JERSEY OIL & GAS

ANNUAL REPORT AND ACCOUNTS 2016

A Transformational Year

Highlights

- Successful, high impact, promoted farm-out of interest in Licence P.2170, Blocks 20/5b & 21/1d (“Licence P.2170) to Statoil (U.K.) Limited (“Statoil”), which contains the material Verbier prospect
  - Jersey Oil & Gas (“JOG”) retained an 18% equity interest with Statoil to fund all costs up to US$25 million in respect of the first exploration well
  - US$540,000 received by JOG after payment made to the Athena Consortium Partners
  - JOG benefits from an additional 10% carry from co-venturer CIECO Exploration and Production (UK) Limited ("CIECO")
  - Site survey completed on Verbier prospect
  - Firm well commitment made to the Oil & Gas Authority
- Successful farm-out of JOG’s 50% interest in Licence P.1989, Blocks 14/11, 12 & 16, to Azinor Catalyst Limited (“Azinor”) in return for contingent payments of up to US$4 million
- Interests in Licence P.1610, Block 13/23a ("Liberator"), Licence P.1666, Block 30/11c ("Romeo") and Licence P.1889, Blocks 12/26b & 27 ("Niobe") relinquished, with Niobe relinquishment effective 31st December 2015
- A very active year for JOG engaged in pursuing multiple asset acquisition opportunities
- Oversubscribed equity placing of £1.6m (gross) in November 2016 to new and existing shareholders
- Cash at 31 December 2016 of £1.9m
- Arden Partners plc appointed as Broker

Post period end

- The Company has conducted further technical studies to improve and update it’s understanding of the Verbier prospect
- Independent assessment of resource estimates in relation to Licence P.2170 and its associated prospects (Verbier and Cortina), has been completed by ERC Equipoise Ltd ("ERCE")
  - Mean Prospective Resources attributed to Licence P.2170 for Verbier increased to 162 Million barrels of oil equivalent ("MMboe") from 118 MMboe and the chance of success increased to 29% from 26%
  - Contingent Resources attributed to Verbier for discovery well 20/5a-10Y
  - Mean Prospective Resources attributed to Licence P.2170 for the Cortina prospect increased to 124 MMboe from 91 MMboe with a chance of success of 19%
- Statoil has awarded a contract to Transocean Drilling UK Limited for the semisubmersible rig, Transocean Spitsbergen
- Azinor has stated its intention to drill an exploration well to test the Partridge prospect (previously named Homer) on Licence P.1989, Blocks 14/11, 12 &16 later this year
- BMO Capital Markets appointed as Joint Broker

Outlook

- Exploration well to be drilled on Verbier prospect in Summer 2017
- Discussions continue with a major bank and other funding partners, who remain keen to support JOG as possible providers of capital for acquired production assets
- The Group continues to work actively on several acquisition opportunities, with the aim of securing UK producing oil and gas assets

Corporate Activities

The year ended 31 December 2016 saw Brent Crude oil trading at the upper end of a US$30 to US$55 per barrel price range, with companies continuing to adjust to a new pricing environment. In the UK Continental Shelf (UKCS") region of the North Sea we are seeing some companies seeking to rationalise their portfolios. During the year, Jersey Oil and Gas Plc ("JOG" or the "Company") has been in many data rooms and evaluated in excess of 40 field interests, with a view to acquiring production assets. In so doing, we continue to apply a disciplined approach to any offers we make and seek a pragmatic treatment of field abandonment liabilities. We continue to receive strong shareholder interest and support for our production asset acquisition strategy and have indicative bank funding support.

The other part of our strategy is to rationalise and, if possible, add value to our legacy asset portfolio. In October 2016, we completed a farm-out of part of our interest in Licence P.2170 Blocks 20/5b & 21/1d ("Verbier") to Statoil. The Company retains an 18 per cent. interest in this licence area and benefits from a 10 per cent. carry funded by its co-venturer CIECO. A Competent Person's Report was completed in March 2017, which indicated a significant uplift in Mean Prospective Resources for Verbier, compared to the previously announced unaudited management estimates, together with a modest increase in the chance of success for this prospect, which was most encouraging.

We also successfully farmed out JOG's 50 per cent. interest in Licence P.1989, Blocks 14/11, 12 & 16 to Azinor in return for contingent payments of up to US$4 million. Azinor has recently announced the completion of a site survey for a prospect on this licence area in preparation for a well, intended to be drilled later in 2017. Further details of both the Statoil and Azinor farm-outs are set out in the Chief Executive Officer's Report.

Financial Results

Our pre-tax loss for the year amounted to £793,439, down from £1.4 million in 2015. This reflects our continuing tight control of costs, part of which involved the Directors and staff agreeing to salary cuts of up to 50% for nine months of the year. Salary levels have since been restored, although they remain low by industry norms.

We continue to operate from our offices in Jersey and plan to re-open a London office when circumstances allow.

Equity Placing

In November 2016, the Company raised £1.6 million (before expenses) by way of a placing with new and existing shareholders at a placing price of 110 pence per share. The placing was well received by investors and was oversubscribed. As part of this placing, the directors and certain members of senior management subscribed for 120,454 shares at the placing price, raising £0.13 million (before expenses). The net proceeds are being utilised to fund technical studies and evaluation work to improve the Company's understanding of the Verbier prospect and provide additional working capital.

As at 31 December 2016, available cash amounted to approximately £1.9m.

Following completion of the placing, Arden Partners plc were appointed as broker to the Company. Subsequently, in March 2017, BMO Capital Markets were appointed as joint brokers.

Outlook

We look forward to the drilling of the Verbier prospect exploration well later this year. Although we believe the prize for success may be significant, as is the case with exploration wells of this nature, success is not assured. We also have a contingent interest in the outcome of a well that Azinor has stated it plans to drill later this year. Alongside this, we will continue to pursue our production asset acquisition strategy. We have observed in the market some notable large scale asset acquisition transactions and are confident that this can be replicated by the Company at prices which yield a good return for shareholders.

