



Full Year Results 31 December 2018



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Introduction

Production, development and exploration onshore



- Solid producing asset base
 - Generating good operating cash flows at current oil prices
- Implementation and progression of conventional projects
 - Albury fully implemented in Q4 '18
 - Continue to work up projects to final investment decision
- CPR update
 - c.200% reserves replacement
 - 2P NPV10 US\$160m (c.\$60/bbl oil price)
 - 2C resources of 19mmboe
- Gainsborough Trough Appraisal Programme
 - Thick shale sections encountered with significant gas indications
 - Material operational improvements



Drilling at Springs Road

Financial Highlights



	Year to 31 December 2018 £m	Year to 31 December 2017 £m
Revenues	42.9	35.8
Adjusted EBITDA	10.8	9.2
Underlying profit	4.0	1.3
(Loss)/Profit after tax	(21.4)	15.5
Net cash from operating activities	12.9	6.7
Net debt	6.4	6.2
Cash and cash equivalents	15.1	15.7

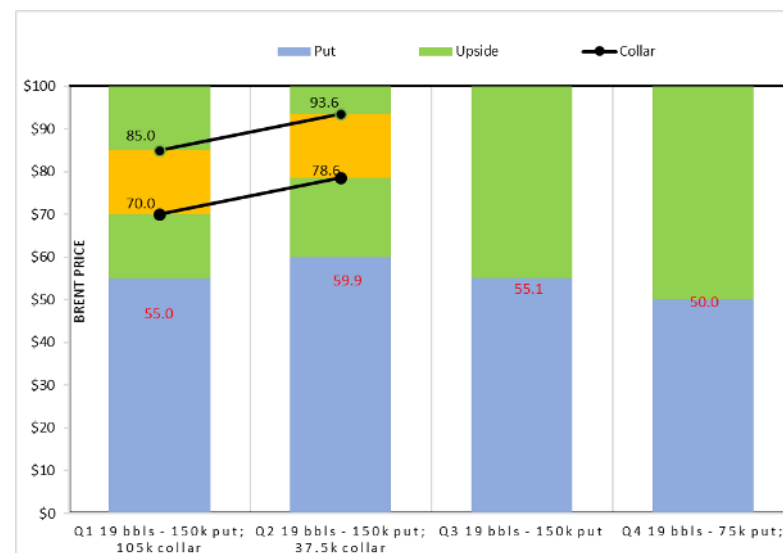
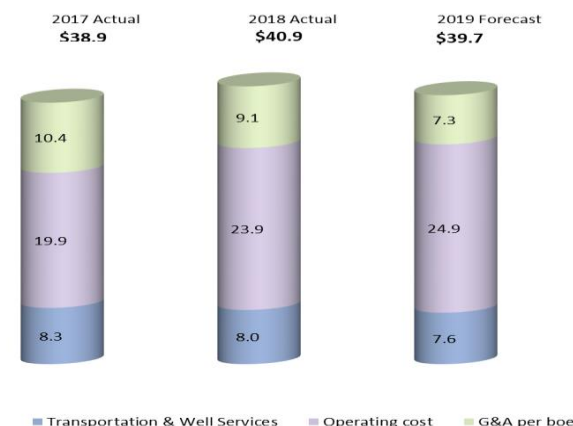
- **Revenues** – 20% increase in revenues due to higher pre hedge realised oil price (2018: \$67.0/bbl vs 2017: \$51.0/bbl) offset by impact of strengthening in sterling and marginally lower production
- **Adjusted EBITDA** – increase in post hedge realised oil price (2018: \$57.4/bbl vs 2017: \$51.3/bbl)
- **(Loss)/profit after tax** – reduction principally due to non-cash exploration expense £29.1m (2017: £nil) and lower tax credit of £3.7m (2017: £19.1m tax credit)
- **Net cash from operating activities** – improved cash generation principally due to increased commodity prices; 2018 includes £5.5m cash outflow in relation to hedging
- **Net Debt and cash** – flat year-on-year as increased cash generated from operating activities and reduced financing costs has been invested in conventional and shale assets; 7.5% amortisation of secured bonds in 2018

