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19 June 2019

Angus Energy Plc

("Angus Energy", "Angus" or the "Company")

Acquisition of Interest in Saltfleetby Gas Field

Angus Energy is pleased to announce, further to its announcement of 30 April 2019, the completion of a Farmin Agreement with Wingas Storage (UK) Limited (to be renamed and hereinafter "Saltfleetby Energy") for a 51% interest in the Saltfleetby Gas Field (the "Field") in Lincolnshire. Saltfleetby Energy is expected to retain a 49% interest in the Field.

Key Terms of the Farmin Agreement

The terms of the Agreement are that Saltfleetby Energy will pay to Angus Energy Weald Basin No. 3 Limited ("AWB", a wholly owned subsidiary of the Company, together the "Group") an initial contribution of £2.5 million which funds will then be applied by Angus either (a) to assume 100% of the costs to be incurred during the reconnection of the Field to the National Gas Grid or (b) to satisfy all abandonment costs at the Field (excluding existing subsurface pipework beyond the immediate sites) if reconnection at commercial rates is not available. At this stage the Directors are confident that reconnection at commercial rates is possible within the £2.5 million budget and advised timescale of completing work between May and August 2020.

Following reconnection and a declaration that gas can be extracted and sold in a commercially viable manner, future abandonment costs together with ordinary Field costs and revenues will be shared 51%/49% by the Group and Saltfleetby Energy under a standard JOA. AWB expects to execute agreements, subject to OGA approval, under which Saltfleetby Energy will transfer to AWB, as soon as regulatory consent is obtained, a 51% share in the relevant blocks, comprising the Field, of the PEDL 005 Licence together with the Operatorship thereof. These, together with assignment of the underleases of the sites and regulatory assents, are the sole conditions precedent.

Angus Energy has obtained quotes for the work and equipment required to effect reconnection (£2.25 - £2.5 million) and separately to effect abandonment (£1.75 - £2.5 million), each of which fall below the sum of the proposed payment by Saltfleetby Energy. Saltfleetby Energy has agreed to retain the liability for all abandonment costs surrounding the subsurface pipelines from the two sites to the Theddlethorpe Gas Facility together with certain redundancy costs which would otherwise fall to be treated as expenses under the JOA.

Details on the Field

On the Company's website is a detailed presentation on the Field. The Saltfleetby Gas Field is located onshore UK at the western extent of the Humber Basin, in the PEDL005 licence area. A commercial discovery was made in 1996 after re-entering an exploration well drilled in 1986. The field was put on stream in December 1999 producing from Early Westphalian sandstones at a depth of 2300m.

This is a proven reservoir comparable with other established oilfields in East Midlands Basin with multiple sources of hydrocarbons including Westphalian coals and organic rich basinal mudstones. In total 8 wells and several sidetracks have been drilled since production first commenced with 7 completed and licensed for production – being near horizontals (2 with full core available).

A 3D seismic block was acquired in 1997-98 which, with reprocessing in 2003, provides a high degree of confidence in structural mapping of the Field. Full delineation of the Field from this 3D seismic mapping indicated an in-place estimate of 114 billion cubic feet (“BCF”) of gas based on a peer reviewed Geological Society paper by T. Hodge in 2003. 67 BCF of dry gas has already been produced from the reservoir with an additional 1.1 mmbbls of gas condensate. According to a Field Development Plan prepared for submission to the OGA in 2016 by the previous owner, an estimate of an additional 12.7 BCF should be recoverable from 2 remaining wells in production.

Angus’ own analysis of individual well pressure data confirms that a substantial amount of remaining gas should be recoverable. Angus have considered two future production profiles based on past production trends as outlined in the presentation. These indicated that 10 -18 BCF of gas (gross) could be recoverable over a 10 -12 year period. Additionally 100,000-180,000 bbls (gross) of gas condensate would also be recoverable. In Angus’ view, with additional workovers and sidetracks, along with optimisation of compression, ultimate recovery could be increased further than the 12.7 BCF predicted in 2016. Angus also notes that faulting evident leaves a good chance of further prospectivity in untapped blocks - providing new drilling opportunities.