On behalf of the Board, I would like to welcome the new shareholders who supported our equity placing in 2016 and to thank all of our employees who have continued to work on our exploration and production plans, which I am confident have the potential to provide long-term shareholder value.

Marcus Stanton
Non-Executive Chairman
20 April 2017

Transformational Year

2016 proved to be another transformational year for JOG, during which we successfully achieved what we believe to be the first promoted farm-out of an exploration licence in the UK North Sea in over two years. Statoil is now established as operator of Licence P.2170 and we eagerly await the drilling of Verbier, a material and moderately risked prospect. With a rig contract announced post period end, Verbier is now expected to be drilled during summer 2017. We continue to be involved in multiple sales processes and are confident that we are well placed to deliver further shareholder value through our production asset acquisition strategy.

Successful High Impact Farm-Out to Statoil and confirmation of the drilling of the Verbier prospect

Together with CIECO, we successfully farmed-out a 70% interest in Licence P.2170, Blocks 20/5b and 21/1d to Statoil and retain an 18 per cent. interest in this licence area. Against the backdrop of low oil prices and a dearth of deal flow at that time, this was a significant achievement for the Company and, we believe, demonstrates the value potential that the Verbier prospect holds for the Company.

Statoil, as the Licence's operator, has acquired the necessary site survey and has recently contracted the Transocean Spitsbergen for the drilling, this summer, of an exploration well on the Verbier prospect. JOG has conducted further technical studies to improve and update it's understanding of this prospect. Subsequently, we contracted ERCE, to review its latest geological, geophysical and petrophysical interpretations and produce a Competent Person's Report on the P.2170 licence area and its Verbier and Cortina prospects. We were pleased to report an increase in the Mean Prospective Resources attributed to Licence P.2170 for the Verbier prospect to 162 MMboe from 118 MMboe and in the chance of success from 26% from 29%. In addition, Contingent Resources relating to the historic third party discovery well 20/5a-10Y were identified. With respect to Cortina, the Mean Prospective Resources were increased to 124 MMboe from 91 MMboe with a chance of success of 19%.

Pursuant to the terms of the farm-out, Statoil is funding all costs up to US$25 million in respect of the drilling of the Verbier exploration well and following commencement of the work programme for this well, the Company is also benefiting from a 10 per cent. carry funded by CIECO in relation to the well programme's costs.

Production Focused Acquisition Strategy

Over the past 18 months, JOG has significantly increased its corporate intelligence with respect to its objective of establishing a well-balanced portfolio of production assets. This knowledge base gives us a competitive strength with respect to the identification, evaluation and negotiation of potential asset acquisitions. We have also built strong relationships with potential financial partners, who have been and continue to be actively involved with JOG in multiple sales processes.

The UK government's recent initiative to set up a panel of industry experts to recommend a possible way forward regarding the transfer of tax history from vendor to purchaser, if implemented, will be of significant benefit to stimulating activity, leading to a level playing field for the application of decommissioning tax relief. We would welcome this action from the government, which we believe would greatly help the Oil & Gas Authority's committed strategy to MER (Maximise Economic Recovery) within the UK North Sea.

We have observed an acceleration of deal-flow in the last few months within the North Sea which is encouraging. Our investment criteria remains disciplined both technically and commercially. I am optimistic that we will succeed in securing acquisitions that will provide shareholders with the prospect of significant long term value creation.

Other Licence Activities

Early in the first half of the year, we were pleased to announce the farm-out of our 50 per cent. interest in Licence P.1989, Blocks 14/11, 12 & 16 to Azinor which also acquired the remaining 50 per cent. Interest from Norwegian Energy Company UK Limited ("Noreco") and was subsequently appointed as operator.

By way of consideration, Azinor will undertake certain firm work commitments, including a drill-or-drop obligation in respect of an exploration well, and make conditional payments of up to US$4m. Post period end, Azinor has stated its intention to drill an exploration well on the licence's Partridge prospect (previously named Homer).

We relinquished our interests in a number of licences, comprising Licence P.1610, Block 13/23a (Liberator), Licence P.1666, Block 30/11c (Romeo) and Licence P.1889 (Niobe) – Niobe relinquished effective 31st December 2015 as they were considered to be non-prospective and the associated licence fees were onerous.

As reported in previous years, Total E&P UK Limited ("TEPUK") has a conditional agreement to pay the Company £1m in relation to the termination of its 2013 farm-in to Licence P.2032, Blocks 21/8c, 21/9c, 21/10c, 21/14a and 21/15b. TEPUK disputes that the conditions giving rise to the obligation to pay the Company have been satisfied. We continue efforts in pursuit of our claim.

Financial review

During the year, the Company's revenue-stream ceased. Previously, this was largely associated with our interest in the Athena Oil Field. As announced in July 2015, we ring-fenced our liabilities to the Athena Consortium with respect to the Athena Oil Field. The result of this was that we subsequently no longer had any real economic exposure to the field and, as a consequence, the Group no longer accounts for the income and expenses of the Athena Oil Field in its results.

Our cost of sales largely relate to ongoing work on our remaining licence interest P.2170 and our active pursuit of several production asset acquisition targets.

We were also in receipt of a small refund of just under £90,000 from our insurers in the period, as a result of a return of premiums on various policies and, in addition, the Group received a refund of prepaid well costs from the operator on the Niobe exploration well, due to the actual costs of the well having been less than had been billed. These items are shown as other income in the accounts.

The Company has taken a sharp focus on administration costs over the last couple of years and these costs were lowered further in January 2016, as is reflected in the reduction of such costs compared to the Group's 2015 results for the comparable period. There are also no exceptional items in the current year (2015 £3.3m).