Key statistics



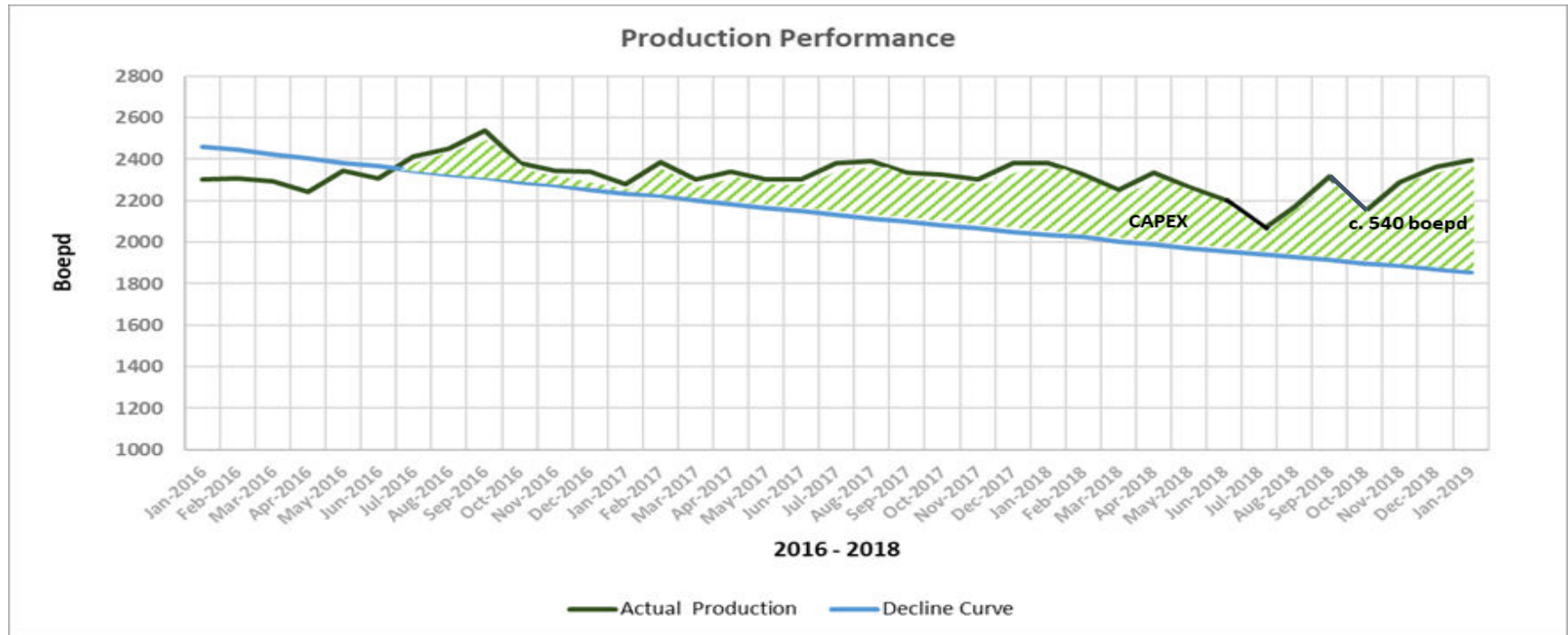
- Realised price post hedge of \$57.4 bbl (2017: \$51.3 bbl)
 - Hedging cash outflow of £5.5m in 2018 (2017: £0.2m cash outflow) due to rising commodity prices
 - Improved hedging position in 2019 using principally puts
 - 525,000 barrels hedged for 2019 with an average put price of \$58.5/bbl
- Operating costs of \$31.9/boe (2017: \$28.2/boe)
 - Increase due to higher production and transportation costs and lower volumes
- G&A of £5.5m (2017: £6.4m)
 - Continue to focus on reducing corporate costs
- Tax credit of £3.7m (2017: £19.1m credit)
 - Deferred tax credits relate to the recognition of future available ring fence tax losses
- Gross carry at 31 December 2018 of \$220 million (£170 million (2017: \$240 million (£179 million))
 - £9.0 million drawn down in 2018 principally in relation to Tinker Lane and Springs Road
- Net debt at 31 December 2018 was £6.4m (2017: £6.2m)

