



NU-OIL AND GAS PLC
AIM ticker: NUOG

28 March 2019

Nu-Oil and Gas plc

("Nu-Oil" or "the Company")

Marginal Field Development Company signs non-binding Letter of Intent ("LOI") to establish a gas to wire project financing entity

Nu-Oil is pleased to note the following announcement from Marginal Field Development Company Ltd. ("MFDevCo"), the Company's 50%-owned joint venture ("JV"). The key points are summarised below:

- MFDevCo and Marnavi Offshore ("Marnavi") (together the "Parties") intend to establish a Special Purpose Vehicle ("SPV") to finance gas-to-wire projects that MFDevCo develops;
 - This follows the strategic collaboration agreement entered into with Marnavi as announced on 25 January 2019;
- MFDevCo will hold 30% equity stake in the SPV which cannot be diluted; the remaining 70% will be held by Marnavi, and other investor(s) if sought;
 - The proposed SPV will enable the delivery of the marginal field projects that MFDevCo identifies without dilution of Nu-Oil's interest in MFDevCo;
- MFDevCo and Marnavi will be represented on the Board of the SPV;
- It is expected that Marnavi will have the primary responsibility for day to day management of the SPV;
- MFDevCo will be responsible for identifying and evaluating projects;
- MFDevCo will offer investment ready projects, along with commercially viable development plans, to the SPV, which will have the right of first refusal;
- The SPV will remunerate MFDevCo for any projects accepted;
- In addition, the SPV will agree a contract with MFDevCo to manage all and any projects accepted by the SPV; MFDevCo will further contract its Consortium and Strategic Alliance Partners to provide resources and technical expertise to develop projects accepted by the SPV;
- Marnavi and its associates (including Next Geosolutions) will receive a similar commitment for the SPV for provision of their services to the project;
- MFDevCo and Marnavi are now working together to finalise details of the structure and operation of the SPV.



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Further to the agreement with Marnavi the Company notes that:

- MFDevCo has nominated Einar Antonsen, Non-Executive Director, to be its representative on the SPV Board;
- Einar will lead efforts, on MFDevCo's behalf, to raise finance for the SPV which will be used to fund the acquisition and development of gas to wire projects;
- In addition, Einar is seeking additional financing for MFDevCo to support the business as it concludes the terms of the SPV with Marnavi and, in parallel, seeks to agree Heads of Terms for the two GTW opportunities where efforts are being concentrated;
- Indicative offers of up to £500,000 for immediate funding have been made, subject to the conclusion of the SPV;
- Provision of seed capital to MFDevCo will reduce Nu-Oil's general and administration overhead incurred through MFDevCo related costs and staff utilisation.

Finally, the Company notes that MFDevCo is concentrating efforts on the two priority GTW opportunities where discussions with operators have advanced quickly so far. Efforts to establish the SPV and Einar's appointment are designed to ensure financing is available to conclude Heads of Terms. Negotiations between MFDevCo and operators are ongoing, the Company will update the market with further details if and when they reach a material conclusion.

Graham Scotton, Executive Chairman of Nu-Oil, commented, "I am delighted by the progress made by MFDevCo management towards securing gas to wire opportunities. The proposed SPV will be able to raise financing required to sanction projects without diluting the JV partners. As a result of the agreement, MFDevCo will be able to cover working capital requirements while the SPV is being established. I sincerely hope that efforts to conclude negotiations are successful and look forward to supporting both parties to achieve our strategic goals."

Marginal Field Development Company Announcement begins/

Marginal Field Development Company ("MFDevCo") is pleased to announce that it has signed a non-binding Letter of Intent ("LOI") with Marnavi Offshore ("Marnavi") to work together to establish a Special Purpose Vehicle ("SPV"), in which MFDevCo and Marnavi will be founding shareholders, to finance gas-to-wire ("GTW") projects. This extends the collaboration agreement between MFDevCo and Marnavi that was announced on 25 January 2019 and will provide a key building block to allow MFDevCo to progress with the projects on which it is currently in discussions.

As discussed in our announcement of 25 January, GTW offers excellent opportunities to both extend the economic life of mature fields and justify the development of smaller pools, by providing a secure, lower cost export route, taking advantage where appropriate of the expanding network of offshore wind infrastructure, and facilitating lower opex. MFDevCo, with its lean structure, in-house expertise and experience and the support of renowned international equipment and service providers, is ideally placed



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to progress GTW developments, benefitting existing licence holders and asset owners (who can defer decommissioning and maximise economic recovery) and contributing towards the energy security that is so critical to governments.