In November 2016, we successfully closed a significantly oversubscribed equity placing of £1.6m (before expenses), which ensures that we have sufficient working capital through into 2018. Part of the net proceeds have been used for technical studies conducted by the Company on the Verbier prospect as we continue to enhance our knowledge of this prospect ahead of the drilling campaign. This work has provided us with a better understanding of the Verbier prospect and has led to the recent upgrade in prospective resources attributed to both Verbier and Cortina.

Overall, there was a loss of £793,439 (2015: £1,430,078) in the year and cash balances stood at £1,882,310 (2015: £862,910) at the end of December 2016.

Looking Forward
We look forward to the drilling of the Verbier prospect set to commence this summer. Together with the nearby Cortina prospect, this holds significant potential for the Company. We continue to manage our existing cash resources prudently and in addition to the Statoil carry we are also benefiting from the CIECO carried interest with respect to the drilling of the Verbier prospect.

The market is now firmly open for M&A activity within the North Sea sector and we look forward to executing on the production side of our strategy, although it should be noted that we will continue to focus on doing the right deal for shareholders rather than executing a deal just simply to acquire production.

I am particularly grateful to JOG's management team and employees who have adeptly demonstrated that good people can lead to great achievements. We have only recently started on JOG's journey and I believe that our team is capable of developing the Company much further from where we are today.

I was very pleased with the interest we generated from our placing in November and I welcome the new shareholders to our register. We remain tightly held, with just under 10 million shares in issue. Management retains a significant shareholding and as such is closely aligned with the interests of shareholders.

Andrew Benitz
Chief Executive Officer
20 April 2017

Business Review and Future Activities
The principal activity of the Company is upstream oil and gas business in the United Kingdom. The Company is a public limited company incorporated in England and Wales (company number 07503957) and is quoted in London on the AIM market of the London Stock Exchange plc ("AIM") under the designation JOG. The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 31 December 2016 and the position of the Group at the end of the year as well as the principal risks and uncertainties facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chief Executive Officer's Statement, the Chairman's Statement and the Strategic Report.

Risks
The Group operates in an environment that has substantial risks, albeit ones that it aims to mitigate and manage. These risks have to be carefully balanced to maximise the chances of providing good returns for our shareholders.

Financial Risks:

The key financial risks relate to:

- Availability of funding and access to capital and debt markets
- Cost inflation
- Oil and gas price movements
- Adverse taxation legislative changes
- Co-venturer and third-party counterparty credit risk
- Adverse foreign exchange movements

Managed:
Close relationships are maintained with banks and the investor community as the Group will require capital to facilitate the acquisition of producing assets. The Group is in ongoing discussions with various financial partners with a view to supporting the Group in the future once producing assets are acquired. We are also regularly in talks with various third parties and shareholders regarding the provision of capital to execute with any planned acquisitions.

The Group relies on funding for its own cash reserves, however our cash reserves are depleted by Group overheads. Budgets and cash flow projections, taking into account a range of cost inflation and joint venture investment scenarios, are prepared and updated regularly, circulated to all Directors and reviewed at Board meetings. Early in 2016, salary cuts were taken by management and employees of the Company. Following the subsequent capital raising in the fourth quarter of 2016 salaries have been restored and with the new funds, the Company expects to be able to operate within its existing cash reserves into 2018 subject to there not being any unforeseen overruns or other expenses.

The Group currently has no income exposure to oil price fluctuations since there is no longer any production accruing to the Company from our remaining asset portfolio.

The Group also continuously reviews its portfolio of assets and considers the farming-out and potential sale of assets as part of its financial planning process. During 2016, the Group farmed out part of its interest in the P.2170 licence with co-venturerer CIECO to Statoil. The Group is exposed to changes in the UK tax regime and supports the work of industry bodies in influencing government policy to encourage investment in oil exploration and production, in addition to the management of tax planning and compliance. The Group has had exposure to US Dollar exchange rate risk through cash deposits as well as both oil and oil services often being sold in US Dollars or linked to the US Dollar. At present the Group holds almost all its available cash resources in Sterling although we have kept a close eye on modelling and matching our potential future exposure to our liabilities as part of the ongoing business risk appraisal process by the Board.

Operational Risks:

- HSE incidents
- Loss of key employees
- Delay and cost overrun on projects, including weather related delays
- Exploration and appraisal well failures
- Delays to exploration well programme execution
- Failure of third-party services
- Inherent subsurface uncertainties

Managed:
The Group recognises that to achieve its long-term strategy it will need to continue to take an active approach to identify, attract and retain the skills and expertise needed and to incentivise employees appropriately. The oil and gas sector is a particularly expensive sector in which to operate from a personnel perspective although costs have been reducing over the last couple of years due to the low oil price environment. The Group tries to ensure that we are leanly but appropriately staffed with a focus on technical capability and that employees are working under contracts that provide the Group with a degree of protection should people leave our employ. Through the employment of high qualify staff and contractors we believe we can mitigate many of the risks associated with our operations.

The Group typically holds shared equity and carried interests in its assets. As a result, in its joint venture operations, it will have to rely on the skills, knowledge and experience of its JV licence operator. The Company is pleased to have secured an operator for the P.2170 Licence of the calibre and reputation of Statoil. Having such an operator helps to mitigate many of the operational risks including HSE, and the management of third-party contractors and service suppliers. Joint venture partner risks relating to their ability to fund their own share of developments and manage projects to effectively cover other operational risks is also mitigated by the scale and reputation of company's JV co-venturers. These foregoing risks together with relationships with government and regulators are part of an on-going Board review process.

Full operational risk cover and advice is provided through the Group's insurance brokers. The Group monitors and evaluates all aspects of Health and Safety Executive ("HSE") performance and has adopted continuous improvement business practices and processes, monitored and evaluated at every level of the organisation. The Group will continue to conduct its operations in a responsible manner that protects the health and safety of employees, contractors and the public and minimises the impact on the environment.