Cost Per Barrel

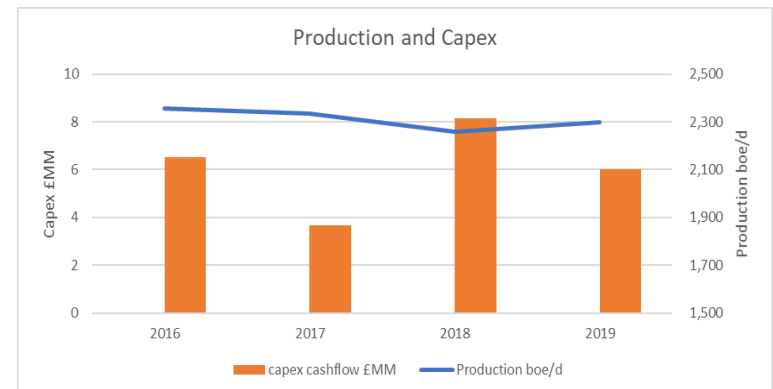


Production Performance

January 2016 – January 2019



- Production: January 2016 (2,303 boepd) - January 2019 (2,393 boepd)
- 8% annual decline offset through:
 - Conventional Capex Program
 - Well Optimisation
 - Targeted Production Efficiency Gains
 - Facilities Maintenance & Integrity Management Program
- Forecast 2019 production: 2,200 to 2,400 boepd¹
- Forecast 2019 capex £6 million (50% maintenance; 50% development)



Note 1: 2019 production guidance increased by 100 boepd whilst OPL transaction under review

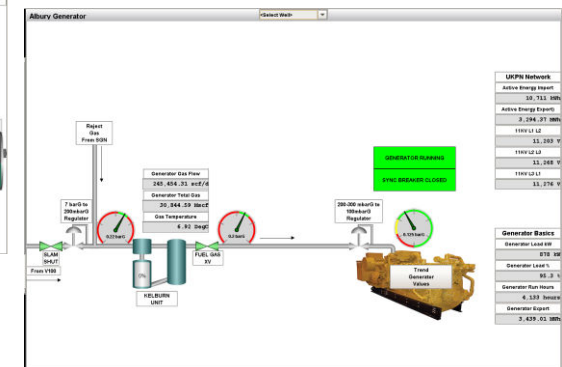
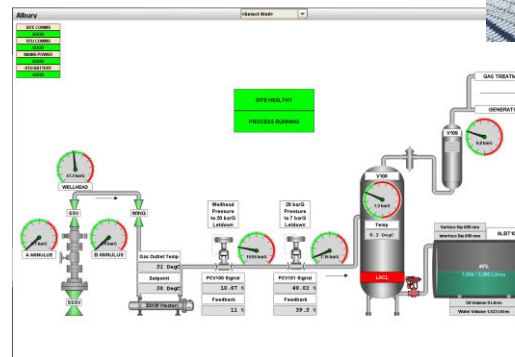
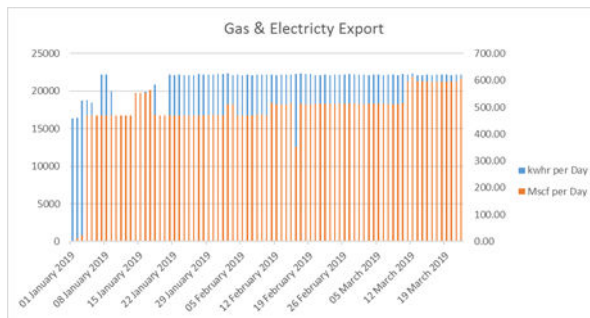
Albury Gas Project

Gas to Grid & Gas to Wire



Operational Summary

- Successful implementation of gas-to-grid (GTG) and gas-to-wire (GTW) project
 - GTW element commissioned four months ahead of schedule in July 2018
 - GTG element commissioned on schedule and on budget in November 2018
- Combined export capability of 170 boepd
- Well performance in line with expectations
- Control & Monitoring System – Designed and built by IGas Engineering



