for Energy Security and Net Zero ("DESNZ") and we have met the Minister for Energy Security and Net Zero, Graham Stuart, and Lord Callanan, Minister for Energy Efficiency and Green Finance. We took a prominent role in helping DESNZ design a hydrogen storage business model that should effectively underpin investment into this new sector. We are delighted that the government now accepts the criticality of hydrogen storage for the UK's future energy system and that an unopposed Energy Bill amendment will now see provision for a storage business model, which is expected to provide sovereign guaranteed revenue support. The timely adoption of a government "minded to" position on the business model this summer would greatly strengthen the sector's ability to attract the private capital it and the UK needs to succeed.

The Company intends to complete further detailed engineering and commercial studies in conjunction with the preparation and submission of a Nationally Significant Infrastructure Project planning application.

UKEn is now a member of The Solent Hydrogen Cluster, a partnership of organisations who wish to collaborate to decarbonise the Solent region and beyond. Our vision is that our Portland/Dorset hydrogen storage would provide the key enabler for the decarbonisation of ExxonMobil's Fawley Refinery and two power stations, together with other regional decarbonisation developments.

The scheme we are looking at has revised the cavern designs of Portland's predecessor gas storage project, as cavern safety design for hydrogen and gas has moved on since this scheme was granted planning consent in 2008. Basically, this means that the caverns are slightly smaller. In total we're looking at 15 caverns onshore plus 4 offshore for a Phase 1.

We are also looking at a Phase 2 scheme mostly in the adjacent offshore, which could effectively double Phase 1's 1 billion cubic metres of storage and could then supply around 20% of the National Grid's mid case Future Energy Scenarios forecast of required hydrogen storage by 2035.

The project gives us the opportunity to complete a pilot scale green hydrogen battery before scaling up to a large system level facility. The Company plans to develop future potential to supply significant renewable electricity for green hydrogen production at or close to the site, for example via an over-the-horizon floating wind farm.

Our 100% owned hydrogen feedstock project at Loxley would also make a valuable contribution to the UK's future hydrogen economy. Our highly experienced legal counsel remains confident of success following the recent High Court challenge from opponents of the project near Dunsfold in Surrey.

The Environment Agency, the body responsible for safeguarding the UK's environment, granted UKOG a full environmental permit covering all aspects of the Loxley operation back in June 2020. The statutory review decision will be handed down by Mrs Justice Steyn later in the summer.

UKOG has consistently stated that Loxley can play its part in the government's Hydrogen and British Energy Security Strategies via the supply of its gas as feedstock for reformation into clean burning hydrogen in the Solent Cluster. Once the field has been depleted of natural gas, Loxley can also be repurposed to store around 1 billion cubic metres of hydrogen, which is around a tenth of National Grid's mid case Future Energy Scenarios forecast of required hydrogen storage by 2035.

Similarly, the Company and its legal counsel remain convinced that planning consent at **Horse Hill** (85.635% operated interest) was granted entirely lawfully, and that the challenge at the Supreme Court by the Weald Action Group et al against Surrey County Council's oil production consent will fail at this final legal hurdle, which took place on 21-22 June 2023. To date five judges and the Court of Appeal have dismissed the appellants claim.

Post period testing operations in Turkey at Pinarova-1, operated by our partners Aladdin Middle East, were temporarily suspended in late May 2023 in order to access larger and more powerful 7-inch perforating guns, capable of fully penetrating Pinarova's 9½-inch casing and cement. The decision results from analysis of downhole pressure gauge data from testing operations, which indicates that the 4.5-inch perforating guns used have been unable to establish direct contact with the formation through the casing and cement.

Consequently, to date, and rather frustratingly, tests have not yet been able to assess the potential of the zones associated with the 12 hours of strong crude oil odour and oil at surface as previously reported. We await the results of geochemical analyses of oil samples collected from the well's mud pits, the nearby shallow oil seep and the nearby East Sadak field in due course from our chosen UK specialists. These results will tell us whether the seep and Pinarova oils are from the same deeper source. Given the oil to surface we remain bullish about the prospect's viability and are investigating whether an additional deeper target sits below Pinarova within the Cretaceous Mardin and Beloka section, the proven reservoir at Basur-1 and the nearby producing E. Sadak field.

UKOG holds a 50% non-operated interest in Pinarova-1 and the surrounding 305 km² Resan licence, which also includes the as yet undeveloped Basur-1 light oil discovery, which still remains as a potential future appraisal drilling target.