Strategic and External Risks and Opportunities:

- Deterioration/Improvement of capital markets, inhibiting efficient equity and/or debt raising for projects
- Commercial misalignment with, or default of co-venturers
- Material oil price movements
- Material changes in projected abandonment costs of oil and gas fields

The risks set out above are not exhaustive and additional risks and uncertainties may arise or become material in the future. Any of these risks, as well as other risks and uncertainties discussed in this report, could have a material adverse effect on the business.

There is no absolute assurance that the Group's acquisition or divestiture activities will be successful. The Group seeks to manage these risks through portfolio management, balancing them across a range of field interests, which carry varying technical and commercial risks, and carefully managing the financial exposure to each licence in the portfolio through arrangements agreed with joint venture partners. At the current time, however, the Group has only one licence interest, which it considers has very good prospects particularly considering the farm-out in 2016 to Statoil, however it is an exploration prospect which comes with a higher level of risk. The Group also intends to acquire producing assets in the future to provide asset diversification and where there remains strong investor appetite for the right transaction.

The Group competes with other exploration and production companies, some of whom have much greater financial resources, for the identification and acquisition of oil and gas licences and properties and also for the recruitment and retention of skilled personnel. The market price of hydrocarbon products can be volatile and is not within the control of the Group.

The successful progression of the Group's oil and gas assets depends not only on technical success, but also on the ability of the Group to obtain appropriate financing through equity financing, debt financing, farm-outs and other means. The availability of funding may continue to be influenced by macroeconomic events, such as oil price fluctuations or the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining the required financing going forward. The Group's financial risk management policies are set out in note 4.

Cash Resources and Short-Term Investments
We ended 2016 in a much stronger position than we entered it, particularly given the fundraising we undertook in the fourth quarter of 2016. We have a hard-working management team closely aligned with shareholder interests. As at 31 December 2016, we had approximately £1.9m of cash in the bank. The Group continues to remain lean and cost efficient, which leads to us having annual running costs of approximately £1.5m.

Consolidated Statement of Comprehensive Income
2016 saw a significant reduction in our revenues to £nil from £4.1m in 2015. Our revenue was historically largely derived via production from the Athena oil field (Licence P.1293, Block 14/18b) for which the Group had exposure in the first half of 2015 until we agreed a deal with the Athena Consortium to ring-fence this liability. In 2016 this revenue no longer existed. The Group had other income and gains relating our Joint Venture Partner CIECO on Licence P.2170 and the farm in receivable from Statoil.

Financing
In late 2016, the Group raised approximately £1.6m before expenses through a share issue in order to provide sufficient working capital for the Company through into 2018.

Administrative Expenses
2016 saw further reductions achieved in the Group's cost base as it was recognised early in the year that we needed to cut the cost base to provide us with enough runway to work on the proposed strategy. For the majority of the year we reduced "G&A" to around £0.9m per annum reflecting the significant sacrifices all employees and Directors have made in their determination to provide the Company with every opportunity to succeed.

Exceptional Items
Unlike in previous years there were no significant Exceptional items in 2016 (2015: £3,257,725)

Outlook
The Directors consider that the Group remains lightly capitalised, but is well managed and has a scaled cost base which is efficient and effective to pursue our current stated strategy and there is strong belief that there is a good likelihood of near term value creation. Our key remaining asset Verbier, has manageable expected obligations given the carries from Statoil and CIECO and we are excited about the well being drilled which is planned for the summer of 2017.

On behalf of the board

Scott Richardson Brown
20 April 2017

The Company is quoted on AIM and is not required to comply with the requirements of The UK Corporate Governance Code (“the Code”). However, the Board is committed to the high standards of good corporate governance prescribed in the Code and seeks to apply its principles having regard to the current size and structure of the Group.

Board of Directors
The Board is responsible for guidance and direction, playing its role in reviewing strategy, monitoring performance, understanding risk and reviewing controls. It is collectively responsible for the success of the Group.

The Board is made up of three Executive and two Non-Executive Directors and is deemed to have the appropriate balance of skills, experience independence and knowledge of the Company to enable them to discharge their respective duties effectively. The Board is of sufficient size so that the requirements of the business can be met and that changes to its composition and that of its Committees can be managed without undue disruption. It includes an appropriate combination of Executive and Non-Executive Directors and in particular, independent Non-Executive Directors.

The Company considers that it is important that where possible its Non-Executive Directors maintain a strong element of independence.

The Executive Directors are employed under contracts for service.

At each Annual General Meeting one third of the Directors are subject to retirement by rotation as are Directors who have been appointed during the year.

The Board has a formal schedule of matters specifically referred to it for decision making. In addition to these formal matters required by the Companies Act to be set before the Board of Directors, the Board also considers strategy and policy, acquisition and divestment proposals, approval of major capital investments, risk management policy, significant financing matters and statutory shareholder reporting. During the year, all Board meetings were convened with a formal agenda, relevant documentation and documented minutes and were attended by Board members in office at the time of the Board meetings. To enable the Board to discharge its duties, all Directors receive appropriate and timely information and the Chairman ensures that all Directors, including the Non-Executive Directors, may take independent professional advice at the Group’s expense, if required.

Chairman and Chief Executive Officer
There is a clear division of responsibilities between the roles of the Chairman and Chief Executive Officer.

The Chairman’s role is part-time and he is a Non-Executive Director. His key responsibility is the leadership of the Board and this is effected through regular Board meetings, as well as contact with other Board members and interested parties in-between Board meetings.

The Chief Executive Officer is responsible for the day-to-day running of the group’s operations, for applying group policies including HSE and for implementing the strategy agreed by the Board. He plays a pivotal role in developing and reviewing the strategy in consultation with the Board and in executing it with the support of the other Executive Directors.