2018 YE Reserve Position: D&M CPR

Summary



2018 YE Group Net Oil and Gas Reserves as at 31 Dec 2018 (MMBOE)

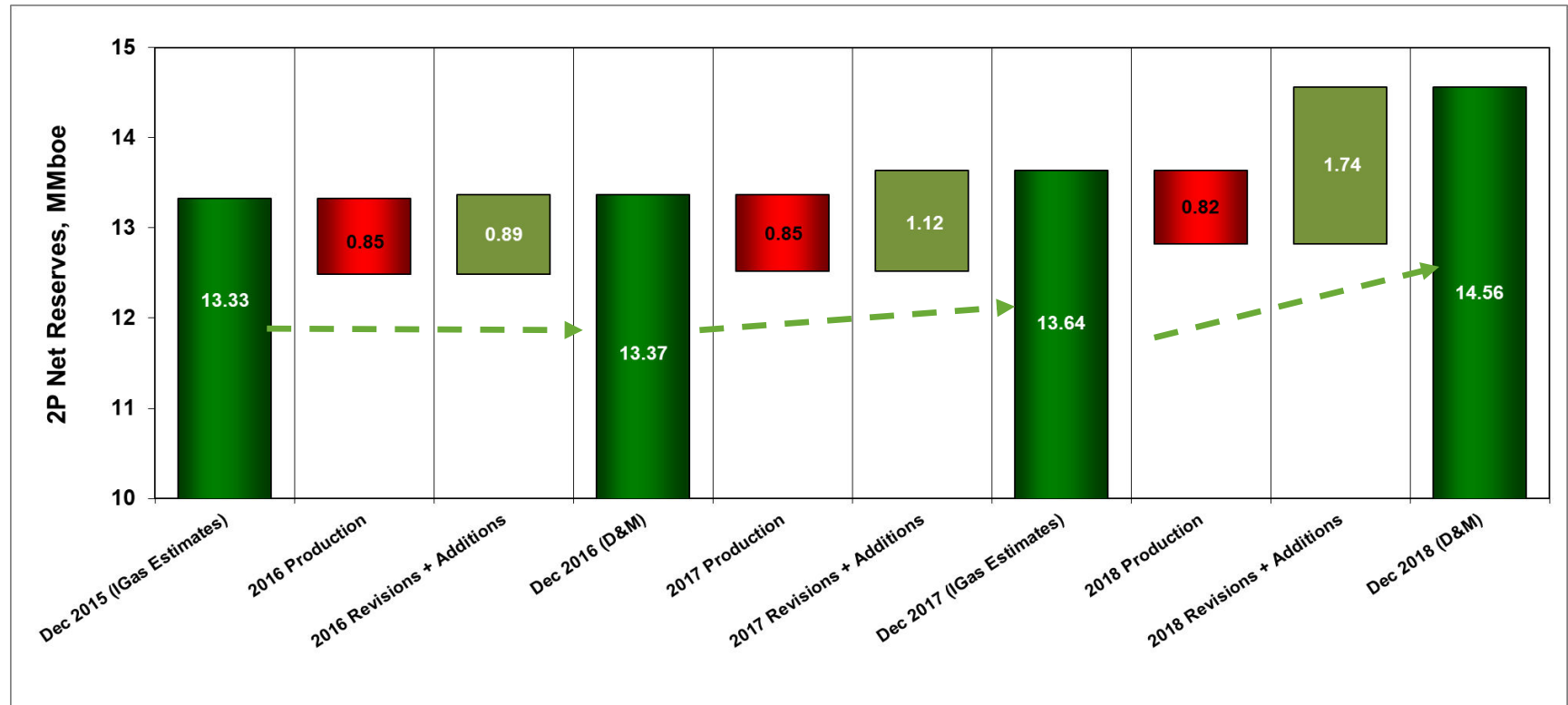
	1P	2P	2C
Reserves as at 31 Dec 2017	8.1	13.6	22.2
Production during the period	(0.8)	(0.8)	-
Additions & Revisions during the period	2.5	1.7	(3.0)
Total change during the period	1.7	0.9	(3.0)
Reserves as at 31 Dec 2018	9.8	14.5	19.2

- YE18 reserve and resource assessment was conducted by DeGolyer and MacNaughton (“D&M”) as part of a Competent Persons Report (CPR)

Highlights:

- Continued year on year reserve growth:
 - 2P Reserves Replacement c.200% (1P c.300%)
- Minimal future capital required for reserve development
 - 90% 2P reserves developed
- Significant identified contingent resource growth potential
 - 19mmboe identified in development, appraisal and exploration opportunities
- NPV10 2P \$160M (c.\$60/bbl oil price for next six years and inflated 2% thereafter)