OPERATIONAL REVIEW

Health, Safety and Environment

Once again there were no Lost Time Incidents, reportable environmental incidents or health issues on any of UKOG's sites during the period or post period, including during Pinarova-1 site construction, drilling and testing operations in Turkey. The operational team maintain focus on health, safety, and environmental performance as it is number one priority.

Modifications at the Horse Hill site are continuing in order to comply with The Control of Major Accident Hazards regulations (lower tier), as well as other regulations. Liaison continues ongoing with the Health and Safety Executive and the Environment Agency ("EA") to ensure the Horse Hill site maintains its regulatory obligations.

OIL AND GAS ASSETS

Loxley, Broadford Bridge, PEDL234 (UKOG (234) 100%)

RPS Energy issued a Competent Person's Report ("CPR") illustrating the potential economic value of the Loxley gas discovery. 31 billion cubic feet of 2C Contingent Resources were estimated to lie within the PEDL234 licence. The CPR demonstrates that the NPV10 of Loxley's 2C recoverable gas ranges from £123.7 million net to UKOG, assuming a gas price of £1.86/therm, the UK gas price on 31st December 2022, the effective date of the CPR, and £86.5 million net to UKOG utilising RPS' proprietary gas price forecast.

Work has commenced to discharge planning conditions for Loxley after which site construction plans can proceed. It is anticipated that site construction will commence in the second half of 2023, with the drilling of Loxley-1 to follow in 2024.

SGN (southern England's gas distribution pipeline network operator) has confirmed that their Local Transmission System ("LTS") can accept all the potential future gas production from the Loxley gas discovery. SGN's capacity thus provides a clear route to the wider gas market and the monetisation of Loxley's gas. A feasibility study for the Loxley pipeline connection into the LTS is now ongoing.

The North Sea Transition Authority (NSTA) granted its consent to a modified PEDL234 Retention Area work programme. The revision will permit the Company to focus licence activities entirely upon the acceleration of the planned appraisal campaign of its Loxley gas discovery.

Technical and commercial discussions continue with CeraPhi Energy regarding potential for a geothermal and agribusiness project incorporating the Broadford Bridge asset.

Turkey, Resan Licence (UKOG 50%)

The Basur-Resan anticline containing the Basur-1 oil discovery is located within the surrounding 305 km² Resan M47-b1, b2 licence, in which UKOG's wholly owned subsidiary, UKOG Turkey Ltd, holds a 50% non-operated interest.

UKOG was deeply saddened by the terrible earthquake and humanitarian tragedy in southern Turkey during February 2023. Our partner and licence operator, Aladdin Middle East ("AME"), advised us that our Resan licence area was unaffected by the earthquakes, being located some distance away from the fault zone and the earthquake epicentre.

Abu Dhabi based BGP completed the seismic processing. Interpretation and geological mapping of the processed data have also been completed.

UKOG and AME constructed the Pinarova-1 well pad and access road in March 2023. The well was spudded on 07th April and reached total depth of 600 metres on 27th April. Light oil shows were seen in the drill cuttings and a strong crude oil odour was observed over a 12-hour period together with associated mobile oil in the mud pits.

Following acquisition of cased and open hole logs, flow testing was carried out over the 9 $\frac{1}{4}$ inch cased hole zone corresponding to the oil odour and live oil to surface. No flow or injectivity within the cased hole test zone was observed and down hole pressure gauge and casing collar locator data confirmed that the small 4.5-inch perforating guns had likely been of insufficient power and/or proximity to the casing wall to penetrate 9 $\frac{1}{4}$ inch casing and provide contact with the formation. The tests are thus interpreted to be invalid until such time that larger perforating guns can be deployed in the well to establish proper contact with the formation and the potential hydrocarbon prospectivity correctly assessed.

Consequently, AME and the Company jointly decided to temporarily suspend testing operations pending access to larger, more powerful, 7-inch perforating guns, capable of fully penetrating Pinarova's 9 $\frac{1}{4}$ -inch casing and cement. AME had previously advised that the 4.5-inch perforating guns were the largest available in-country and are now working with the sole licenced perforating gun provider in our operational area of SE Turkey to source the required equipment from outside the country.

Geochemical analysis of samples of Pinarova oil collected from the mud pit, the nearby seismic shot-hole seep and from East Sadak-12's Beloka/Mardin reservoir is proceeding ahead via laboratories in the UK and Norway.

Horse Hill Oil Field, PEDL137 and PEDL246 (UKOG 85.64%)

The field and surrounding licence is operated by UKOG's subsidiary company Horse Hill Developments Ltd ("HHDL") in which UKOG has 77.9% ownership. The Licensees are HHDL (65% interest) and UKOG (137/246) Ltd (35% interest).