Independent Directors
In compliance with the Code the Board considers the Non-Executive Directors, Marcus Stanton and Frank Moxon, to be independent in character and judgement although they do have shareholdings and share options. The Board considers that these circumstances do not affect, or appear to affect, the Directors’ judgement and as such they are considered independent for the purposes of corporate governance.

Audit Committee
The Audit Committee is chaired by Marcus Stanton and its other member is Frank Moxon (both Non-Executive Directors) who are deemed to have recent and relevant financial expertise. The meeting minutes are circulated to the Board at the next available Board Meeting, at which the Committee’s chairman provides a verbal report of its proceedings.

Under its terms of reference it is required to meet twice a year, at which Executive Directors may attend by invitation, and is responsible for keeping under review the scope and results of the audit, its cost effectiveness and the independence and objectivity of the Auditors. It also has responsibility for public reporting and internal controls and arrangements whereby employees may raise matters of concern in confidence.

The Group has no internal audit function. Due to the current size of the business it is not considered necessary at this time.

The Group’s Auditors may provide additional professional services and in line with its terms of reference, the Audit Committee continually assesses their objectivity and independence. The Auditors were initially appointed to report on the financial statements for 2011 and no tender or re-appointment process has since been carried out.

Remuneration Committee
The Remuneration Committee is chaired by Frank Moxon and its other member is Marcus Stanton (both Non-Executive Directors). The meeting minutes are circulated to the Board at the next available Board Meeting, at which the Committee’s chairman provides a verbal report of its proceedings.

Under its terms of reference it is required to meet twice a year and is responsible for ensuring that the Executive Directors, Officers and other key employees are fairly rewarded (which extends to all aspects of remuneration) for their individual contribution to the overall performance of the Group.

No Director is involved in deciding his, her or their own remuneration.

Nomination Committee
The Nomination Committee is chaired by Frank Moxon and its other member is Marcus Stanton (both Non-Executive Directors).

Under its terms of reference it is required to meet twice a year and is responsible for identifying and nominating candidates to fill Board vacancies, but it was considered unnecessary to do so during 2016 as its functions were properly carried out as part of the procedures of the Board.

Board Effectiveness
The Group does not currently undertake a formal annual evaluation of the performance of the Board, the Committees and individual Directors, but will consider doing so at the appropriate stage of its development in accordance with The Code.

Board and Committee Attendance in 2016

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Required	Attended	Required	Attended	Required	Attended	Required	Attended
Non-Executive Directors								
M J Stanton	8	8	2	2	5	5	-	-
F H Moxon	8	8	2	2	5	5	-	-
Executive Directors								
J A Benitz	8	8	-	-	-	-	-	-
R J Lansdell	8	8	-	-	-	-	-	-
S J Richardson Brown	8	7	-	-	-	-	-	-

Internal Control
The Board is responsible for the Group's system of internal control (in accordance with Financial Reporting Council guidance) and for regular reviews of its effectiveness. It is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss. It is summarised and incorporated into the Group's Financial Reporting Procedures.

The Board adopts an on-going active process for identifying, evaluating and managing the significant risks faced by the Group, which was in place for the year under review and up to the date of approval of this report.

Relations with Shareholders
The Board considers that good communication, based on the mutual understanding of objectives with shareholders, is important and achieves this through its Annual Report, Interim Report and comprehensive website (www.jerseyoilandgas.com). There has also been a regular dialogue between the Chairman, CEO and investors and other financial institutions in addition to the required public announcements. A constant and up to date information flow is maintained on the website which contains all press announcements and financial reports as well as extensive operational information on the Group's activities.

The Board encourages shareholders to attend the Annual General Meeting, at which members of the Board are available to answer questions and present a summary of the year's activity and the corporate outlook.

General
The Group recognises and accepts its duties to ensure the health, safety and welfare at work of all its employees and ensures that every effort is made to safeguard its visitors, contractors, customers and members of the public, who may be affected by its activities.

The Group observes all relevant statutes, regulations and codes of practice and takes appropriate action for:

- The provision and maintenance of plant and equipment such that it is safe and without risk to health
- Arrangements to ensure the safety and absence of risks to health in relation to the use, handling, storage and transportation of articles and substances
- The provision of sufficient information, instruction, training and supervision, to ensure the health and safety of its employees at work
- The maintenance of a safe place of work and provision and maintenance of a safe means of access to it and egress from it
- Provision and maintenance of adequate welfare facilities

The Group makes available adequate resources to promote and maintain best practice in Health and Safety Management and endeavours to prevent any incident that may result in injury, ill health or damage to property.

Health & Safety
Management firmly believes that Health, Safety and the Environment ("HSE") is of the highest importance to the Company and expects all Directors, Officers, Managers, Employees and contractors to consider Health and Safety as part of their normal duties and responsibilities.

Management commitment to high HSE standards is set out in the HSE Policy. The Policy is:

- Endorsed by the Board for implementation by management, staff, contractors, partners and stakeholders;
- Is reviewed periodically and where appropriate updated and re-issued.

Operational HSE goals are established by our JV Operator for our Joint Venture project. These goals are set in the context of compliance with existing legislation and industry best practice.

Management at all levels provides visible and active leadership within the organisation promoting a positive HSE culture and a common understanding of JOG's expectations.

Company's management of HSE includes:

- Promotion of the Company's HSE Policy and goals;
- Monitoring and tracking HSE performance at Board and management meetings;
- Encouraging staff to identify possible hazards, raise HSE concerns and suggest improvements;
- Regular reviews by management of HSE performance.

Reporting relationships and responsibilities within the organisation are defined. Personnel are briefed on the HSE risks associated with their work and of their specific HSE roles and responsibilities.