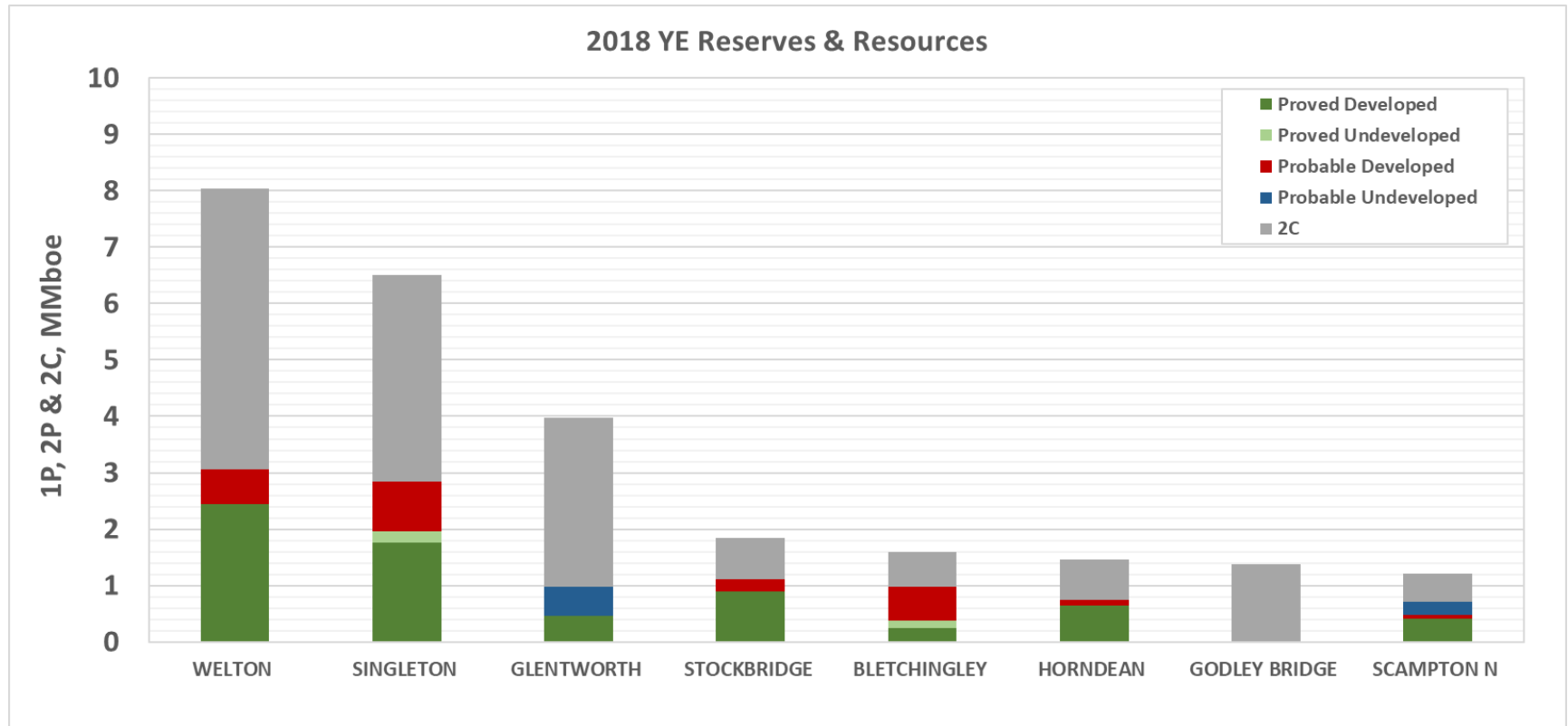
Historical 2P Reserves (2015-2018)



Highlights:

- Proven track record of year on year reserve growth (reserves replacement consistently >100%)
- Excellent delivery of cost and operational efficiencies with key fields performing better than expected

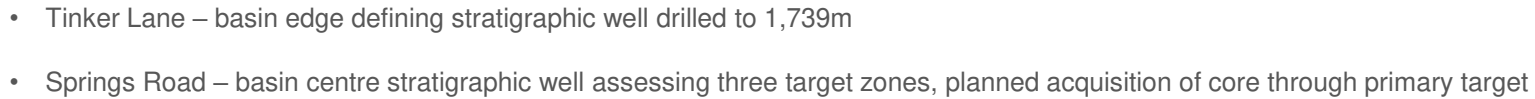
Development Potential - Core Assets



Opportunities identified	10	3	3	1	1	0	1	3
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- Material growth opportunities still exist in core assets
- Current projects being progressed include: associated gas monetization, infill and appraisal drilling, waterflood development, and production optimisation
- Significant exploration potential exists in prospective resources

