

28 January 2016

**UK Oil & Gas Investments PLC  
("UKOG" or the "Company")**

**Arreton-2 Oil Discovery, PEDL331 Onshore Isle of Wight, UK  
Xodus Assessment of Oil in Place and Recoverable Resources**

UK Oil & Gas Investments PLC (LSE AIM/ISDX:UKOG) announces that a volumetric analysis carried out by Xodus Group Ltd ("Xodus") calculates that the historic Arreton-2 well, now interpreted to be an undeveloped oil discovery ("Arreton Main"), and the adjacent low-risk Arreton North and South Prospects ("Arreton Prospects") contain an aggregate gross Best Estimate ("P50") Oil in Place ("OIP") of 219 million barrels ("MMbbl") within Purbeck, Portland and Inferior Oolite limestone reservoirs. The Arreton Main discovery and Arreton Prospects lie within a 200 square km 14th Round licence ("Licence") offered to the Company by the Oil and Gas Authority ("OGA"), in which the Company has a 65% working interest.

OIP is the total estimated quantity of oil in the ground before any extraction or production and is not to be construed as Recoverable Resources or Reserves.

The Executive Summary of the report detailing Xodus' analysis is available on the Company's website <http://www.ukogplc.com/page.php?pid=110>

**Arreton-2 well**

The Arreton-2 well, drilled in 1974 by British Gas, penetrated the large Arreton Main anticlinal structure and unexpectedly found strong oil shows in the Upper Jurassic Portland, and Inferior Oolite reservoir sections, although well testing was not successful at the time. A recent petrophysical analysis of the Arreton-2 electric logs by Nutech Energy Alliance ("Nutech") has calculated a total oil pay of 78 feet within the Portland section, and suggests that this well can be regarded as an oil discovery based on analogous reservoirs which are known to be productive. A further 127 feet of total oil pay is also calculated in limestones within the underlying Oolite reservoir formations.

**Summary of Recoverable Oil Resources**

Xodus estimate that the Arreton Main structure contains aggregate P50 Net recoverable volume of 10.2 million barrels ("MMbbl"), and state that these volumes can be classified as "Contingent Resources" under PRMS reporting standards. The resources are an aggregate of two separate oil columns, one within conventional Purbeck and Portland limestone reservoirs and the deepest within a conventional Inferior Oolite limestone reservoir.

The two low-risk undrilled adjacent look-alike Arreton Prospects are calculated to contain an aggregate P50 Net Prospective Resources of 6.8 MMbbl, solely within the Portland reservoir unit.

**The Licence**

As previously announced, the OGA offered UKOG (65% interest) and its partners, Solo Oil (30% interest) and Angus Energy (5% interest), the Licence on 17 December 2015. The Licence will be designated Petroleum Exploration and Development Licence 331 ("PEDL331"). UKOG and its partners are finalising necessary documentation with the OGA and the PEDL331 Licence start date is planned for April 2016. The first exploration period of the Licence will last for 5 years. Further details of the Licence can be found on the OGA website [www.oga.gsi.gov.uk](http://www.oga.gsi.gov.uk).

**Xodus Volumetric and Recoverable Resources Analysis**

The analysis comprised a detailed review of UKOG’s PEDL331 seismic interpretation, well data, petrophysics and related reports. The petrophysical input parameters used in the study are based on Nutech’s analysis of the Arreton-2 well. Xodus independently derived the volume estimates assisted by a stochastic simulation software tool.

### Oil in Place Estimates

The gross OIP ranges estimated by Xodus for identified prospective reservoirs within Arreton Main and Arreton Prospects are shown in Table 1 below. OIP is the total estimated quantity of oil in the ground before any extraction or production and is not to be construed as Recoverable Resources or reserves. These OIP estimates have been used to calculate recoverable resources by the application of a recovery factor.