John Church FCA
Company Secretary
20 April 2017

The directors of the company who were in office during the year and up to the date of signing the financial statements were…

Marcus Stanton
Non-Executive Chairman
Marcus Stanton has previously held executive banking roles as Chief Operating Officer of Global Capital Markets at Robert Fleming & Co. and as a Director of Hill Samuel & Co, Corporate Finance. He has also been a Non-Executive Director of a number of AIM quoted companies including Velosi Group Limited (international oil and gas services) and Cardinal Resources plc (oil and gas E&P). He qualified as a Chartered Accountant at Arthur Andersen, where he worked in the oil and gas division. Marcus also runs a consultancy practice which investigates banking transactions on behalf of UK and overseas governmental agencies. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Fellow of the Chartered Institute for Securities and Investment. He is Chairman of the Jersey Oil and Gas plc Audit Committee and a member of its Remuneration and Nomination Committees. Marcus graduated from Oriel College, Oxford.

Andrew Benitz
Chief Executive Officer
Andrew Benitz was a Founding Director of Jersey Oil and Gas E&P Ltd (now a subsidiary of Jersey Oil and Gas plc) and has over 17 years' experience in financial markets and company management. Prior to co-founding Jersey Oil and Gas, Andrew was Chief Executive Officer and Director at Longreach Oil and Gas Ltd, a TSX-V listed company. He joined Longreach in 2009 as Chief Operating Officer when it was a small private company and helped oversee the company's growth, building a significant portfolio of oil and gas assets in Morocco. Prior to his move into industry, Andrew worked at Deutsche Bank AG as an Analyst within the Oil and Gas Investment Banking Group as well as within the Equity Capital Markets team, where he worked on a broad range of oil and gas M&A transactions, together with equity and equity related financings. Andrew is also founder and Director of Titan Properties SL, a real estate business in Spain. He completed his undergraduate studies at Edinburgh University graduating with a Bachelor of Commerce (Honours).

Ron Lansdell
Chief Operating Officer
Ron Lansdell was a Founding Director of Jersey Oil and Gas E&P Ltd (now a subsidiary of Jersey Oil and Gas plc) and was formerly Vice President of Exploration and a Director at Longreach Oil and Gas Ltd. Mr Lansdell has held a number of senior technical and commercial roles during a 15-year career at ENI S.p.a./Agip ("ENI/Agip"). These roles included being posted to Nigeria, Kazakhstan and the United Kingdom. Mr Lansdell began his career in 1972 in seismic data acquisition and processing, initially at Digicon Inc. and then CGG Services (UK) Limited in London, before joining Elf in Norway and then BHP Petroleum as Exploration Coordinator Western Australia. He spent nine years with Elf Aquitaine S.A. (in Norway, France and Syria) and then joined Qatar General Petroleum Corporation as Chief Geophysicist in Qatar before joining Eni/Agip. Mr Lansdell graduated in geology from the University of London, is a Fellow of the Geological Society and a member of the Petroleum Exploration Society of Great Britain.

Scott Richardson Brown
Chief Financial Officer
Scott Richardson Brown is a Fellow of the Institute of Chartered Accountants in England & Wales with wide experience working with AIM, FTSE 250 and FTSE 100 companies. Beginning his career at Coopers & Lybrand (later PricewaterhouseCoopers) in the Banking and Capital Markets division, he later became a Partner in the Corporate Broking/Finance division of Oriel Securities Limited covering a range of sectors including oil and gas. He left Oriel to become Corporate Finance and Investor Relations Director for CSR plc, a FTSE 250 semiconductor company, where, in addition to the day-to-day capital and corporate finance activities, he managed a number of significant corporate transactions. Immediately prior to joining Jersey Oil and Gas, Mr Richardson Brown was Executive Finance Director of Ascent Resources plc an AIM-quoted European oil and gas group where he led a number of fund raisings and transactions as he helped the attempt to turn the company around.

Frank Moxon
Non-Executive Director
Frank Moxon is Managing Director of Hoyt Moxon Ltd, a corporate finance consultancy. He has over 27 years' experience as a corporate financier to developing and growth companies in a wide range of industrial sectors, but has specialised for some 19 years in natural resources, and is or has been a director of a number of mining and oil & gas companies quoted in London, Australia and Canada. Amongst other things he is a former head of corporate finance at Williams de Broë Plc and, until its August 2012 sale to PTT for £1.2 billion, was senior independent non-executive Director at Cove Energy Plc. He has a BSc in Economics and is a Chartered Fellow of the Chartered Institute for Securities and Investment, a Fellow of the Energy Institute and a member of the Petroleum Exploration Society of Great Britain. He is chairman of the Jersey Oil and Gas plc Remuneration and Nomination Committees and a member of its Audit Committee.

The Directors present their report together with the audited Group and Company financial statements for the year ended 31 December 2016.

Results and Dividends
The Group's loss for the year was £0.8m (2015: loss of £1.4m). The Directors do not recommend the payment of a dividend (2015: Nil).

Directors' interests
The beneficial and other interests of the Directors holding office during the year and their families in the shares of the Company at 31 December 2016 were:

Directors' interests

	As at 31 December 2016 1p Ordinary Shares		As at 31 December 2015 1p Ordinary Shares	
	Shares	**Options**	Shares	Options
Non-Executive Directors				
M J Stanton	24,195	41,570	1,465	1,570
F Moxon	84,935	20,000	80,930	-
Executive Directors				
J A Benitz	627,142	180,000	604,415	-
R J Lansdell	884,663	180,000	786,108	-
S J Richardson Brown	16,391	130,000	7,300	10,000

Directors' Third Party Indemnity Provisions
The Company maintained during the period and to the date of approval of the financial statements indemnity insurance for its Directors and Officers against liability in respect of proceedings brought by third parties, subject to the terms and conditions of the Companies Act 2006.

Share Capital
At 31 December 2016, 9,916,478 (2015: 8,391,477) ordinary shares of 1p each were issued and fully paid. Each ordinary share carries one vote.