Tinker Lane and Springs Road – Project Objectives



2018 – Drilled Tinker Lane-01

Future

Q2 2019 - Data analysis

Q3 2019 - Update basin model

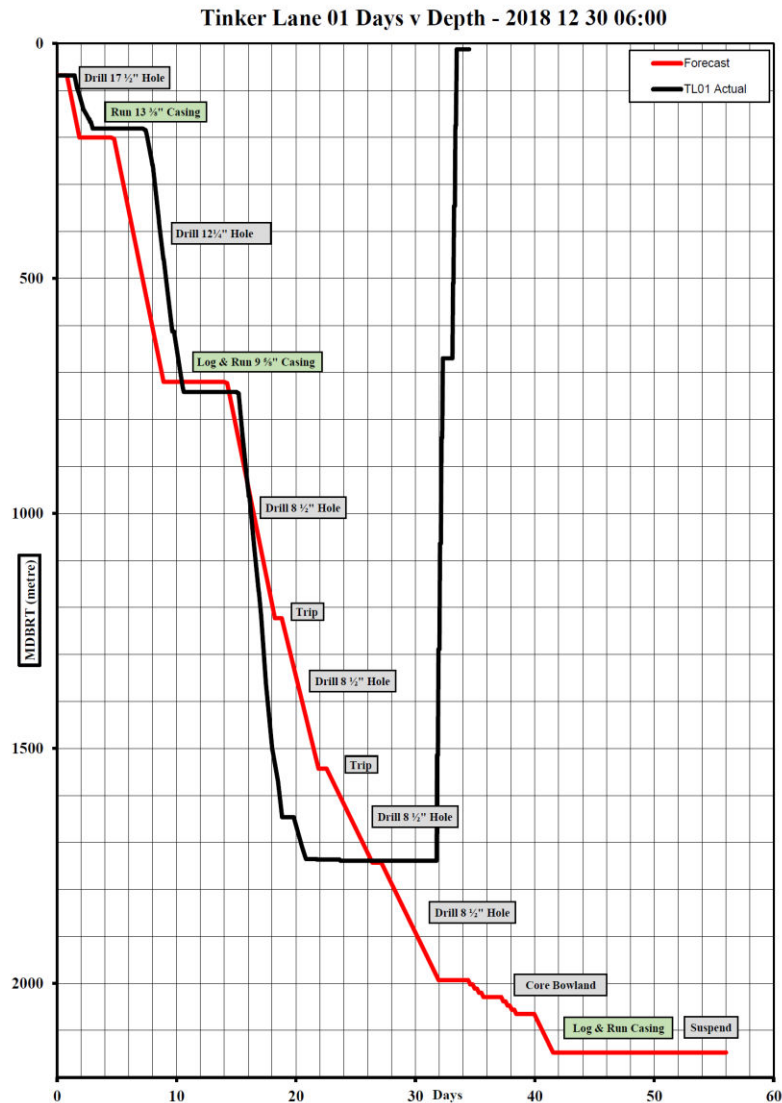
Post data analysis – apply to
frac Springs Rd-02

