

United Oil & Gas PLC / Index: AIM/ Epic: UOG / Sector: Oil & Gas

22 January 2024

United Oil & Gas plc
("United" or "the Company")

Receipt of Notice of Default from the Operator of the Abu Sennan Concession

United Oil & Gas Plc (AIM: "UOG"), the full-cycle oil and gas company with a portfolio of production, development, exploration and appraisal assets announces that it has received a default notice ("**Default Notice**") from Kuwait Energy Egypt Limited ("**Kuwait Energy**" or "**Operator**") for a total of USD \$3,822,143 for outstanding cash calls in relation to the Abu Sennan concession. Pursuant to the joint operating agreement ("**JOA**") relating to the Abu Sennan concession, the Company has 30 days ("**Default Period**") to remedy the default from the start of the default period which is 28 January 2024. In the event that the Company does not remedy the situation during the Default Period, then each non-defaulting party to the JOA has the option to require the Company to withdraw from the Abu Sennan Concession pursuant to the terms of the JOA.

The Company had been in advanced discussions regarding the potential sale of its 22% stake in the Abu Sennan concession to United Energy Egypt Limited ("**UEEL**"). UEEL, a sister company of the operator Kuwait Energy; both share the same parent, United Energy Group which is listed on the Hong Kong stock exchange. However, discussions aborted as the Company was unable to agree to execute the draft sale and purchase agreement ("**SPA**") presented to it by UEEL following legal advice notwithstanding the attempts from the Company to agree a mutually acceptable SPA.

The effective date for the SPA was 1 November 2023, when the consideration was \$2.052 million which would have settled all outstanding cash calls as at that date, and the Operator would pay all future cash calls and receive all future revenues. The increased figure for the default notice is due to the cash calls received for work undertaken on the concession in the interim period.

The Company believes that its commercial position remains unchanged between a default scenario out of the Abu Sennan concession and the commercial terms of the SPA (if completed), as the proposed cash consideration from a sale would be used to settle outstanding cash calls with the Operator and either of scenarios would involve the divestment of the Abu Sennan concession.

The decision to divest from Abu Sennan was influenced by the challenging macro-economic conditions in Egypt and the persistent difficulty the Company faced in repatriating funds from the country, as previously reported. The Company remained committed to collaborating with local Egyptian stakeholders, EGPC, and the Operator to navigate and address these challenges but unfortunately these efforts have not been rewarded. Also, the 2024 proposed budget, indicating a net deficit of USD \$3 million, reflects United's belief that the main value has been extracted from the Abu Sennan concession, prompting a refocus by the Company on other assets to enhance shareholder value.

Before September 2023, the Company received payments from the Egyptian National Oil Company ("**EGPC**") in both USD and EGP, with the latter primarily used to settle operational liabilities. Since September 2023, approximately 13% of payments have been in USD, with the rest in EGP, resulting in considerable foreign exchange losses when converting EGP to USD. The Company has a receivables balance of USD \$0.80 million outstanding from EGPC and cash in the bank of approximately USD \$1.3 million.

In early November 2023, the JOA partners on the Abu Sennan concession received a request from the Operator to make a material USD payment to support the operational needs of the joint venture. Since this time, United has engaged with EGPC to seek a USD remittance against our outstanding USD receivable position to satisfy this demand from the Operator. In parallel, United has engaged with the Operator to seek alternative solutions to this USD demand, which included a continuation of the agreed position that had previously been accepted by the Operator, whereby the JOA partners settle the Operator cash calls in EGP.

United is currently reviewing the Default Notice in consultation with its legal advisers. In parallel, we will continue to engage with the Operator to seek a solution and/or explore other options. Further information will be provided in due course.

The Company is in discussions with its debt provider (current balance owing USD \$1.089 million) and will update the market in due course.

United Chief Executive Officer, Brian Larkin commented:

"We are very disappointed that we could not reach agreement with United Energy Egypt Limited to sell the Abu Sennan concession. We had worked tirelessly from early December and over the holiday period to finalise the Sale and Purchase Agreement ("SPA") and engaged external lawyers to assist through the whole process at a significant cost. We had agreed the commercial terms, however, based on external legal advice, we were unable to sign the SPA in the form that United Energy Egypt Limited presented to us. However, we believe the differences could have been easily resolved and this commercial issue avoided."

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This announcement contains inside information for the purposes of Article 7 of Regulation 2014/596/EU which is part of domestic UK law pursuant to the Market Abuse (Amendment) (EU Exit) regulations (SI 2019/310).

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Notes to Editors

United Oil & Gas is a high growth oil and gas company with a portfolio of cash generative production, development, appraisal and exploration assets across Egypt, UK and a high impact exploration licence in Jamaica.

The business is led by an experienced management team with a strong track record of growing full cycle businesses, partnered with established industry players and is well positioned to deliver future growth through portfolio optimisation and targeted acquisitions.

United Oil & Gas is listed on the AIM market of the London Stock Exchange. For further information on United Oil and Gas please visit www.uogplc.com

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