**Table 1: Xodus OIP Volume Estimates for all reservoirs in Arreton Main and two Arreton Prospects**

Gross OIP (MMbbl)	Low P90	Best P50	High P10	Mean
Arreton Main - Portland	6.8	21.3	61.6	29.3
Arreton Main - Purbeck	4.7	9.2	19.6	11.2
Arreton Main - Inferior Oolite	52.0	87.5	137.0	91.7
Arreton North - Portland	3.7	22.0	59.9	27.6
Arreton South - Portland	14.2	55.2	138.0	67.4
<b>Total OIP (stochastic sum)</b>	<b>144</b>	<b>219</b>	<b>322</b>	<b>227</b>

### Contingent Resources Estimates

Table 2 below summarises the calculated Arreton Main Contingent Resources. Note that the Purbeck and Portland limestone reservoirs contain one continuous oil column. Good oil shows were found in the Arreton-2 well within the calculated oil columns. The Commercial Risk Factor for Contingent Resources is the estimated chance, or probability, that the volumes can be produced and extracted at commercially viable rates. The recoverable resources shown are derived by applying a recovery factor to the Oil in Place (“OIP”) volumes shown in Table 1 above.

**Table 2: Arreton Main Contingent Resources within Purbeck, Portland and Inferior Oolite reservoirs**

Oil Contingent Resources (MMbbl)	Gross Oil Contingent Resources			Oil Contingent Resources Net to UKOG			Commercial Risk Factor (%)
	1C /P90	2C /P50	3C/P10	1C/P90	2C/P50	3C/P10	
Arreton Main Oil discovery							
Portland reservoir	0.8	2.6	7.8	0.5	1.7	5.0	50%
Purbeck reservoir	0.6	1.1	2.5	0.4	0.7	1.6	50%

Inferior Oolite reservoir	6.2	10.8	17.6	4.0	7.0	11.4	50%
<b>Total Contingent Resources</b> (stochastic sum)	<b>9.9</b>	<b>15.7</b>	<b>24.1</b>	<b>6.4</b>	<b>10.2</b>	<b>15.7</b>	

Xodus has classified the volumes in Table 2 as Contingent Resources, being those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, and where the project is not yet considered mature enough for commercial development due to one or more contingencies.

### Prospective Resources Estimates

Table 3 below summarises the calculated Prospective Resources for the two Arreton Prospects. The Risk Factor for Prospective Resources is the geological chance of success ("COS"), or the probability of discovering hydrocarbons in sufficient quantity for them to be tested to the surface. The estimated COS is high, denoting these as low-risk prospects. The recoverable resources are derived by applying a recovery factor to the Oil in Place ("OIP") volumes shown in Table 3 below.

**Table 3: Arreton North and Arreton South Prospective Resources within the Portland Limestone reservoir**

Oil Prospective Resources (MMBBL)	Gross Oil Prospective Resources			Oil Prospective Resources Net to UKOG			Geological Risk Factor COS (%)
	Low P90	Best P50	High P10	Low P90	Best P50	High P10	
Portland Reservoir							
Arreton North	0.5	2.7	7.6	0.3	1.8	4.9	69%
Arreton South	1.7	6.8	17.4	1.1	4.4	11.3	73%
<b>Total Prospective Resources</b> (stochastic sum)	<b>4.0</b>	<b>10.5</b>	<b>21.6</b>	<b>2.6</b>	<b>6.8</b>	<b>14.0</b>	

### Reporting Standards

Xodus' OIP volume and recoverable resources estimates have been prepared in accordance with the 2007 Petroleum Resources Management System (PRMS) prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE), reviewed, and jointly sponsored by the World Petroleum Council (WPC), the American Association of Petroleum Geologists (AAPG) and the Society of Petroleum Evaluation Engineers (SPEE).

### Further Oil and Gas Potential

In addition to the Arreton Main and Arreton Prospects, the Licence also contains the landward extension of the M Prospect in adjacent P1916 (UKOG 75% interest) and further undrilled oil prospects and OIP per square mile within tight limestones and shales of the Kimmeridge Clay, Oxford Clay and Lias Formations of likely similar magnitude to that of the Horse Hill Licences of the Weald (UKOG interest 20.163%).