Drill, frac & flow test Springs
Rd-02

Pilot Development planning

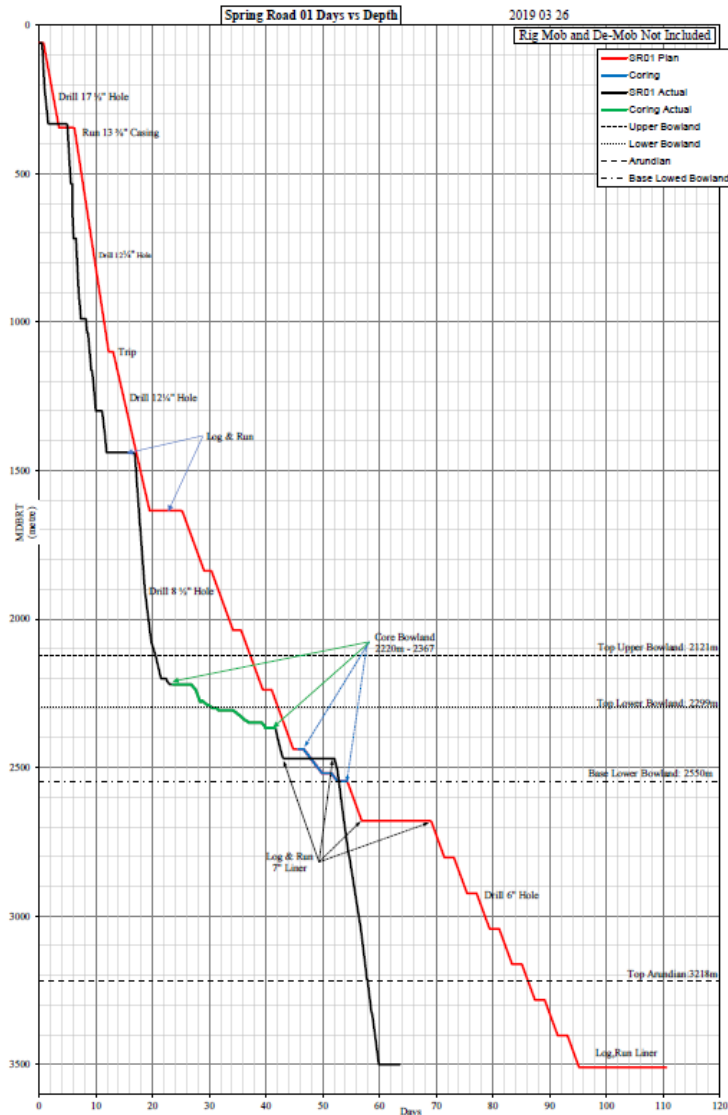
Execution of Pilot Development

Tinker Lane-01



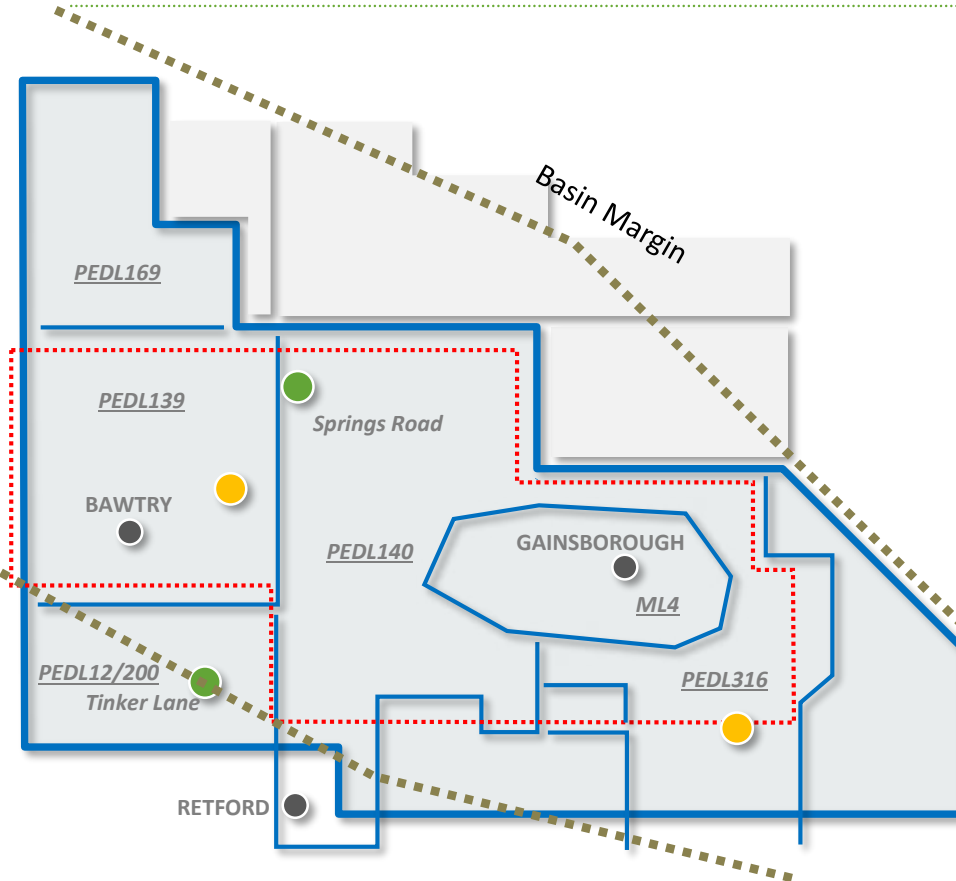
- Basin margin defining well
- Satisfied licence commitment
- Two targets:
 - Millstone Grit Group - Encountered gas bearing shale intervals
 - Bowland shale – Not present in well
- Drilling rates were significantly faster than planned
- Costs covered under carry agreement with INEOS
 - Final drilling costs projected to show a 30% saving against budget
- Final analysis due in Q2 2019