Economic Analysis**

In the presentation Angus presents two scenarios: a Conservative Scenario and an Optimistic Scenario. The Conservative scenario assumes unconstrained production with 2 wells running subject to a decline rate of approximately 15% based on historical production. The optimistic case assumes workover activity and bringing new wells online shortly after production start up. Under the conservative scenario, the field appears capable of producing 10 BCF over the next 10 years. The optimistic case indicates a production of 18 BCF over 12 years.

	Conservative	Optimistic
Gas Volume (mmscf)	10,000	18,000
Gas Volume (mm therms)	100	180
Gross value @ c. 50p/therm*	£50.03 million	£90.54million
Condensate Volume '000 bbls	100	180
Condensate Value @ £38/bbl	£3.80 million	£6.84 million
Angus Net Share @ 51%	£27.4 million	£49.6 million

* Based on 10 year average National Balancing Point spot price

** Note all figures are based on past production profiles publicly available on the OGA website and not to be considered a reserve or resource figure prepared under SPE or another Standard

Previous fixed operating expenditure totaled £1.8 million in the year 2018. Angus aims to reduce these costs to approximately £1 million by cutting overheads and streamlining the operating process. Average natural gas prices over a 10 year period have been used to calculate wholesale value of remaining gas reserves. These projections are not inclusive of tax or capex requirement but include NTS Transmission costs of £38,000 per month, condensate trucking of £8.40/bbl and water disposal at £49/bbl. After these costs and assumptions the net value to Angus, without discounting, is as follows:

	Conservative	Optimistic
Angus Net after Costs @51%	£17.6 million	£36.5 million

An outline cash flow profile has been set out in the presentation for guidance only.

Net Cashflow £million	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Conservative	1.8	3.7	3.0	2.4	1.9	1.5
Optimistic	1.8	4.2	6.2	6.1	4.9	3.8

Reconnection of the Field

Processing was previously carried out by a third party at the Theddlethorpe Gas Terminal. Angus will now install in-house processing facilities including compression and dew-point control on site at the Saltfleetby Gas Field. The gas will be treated so that its characteristics fulfill the specifications for the National Grid system which supplies domestic and industrial consumers.

The gas will then be transported via a pipeline to the National Grid entry point at NTS Theddlethorpe. Minor additional work in the form of a new 10 inch flowline diversion (<1000m) is required. Preliminary discussions with the NTS have taken place – and the Company hopes to find mutually beneficial agreement in near future. The timeline for reconnection is from May to August 2020 after which the Field will immediately begin production. Subsequently the Company may seek to workover or side track wells.

George Lucan, Managing Director, writes:

“As we obtain more precise detail on the Field and the costs of either reconnecting or abandoning it, and taking into account the increased contribution from Saltfleetby Energy, we become more confident that this is an excellent deal for the Company in which Angus can supply the necessary high quality expertise and low cost production techniques to bring onshore gas to the UK National Gas Grid and value to our Shareholders. This diversifies our asset base by geography and typology of hydrocarbon and re-inforces our strategic shift from exploration into balanced exploration, development and production.”

Qualified Person's Statement:

Andrew Hollis, the Technical Director of the Company, who has over 40 years of relevant experience in the oil and gas industry, has approved the information contained in this announcement. Mr Hollis is a Fellow of the Geological Society and member of the Society of Petroleum Engineers.

END.

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Notes

About Angus Energy plc. Angus Energy plc. is a UK AIM quoted independent onshore oil and gas production and development company focused on leveraging its expertise to advance its portfolio of UK assets as well as acquire, manage and monetise select projects. Angus Energy majority owns and operates conventional oil production fields at Brockham (PL 235) and Lidsey (PL 241) and has a 25% interest in the Balcombe Licence (PEDL244) and a 12.5% interest in the Holmwood licence (PEDL143).