The nature of GTW projects enables them to be 'packaged' as a facility (including export route) and sales contract and financed in a manner analogous to shipping financing, and the SPV that is the subject of the LOI between MFDevCo and Marnavi is being established to facilitate this. MFDevCo will continue its ongoing project discussions and to identify and evaluate further opportunities, and, under the terms of the LOI:

- Will at its own expense, for viable projects, prepare a development plan to justify the investment decision and agree a Heads of Terms ('HoT') under which the SPV will acquire the project.
- Will receive a contract from the SPV to manage the project, utilising Consortium members and partners as appropriate, under agreed terms relevant to the project; Marnavi and its associates (including Next Geosolutions) will receive a similar commitment for the SPV for provision of their services to the project.

By virtue of its investment to date and work to 'incubate' projects, MFDevCo will hold a 30% 'carried' interest in the SPV, that will not be subject to dilution in future; the remaining 70% will be held by Marnavi, who have the potential to farm down their stake in future as other investors are sought. This structure minimises the financing obligations on MFDevCo, whilst protecting them against dilution, and offers Marnavi the potential to benefit from favourable terms due to their 'early entry' and commitment. MFDevCo and Marnavi are now working together to finalise details of the structure and operation of the SPV and commence financing on projects that are currently being specified.

Alison Pegram, Joint Managing Director of Nu-Oil and Managing Director of MFDevCo, commented, "I am encouraged that asset owners and partners alike see the value in MFDevCo's strategy and by the progress that we have made in a relatively short timescale, which is reinforced by this demonstration of Marnavi's further commitment just two months after the original collaboration agreement was signed. Demonstrating and securing access to appropriate financing is obviously fundamental to our ability to progress projects and it is crucial for our shareholders that this is achieved in a way that minimises dilution and protects their rights and investment going forward. We look forward to working more closely with Marnavi in establishing the SPV and to advance the significant GTW opportunities we are working to conclude."

Attilio Ievoli President of Marnavi Offshore, commented, "This is an important step in commercialising the GTW projects that MFDevCo are negotiating. We have been working together to develop a financing model that incorporates Marnavi's experience and, by doing that, we believe we will be able to attract investors, minimise the dilution of MFDevCo shareholders and accelerate the development of the 'project pipeline'. In the current environment of energy security concerns, increasing demand for electricity and



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pressure to maximise recovery of resources, we believe that MFDevCo's strategy is timely and extremely well-positioned."

MFDevCo has nominated Einar Antonsen, Non-Executive Director, to be its representative on the SPV Board. Former Partner at Fearnley Securities, Einar has over 25 years' experience in corporate finance, specialising in financial instruments and financial engineering, working with both equity and debt capital markets. He has extensive knowledge of offshore and shipping sectors, where he has assisted clients with mergers and acquisitions.

Einar Antonsen commented: "I joined the Board of MFDevCo over 2 years ago because I recognised the value of marginal field opportunities and believe that the company's business model is unique in exploiting these vital assets. The financing model proposed for the SPV completes the offering to operators. Based upon my experience and preliminary discussions, I believe that gas to wire projects offered by the SPV will be attractive to multiple sources of finance. As specific gas to wire opportunities take shape, we are now in a position to formalise discussions with potential investors."

Einar will lead efforts, on MFDevCo's behalf, to raise finance into the SPV which will be used to fund the acquisition and development of gas to wire projects. In addition, Einar is seeking financing for MFDevCo to support the business as it concludes the terms of the SPV with Marnavi and, in parallel, seeks to agree Heads of Terms for the two priority GTW opportunities where efforts are being concentrated and discussions with operators are moving quickly. As a result of the progress being made with respect to our GTW initiative and the SPV, his discussions have, to date, resulted in indicative offers of up to £500,000 for immediate funding, subject to the conclusion of the SPV. It is critical that work to establish the SPV and identify financing sources keeps pace with those discussions to ensure that their successful conclusion.

Enquiries

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Notes

Marginal Field Delivery Company

Marginal Field Delivery Company ("MFDevCo"), a limited liability company, focuses on maximising recovery from the vast, undeveloped hydrocarbon resources contained within marginal fields worldwide, utilising appropriate re-deployable solutions to transform these undervalued assets. MFDevCo seeks to manage the entire lifecycle of marginal field projects from opportunity screening, suitability assessment and financing through engineering to production and decommissioning.

www.mfdevco.com

Marnavi Offshore

Marnavi Offshore are the operators of a recently constructed fleet of offshore vessels incorporating AHTSs, MPSVs, European built with the latest DP2 Station Keeping capabilities, AHC Cranes (where applicable) and fully SPS compliant meeting the latest industry standards for offshore vessels.

www.marnavi.it

Next Geosolutions

Next Geosolutions is an international turn-key geoscience and engineering service provider operating in the energy, infrastructure and utilities markets.

www.nextgeosolutions.com

Disclaimer

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