Springs Road-01



- Total depth was reached at 3,500m. All three targets encountered in well with hydrocarbons present in all targets:
 - Bowland Shale (primary target) - Over 250m of hydrocarbon bearing shale within upper and lower Bowland – significant indication of gas throughout section. 147m of shale core recovered to surface
 - Millstone Grit Group (secondary target) - Significant indications of gas
 - Arundian Shale (tertiary target) – Hydrocarbons present
- Costs covered under carry agreement with INEOS
 - Drilling rates significantly faster than projected throughout well. Well cost projected to be lower than budgeted
- Final analysis due in Q2 2019

Future Field Development Concept



● Legacy shale penetration ● IGas Exploration well

150,000 acres IGas core exploration area

100,000 acres IGas core field development area

- Significant contiguous acreage in Gainsborough Trough with prospective shale present throughout basin
 - Ability to drill longer laterals
 - Efficient long-term development
- Synergies between exploration/appraisal program and existing operations
 - Explore multiple horizons
 - Leverage existing infrastructure
- Access to high value markets



Summary and Outlook

- Focus on cash generative production
- Producing assets underpin valuation
 - 2P base case NPV10 of c.US\$160m
- Future development opportunities
 - High value projects being brought forward to FID
 - Planning track record on existing sites
- Highly encouraging results from Gainsborough Trough appraisal
 - Initial petrophysics and core analysis of SR-01 data due Q2 2019
- Government remain supportive – Brexit paralysis



Appendix



Valuation



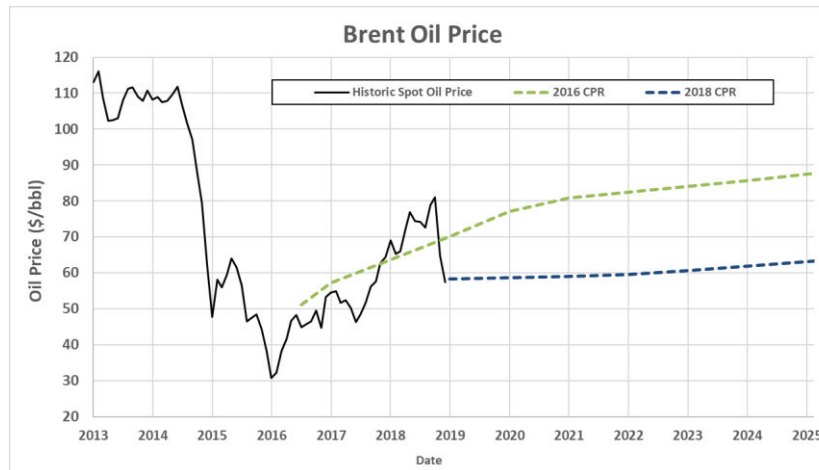
Valuation Summary

	Proved		Proved plus Probable		Proved plus Probable plus Possible	
	Future Net Revenue (10³U.S.\$)	Present Worth at 10 Percent (10³U.S.\$)	Future Net Revenue (10³U.S.\$)	Present Worth at 10 Percent (10³U.S.\$)	Future Net Revenue (10³U.S.\$)	Present Worth at 10 Percent (10³U.S.\$)
Base Case	189,532	115,040	357,659	160,440	518,691	202,308
Low Case	104,387	62,090	230,023	92,568	352,860	124,315
High Case	282,544	162,384	494,853	221,400	695,842	273,036

Note: Values for probable and possible reserves and quantities have not been risk adjusted to make them comparable to values for proved reserves and quantities.

Base Case NPV10

- 1P c. \$115m
- 2P c. \$160m
- 3P c. \$202m



Assumptions

- Oil Price: c.\$60/bbl flat for 6 years, then inflate 2%p.a. (capped at \$100/bbl)
- Exchange rate (US\$/£): 1.3
- OPEX: 2018 actual inflated 2%p.a
- Note: Oil price low & high cases = ± 10 \$/bbl