In March HHDL and UKOG (137/246) executed a conditional binding term sheet with Pennpetro Energy ("PPP"), whereby PPP will farm into Horse Hill on an incremental production basis via funding the acquisition of 3D seismic and the drilling of the next infill production well, Horse Hill-3 ("HH-3").

Farm out highlights:

- PPP to fund 100% of a new crestal infill production well, HH-3, to be spudded after the completion of a PPP 100% funded ~12 square km high-definition 3D seismic survey (the "Farmout Programme"), subject to an aggregate cap of £4.6 million.
- Upon Farmout Programme completion, PPP will earn a 49% share of any oil production from HH-3. PPP will also earn an aggregate 49% non-operated licences interest, comprised of an initial 7% on 3D seismic completion and a further 42% interest upon HH-3 completion.
- UKOG and HHDL will retain 100% ownership and rights to all oil production and revenues from Horse Hill-1 ("HH-1"). UKOG will remain as the Horse Hill and licences operator.
- The assignment of the aggregate 49% licences interest to PPP is subject to PPP providing the necessary funds to drill HH-3 and complete the Farmout Programme within six months from the completion of the 3D seismic which is at its discretion.
- Subject to farmout completion, UKOG's interest in HH-1 production will remain at 85.635% and its net interest in any HH-3 production and the Licences will be 43.67%.
- The farmout to PPP is subject to the completion of a formal Farmout Agreement between the Parties, formal consent by each Parties' respective boards, the full consent of all HHDL's shareholders and regulatory consent from the North Sea Transition Authority for any Licences interest assignment.
- Post Farmout Completion, each Licences participant will bear and pay cash calls pro rata to their respective interest in the Licences.

Three groundwater monitoring boreholes were constructed, and baseline monitored for a period of three months in preparation for water reinjection via a recompleted well Horse Hill-2z. All permit pre-operational measures have now been submitted to the Environment Agency for discharge in line with the permit requirements.

As of end-April over 187,000 bbl of Brent quality crude had been produced and exported from the Kimmeridge and Portland pools.

Horndean Oil Field (UKOG 10%)

UKOG's second producing field is Horndean located in Hampshire. IGas Energy plc ("IGas"), the Horndean oil field operator, advised that the surface beam pumps in the field are being replaced with new surface pumps. This is forecast to result in 2023 in higher Horndean oil production, higher well availability and lower operating costs through lower electrical power usage.

Avington Oil Field (UKOG 5%)

IGas, the Avington oil field operator, advised that the field is being prepared to restart production. Avington ceased production in late 2017 due to high operating costs. However, with higher oil prices and all regulatory approvals in place, the joint venturers have agreed to restart production from the field.

HYDROGEN STORAGE ASSET- Portland Energy-Hub (UKEn 100%)

UKOG, through its wholly owned subsidiary UK Energy Storage Ltd ("UKEn"), made a highly strategic entry into the UK hydrogen storage business via our legal agreement for a very large hydrogen storage facility on the Isle of Portland. We intend to create a hydrogen energy hub centred on salt cavern storage at the former Royal Navy port in Dorset.

Planning approval was granted in 2008 for 1 billion cubic metres of natural gas storage, but, in line with the move to a hydrogen economy, UKEn's development, will be hydrogen ready and designed to include a large system level hydrogen battery using green hydrogen generated via electrolysis from new offshore wind, solar or nuclear.

Since execution of the lease agreement, UKEn has:

- Carried out site activities to confirm ground conditions.
- Pursued the lease of the required subsurface mining and mineral rights with The Crown Estate.
- Initiated planning and other regulatory activities, with a detailed review of planning requirements, the Development Consent Order process and related activities such as approvals required for the pipelines and other ancillaries.
- Prepared an overall work programme and budget to achieve the DCO.
- Met with key stakeholders, such as Graham Stuart MP, Minister of State for Energy Security, Richard Drax, South Dorset MP, Matt Prosser, Chief Executive of Dorset Council and Lord Callanan, Minister for Energy Efficiency and Green Finance.
- Worked closely with the Department of Energy Security and Net Zero on the development of a business model for hydrogen storage.

Technical reviews and studies are being completed, including an update of the original salt cavern design, plus overall development cost estimation and economic sensitivities and optimisations.

FINANCIAL REVIEW

The operating loss for the six months to 31 March 2023 of £1.3 million was comparable with the same period last year. Revenue for the six months remained stable at £0.9 million with a slight oil production decrease at Horse Hill being offset by an increase in average oil sales price.

Net cash outflow from operations increased from £1.4 million to £1.6 million; this was primarily attributable to working capital movements and operating cash flows from Horse Hill in the period to 31 March 2023.