Substantial Shareholders
At 31 December 2016, notification had been received by the Company of the following who had a disclosable interest in 3% or more of the nominal value of the ordinary share capital of the Company:

Union Discount Company of London*	9.28%
Mr R Lansdell	8.92%
Newlands Capital	7.15%
Mr J A Benitz	6.32%
Hargreaves Lansdown Asset Mgt	4.36%
A J Bell Securities	4.29%
The Gascoigne Trust	3.93%
Jarvis Investment Mgt	3.44%

Save for Messrs Lansdell and Benitz, this does not include the shareholdings of the Directors which are disclosed separately. As at 31 December 2016 the Company had not been notified of any other person who had an interest in 3% or more of the nominal value of the ordinary share capital of the Company.

*Subsequent to the year end the Union Discount Company of London announced that its shareholding had fallen below the 3% reporting threshold. Up to date details of substantial shareholders are contained on the Company's website (www.jerseyoilandgas.com).

Employees
The business depends upon maintaining a highly qualified and well-motivated workforce and every effort is made to achieve a common awareness of the financial and economic factors affecting performance. The Group is committed to being an equal opportunity employer and engages employees with a broad range of skills and backgrounds.

Nominated Adviser and Stockbrokers
The Company's Nominated Adviser is Strand Hanson Limited and its Joint Brokers are Arden Partners plc and, since March 2017, BMO Capital Markets.

Financial Instruments
The Group's principal financial instruments comprise cash balances, short-term deposits and receivables or payables that arise through the normal course of business. The Group does not have any derivative financial instruments. The financial risk management of the Group is discussed in note 4.

Going Concern
The Company is expected to have sufficient resources to cover the expected running costs of the business for a period of 12 months after the issue of these financial statements. Taking into account the carry from Statoil and the anticipated cash receivable from CIECO in relation to our carry from them on the P.2170 (Verbier) well drilling and given the current anticipated well costs, the Statoil carry and proceeds receivable from CIECO, as well as our current cash reserves, are, in a dry hole case, expected to more than exceed the estimated liability of the Company. Should the well be successful as we hope, further testing and well activity will be required and the Company will seek to approve budgets with our partners and raise additional finance in order to cover this eventuality and its share of the expected additional costs. Whilst there can be no certainty of the success of any fund raising, the Directors believe the successful well result in this scenario would position the Company favourably in order to source additional capital. Based on these circumstances, the directors have considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Board Committees
Information on the Audit Committee, Remuneration Committee and Nomination Committee is included in the Corporate Governance section of the Annual Report.

Disclosure of Information to the Auditors
Each of the persons who is a Director at the date of approval of this report confirms that:

(1) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(2) each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as Auditors will be proposed at the forthcoming Annual General Meeting at a fee to be agreed in due course by the Audit Committee and the Directors.

Annual General Meeting
The Annual General Meeting will be held on 25 May 2017 as stated in the Notice of Meeting.

On behalf of the Board

Scott Richardson Brown
Chief Financial Officer
20 April 2017

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Report of the Directors confirm that, to the best of their knowledge:

- the company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the company;
- the group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the group; and
- the Report of the Directors and the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Scott Richardson Brown
Chief Financial Officer
20 April 2017

Directors' Emoluments

The purpose of the Remuneration Committee of the Board of Directors is to ensure that the Executive Directors, Officers and employees are fairly rewarded for their individual contribution to the overall performance of the Group and to demonstrate to shareholders that the remuneration of the Executive Directors is set by a committee of the Board whose members have no personal interest in the outcome of those decisions and who will have due regard to the interests of shareholders of the Company.

To achieve these objectives, the Remuneration Committee links the nature and amount of Executive Directors' emoluments to the Group's financial and operational performance having regard to:

- Providing appropriate incentives to encourage enhanced performance
- Providing remuneration packages needed to attract, retain and motivate Executive Directors of the quality required
- Determining targets for performance-related pay and whether Executive Directors should be eligible for annual bonuses
- Considering the Group's relative position for remuneration in relation to other companies
- Aligning Executive Directors' interests with those of shareholders
- Maintaining relevance of the remuneration policy taking into account share incentive plans, performance targets and long term incentive schemes
- The terms of their respective employment contracts

Executive Directors' remuneration is dependent upon the annual performance of both the Group and individuals themselves, and each is measured against agreed objectives.

Executive Directors' emoluments consist of salary, bonus, pension and discretionary share options whilst Non-Executive Directors emoluments consist of salary and discretionary share options the details of which, for the year to 31 December 2016, are set out below:

Name	**Salary/Fees** **£**	**Pension** **£**	**Benefits** **£**	**Bonus** **£**	**Total 2016** **£**	Total 2015 £
Non-Executive Directors						
M J Stanton	26,667	-	-	-	**26,667**	46,667
F Moxon	13,333	-	-	-	**13,333**	5,000
T E Jones Resigned 1 October 2015)	-	-	-	-	**-**	27,810
Executive Directors						
J A Benitz	61,000	-	-	5,000	**66,000**	28,125
R Lansdell	50,000	-	-	5,000	**55,000**	28,125
S J Richardson Brown (Chief Financial Officer)	44,500	11,000	-	5,000	**60,500**	156,933
	195,500	**11,000**	**-**	**15,000**	**221,500**	292,660

In February 2016, it was agreed with Directors and other employees that they would take salary reductions of up to 50%, to provide the Company with as much working capital as possible. These reductions were in effect from the beginning of February 2016 to the end of October 2016.

In October 2016, a cash bonus of £5,000 was awarded to each Executive Director in recognition of the fact that the Company had achieved the successful farm-out to Statoil of 70 per cent. of Licence P.2170 under which it received net cash of over US$500,000 and an additional free carry of up to US$25 million in respect of the cost of first exploration well to be drilled. This award also recognised that the Executive Directors' salary levels are low by industry standards.

In November 2016, a new share option scheme, the Enterprise Management Incentive and Unapproved Share Option Plan 2016**,** was approved by the Board in order to put in place appropriate share incentives for the Directors and senior management of the Company.