### Future Plans

The Company will accelerate its discussions with the Local Planning Authority and will submit the necessary applications in 2016 to obtain regulatory consents to appraise the Arreton Main oil discovery. Drilling studies and cost estimates for a re-drill of the Arreton-2 discovery have been completed. Plans to

acquire additional 2D seismic coverage to further define the Arreton Main discovery and Arreton Prospects will take place post Arreton-3 drilling.

Further definition of additional prospects in the west of the Licence are ongoing, as is the completion of Nutech's analysis of the OIP per square mile in the thermally mature Kimmeridge, Oxford Clay and Lias shale and limestone sections of the Licence. Xodus will complete its evaluation of the recoverable resources of the nearby M Prospect shortly.

**Stephen Sanderson, UKOG's Executive Chairman, commented:**

"The Arreton Main oil discovery and the adjacent Arreton Prospects more than triples the Company's net recoverable conventional oil resource base. The additional prospects and leads to the west adds further valuable upside. The PEDL 331 Licence is thus a highly significant and material addition to our portfolio and will be a key part of the Company's growth plans.

We are well advanced in our plans to drill a vertical pilot and horizontal appraisal of the Arreton-2 oil discovery. We are confident that, since independently derived drilling costs are relatively modest, the economic viability of the project is robust even at reduced oil prices. We will also be looking to employ new and innovative limestone reservoir stimulation techniques to deliver maximum rate and recovery to further boost economic viability, without massive hydraulic fracturing.

I must stress that whilst the planned Arreton site is immediately adjacent to existing brownfield developments, UKOG is committed to developing these assets with due sensitivity to the surrounding beauty of the locale and its rural way of life."

**Qualified Person's 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.

**For further information, please contact:**

UK Oil & Gas Investments PLC  
Stephen Sanderson / Jason Berry

Tel: 020 7440 0640

WH Ireland (Nominated Adviser and Broker)  
James Joyce / Mark Leonard

Tel: 020 7220 1666

Square 1 Consulting (Public Relations)  
David Bick / Brian Alexander

Tel: 020 7929 5599

**Glossary:**

2D seismic	Seismic data collected using the two-dimensional common depth point method
1C Resources	denotes the low estimate scenario of Contingent Resources
2C Resources	denotes the mid or best estimate scenario of Contingent Resources

3C Resources	denotes the high estimate scenario of Contingent Resources
P10	a 10% probability that a stated volume will be equalled or exceeded
P50	a 50% probability that a stated volume will be equalled or exceeded
P90	a 90% probability that a stated volume will be equalled or exceeded
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 characterised 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
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
mean	or expected value, is the probability-weighted average of all possible values and is a measure of the central tendency either of a probability distribution or of the random variable characterised by that distribution
oil in place	the quantity of oil or petroleum that is estimated to exist originally in naturally occurring accumulations before any extraction or production
oolite	a sedimentary rock formed from ooids, being spherical grains comprised of concentric layers of calcium carbonate and of diameter 0.25 – 2mm
pay	a reservoir or portion of a reservoir that contains economically producible hydrocarbons. The term derives from the fact that it is capable of "paying" an income. The overall interval in which pay sections occur is the gross pay; the smaller portions of the gross pay that meet local criteria for pay (such as minimum porosity, permeability and hydrocarbon saturation) are net pay
petrophysics	the study of physical and chemical rock properties and their interactions with fluids utilising electric logs, physical rock and fluid measurements
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	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
shale	a laminated and fissile very fine-grained sedimentary rock, consisting of compacted silt and clay-size mineral particles. Can contain high proportions of organic material, which if subjected to heat and pressure over geological time can generate petroleum (a petroleum source rock)
thermally mature	a term applied to petroleum source rocks which have received sufficient temperatures and pressure over geological time to generate hydrocarbons.