Qualified Person's Statement

Matt Cartwright, UKOG's Commercial Director, who has 39 years of relevant experience in the global oil industry, has approved the information contained in this announcement. Mr Cartwright is a Chartered Engineer and member of the Society of Petroleum Engineers.

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Glossary of Terms:

Term	Meaning
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 are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterised by their economic status.
discovery	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.

halite

The crystalline form of salt or sodium chloride, being the primary constituent of rock salt. Its tight molecular habit makes it impermeable to hydrogen, the smallest and lightest molecule in the universe.

Consolidated Income Statement (Unaudited)
for the six months ended 31 March 2023

	6 months 31 March 2023 (Unaudited) £'000	6 months 31 March 2022 (Unaudited) £'000
Revenue	890	911
Depletion, Depreciation and Amortisation	(235)	(268)
Other Cost of sales	(310)	(408)
Gross profit	345	235
Operating expenses		
Administrative expenses	(1,676)	(1,402)
Foreign exchange losses	(3)	(119)
Other income	14	-
Operating loss	(1,320)	(1,286)
Finance costs	(76)	(70)
Loss before taxation	(1,396)	(1,356)
Taxation	-	-
Retained loss for the period	(1,396)	(1,356)
Retained loss attributable to:		
Owners of the parent	(1,482)	(1,344)
Non-controlling interest	86	(12)
	(1,396)	(1,356)

There are no other comprehensive income or expenses during the two reported periods to disclose.

All operations are continuing.

Earnings per share		Pence	Pence
Basic and diluted	2	(0.01)	(0.01)

Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2023

	31 March 2023 (Unaudited) £'000	31 March 2022 (Unaudited) £'000
Assets		
Non-current assets		
Exploration & evaluation assets	32,839	31,310
Oil & Gas properties	2,279	5,506
Property, Plant & Equipment	1,490	1,607
Total non-current assets	36,608	38,423
Current assets		
Inventory	3	1
Trade and other receivables	757	750
Cash and cash equivalents	2,262	2,325
Total current assets	3,022	3,076
Total Assets	39,630	41,499
Trade and other payables	(344)	(821)
Borrowings	(3,166)	(3,092)
Total current liabilities	(3,510)	(3,913)
Provisions	(1,442)	(1,442)
Non-current Liabilities	(1,442)	(1,442)
Total liabilities	(4,952)	(5,355)
Net Assets	34,678	36,144
Shareholders' Equity		
Share capital	13,693	13,208
Share premium account	110,480	107,097
Share-based payment reserve	1,746	2,056
Accumulated losses	(91,039)	(85,927)
	34,880	36,434
Non-controlling interest	(202)	(290)
Total shareholders' equity	34,678	36,144

Statement of Cash Flows (Unaudited)
for the six months ended 31 March 2023

	6 months 31 March 2023 (Unaudited) £'000	6 months 31 March 2022 (Unaudited) £'000
Cash flows from operating activities		
Loss from operations	(1,320)	(1,286)
Depletion & impairment	235	268
Decrease / (increase) in trade and other receivables	(7)	(122)
(Decrease) / increase in trade and other payables	(477)	(248)
Net cash outflow from operating activities	(1,569)	(1,388)
Cash flows from investing activities		
Expenditures on exploration & evaluation assets	(640)	(890)
Expenditures on oil & gas properties	(115)	(122)
Expenditures on property, plant & equipment	(9)	(2)
Net cash outflow from investing activities	(764)	(1,014)
Cash flows from financing activities		
Proceeds from issue of share capital	-	-
Interest expense on minority interest loans	-	-
Net cash inflow from financing activities	-	-
Net change in cash and cash equivalents	(2,333)	(2,402)
Cash and cash equivalents at the beginning of the period	4,595	4,727
Cash and cash equivalents at the end of the period	2,262	2,325

Notes to the half-yearly results

1. Basis of preparation

As permitted by 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 2023 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 2023.

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. Comparative figures for the financial year ended 30 September 2022 have been derived from the statutory accounts for 30 September 2022. 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

Group	6 months	6 months
	31 March 2023	31 March 2022
	(Unaudited)	(Unaudited)
	£'000	£'000
(Loss) attributable to ordinary shareholders	(1,482)	(1,344)
	Number	Number
Weighted average number of ordinary shares for calculating basic loss per share	21,096,376,104	16,239,233,251
	Pence	Pence
Basic and diluted loss per share	(0.01)	(0.01)

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

The information contained within this announcement is deemed by the Company to constitute inside information under the Market Abuse Regulation (EU) No. 596/2014.