#### Notes to Editors:

##### About Xodus

Xodus Group Ltd. are a large oil & gas focussed energy consultancy with over 500 employees providing integrated subsurface and surface solutions to a global client base. Xodus was established in 2005 and since then has undertaken a large number of projects of various sizes across most hydrocarbon regions of the world. Xodus staff bring extensive experience in key regions and basins including the North Sea, West Africa, North Africa, Middle East, South America, and Asia. Further information can be found on Xodus' website: [www.xodusgroup.com](http://www.xodusgroup.com)

##### About Nutech

Nutech, one of the world's leading companies in petrophysical analysis and reservoir intelligence, has played a major role in guiding the development of the United States unconventional resource revolution observed in the past 16 years. Nutech has extensive experience in conventional bypassed oil pay, US tight oil and gas plays and many key basins globally. Nutech are one of only four companies approved by the UK Government (OGA) to handle the sale, release and further analysis of the UK's onshore well database. Nutech's client base includes the governments of Mexico, Bahrain, Pakistan, The Netherlands, Poland, and Colombia, as well as oil and gas majors and large independents, which include Petronas, Chevron, Repsol, ConocoPhillips, BP, GDF, Devon, and SandRidge. Further information is available at [www.nutechenergy.com](http://www.nutechenergy.com)

The Company has interests in the following UK licences:

Asset	Licence	UKOG's Interest	Licence Holder	Operator	Area (km <sup>2</sup> )	Status
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Avington <sup>1</sup>	PEDL070	5%	UKOG (GB) Limited	IGas Energy Plc	18.3	Field in stable production.
Baxters Copse <sup>2</sup>	PEDL233	50%	UKOG Weald Limited	IGas Energy Plc	89.6	Reviewing economics of appraisal/development well.
Brockham <sup>1</sup>	PL234	3.6%	Angus Energy <sup>5</sup>	Angus Energy <sup>5</sup>	8.9	Drilling of sidetrack well being considered.
Holmwood <sup>3</sup>	PEDL143	30%	UKOG	Europa Oil & Gas (Holdings) plc	91.8	H-1 exploration commitment well planned.
Horndean <sup>1</sup>	PL211	10%	UKOG (GB) Limited	IGas Energy Plc	27.3	Field in stable production.
Horse Hill <sup>4</sup>	PEDL137	20.163%	Horse Hill Developments Ltd <sup>6</sup>	Horse Hill Developments Ltd <sup>6</sup>	99.3	Flow testing of HH-1 planned, all consents received.
Horse Hill <sup>4</sup>	PEDL246	20.163%	Horse Hill Developments Ltd <sup>6</sup>	Horse Hill Developments Ltd <sup>6</sup>	43.6	Flow testing of HH-1 planned, all consents received.
Isle of Wight (Offshore) <sup>3</sup>	P1916	77.5%	UKOG Solent Limited	UKOG Solent Limited	46.7	Exploration well planned.
Isle of Wight (Onshore) <sup>3,4</sup>	PEDL 331	65%	UKOG	TBA	200.0	Exploration well planned.
Lidsey <sup>1</sup>	PL241	4.2%	Angus Energy <sup>5</sup>	Angus Energy <sup>5</sup>	5.3	Drilling of infill well being considered.
Markwells Wood <sup>2</sup>	PEDL126	100%	UKOG (GB) Limited	UKOG (GB) Limited	11.2	Compiling Field Development Plan.

**Notes:**

1. Oil field currently in production.
2. Oil discovery pending development and/or appraisal drilling.
3. Exploration asset with drillable prospects and leads.
4. Oil discovery pending flow testing.
5. UKOG has a 6% interest in Angus Energy. Angus Energy has a 70% interest in Lidsey and a 60% interest in Brockham.
6. UKOG has a direct 30% interest in HHDL, plus an indirect 1.02% interest via Angus Energy. HHDL has a 65% interest in PEDL137 and PEDL246.