On 29 November 2016, options over a total of 551,570 Ordinary shares were granted to the Directors at an exercise price of 110p per share. These were the first grants of option by the Company since its August 2015 acquisition of Jersey Oil and Gas Limited with the injection of a new senior management team and change of strategy. A close period had existed for most of the time up until the option grant and this was therefore the first practical opportunity for it to be implemented.

Options granted to Andrew Benitz, Ron Lansdell and Scott Richardson Brown, all Executive Directors, were granted under the Enterprise Management Incentive Plan. Options granted to Marcus Stanton and Frank Moxon, both Non-Executive Directors, were granted under the Unapproved Share Option Plan. The total number of Options granted to each of Marcus Stanton and Frank Moxon, are subject to an overall cap at all times, of approximately one year's salary.

Further details of the options held by Directors are set out below.

Share Options Incentivisation

	Held At 1 Jan 2016	Granted in year	Lapsed/ Non vesting	Held At 31 Dec 2016	Exercise Price p	Issue Date	Expiry Date	Type
Non-Executive Directors								
M J Stanton	1,570	-	-	1,570	4,300	13/03/11	12/03/21	***1***
	-	40,000	-	40,000	110	29/11/16	29/11/21	***3***
	1,570	40,000	-	41,570				
F Moxon	-	20,000	-	20,000	110	29/11/16	29/11/21	***3***
Executive Directors								
J A Benitz	-	180,000	-	180,000	110	29/11/16	29/11/21	***3***
R Lansdell	-	180,000	-	180,000	110	29/11/16	29/11/21	***3***
S J Richardson	10,000	-	-	10,000	1,500	31/05/13	31/05/23	***2***
Brown	-	120,000	-	120,000	110	29/11/16	29/11/21	***3***
	10,000	120,000	-	130,000				
Total	11,570	540,000	-	551,570				

1 Individual Option Agreements
Subject to the Model Code for Securities Transactions by Directors of Listed Companies, the AIM Rules or the Criminal Justice Act 1993, the options (to the extent that they have not lapsed) may be exercised at any time after the date of grant.

***2* Unapproved Share Option Plan 2011**
Vest in equal portions over a three-year period from the date of grant and are not subject to the completion of performance condition.

3 Enterprise Management Incentive and Unapproved Share Option Plan 2016

Options vest in equal portions over a three-year period from the date of grant with one third vesting immediately, one third on the first anniversary of issue and the remaining third on the second anniversary of issue. The last two vesting allocations are subject to a performance condition. Subject to vesting and the performance condition being met, the Share Options are exercisable at any time up to the fifth anniversary of the date of grant and if not exercised by that date will lapse.

Frank Moxon

Frank Moxon
Chairman of the Remuneration Committee
20 April 2017

Independent auditors' report to the members of Jersey Oil and Gas Plc

Report on the group financial statements

Our opinion
In our opinion, Jersey Oil and Gas Plc's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2016 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

What we have audited
The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the Directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter
We have reported separately on the company financial statements of Jersey Oil and Gas Plc for the year ended 31 December 2016.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
20 April 2017

JERSEY OIL AND GAS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** **£**	2015 £
Revenue	3	**-**	4,065,794
Cost of sales		**(4,950)**	(7,006,952)
GROSS LOSS		**(4,950)**	(2,941,158)
Other operating income	6	**214,110**	-
Gain on disposal of asset	7	**239,724**	-
Exceptional items	8	**-**	3,257,725
Administrative expenses		**(1,244,393)**	(1,595,283)
OPERATING LOSS		**(795,509)**	(1,278,716)
Finance costs	9	**-**	(164,399)
Finance income	9	**2,070**	13,037
LOSS BEFORE TAX	10	**(793,439)**	(1,430,078)
Tax	11	**-**	-
LOSS FOR THE YEAR		**(793,439)**	(1,430,078)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(793,439)**	(1,430,078)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(793,439)**	(1,430,078)
Loss per share expressed in pence per share:			
Basic and diluted	12	**(9.28)**	(29.21)

The notes on pages 22 to 32 are an integral part of these financial statements

	Note	**2016** £	2015 £
NON-CURRENT ASSETS			
Intangible assets - Exploration costs	13	**48,363**	138,323
Intangible assets - Data licence costs	13	**-**	-
Property, plant and equipment	14	**372**	5,055
		48,735	143,378
CURRENT ASSETS			
Trade and other receivables	16	**122,872**	227,718
Cash and cash equivalents	17	**1,882,310**	862,910
		2,005,182	1,090,628
TOTAL ASSETS		**2,053,917**	1,234,006
EQUITY			
Called up share capital	18	**2,347,017**	2,331,767
Share premium account		**71,170,230**	69,569,978
Share options reserve	21	**1,495,921**	1,381,133
Accumulated losses		**(72,763,959)**	(71,970,520)
Reorganisation reserve		**(382,543)**	(382,543)
TOTAL EQUITY		**1,866,666**	929,815
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	19	**187,251**	304,191
TOTAL LIABILITIES		**187,251**	304,191
TOTAL EQUITY AND LIABILITIES		**2,053,917**	1,234,006

The financial statements on pages 18 to 32 were approved by the Board of Directors and authorised for issue on 20 April 2017. They were signed on its behalf by Scott Richardson Brown – Chief Financial Officer.

Company Registration Number: 07503957

The notes on pages 22 to 32 are an integral part of these financial statements

JERSEY OIL AND GAS PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital £	Share premium account £	Share options reserve £	Accumulated losses £	Reorganisation reserve £	Total equity £
At 1 January 2015	2,271,693	68,321,083	1,786,425	(70,945,734)	(382,543)	1,050,924
Loss and total comprehensive loss for the year	-	-	-	(1,430,078)	-	(1,430,078)
Issue of share capital	60,074	1,248,895	-	-	-	1,308,969
Lapsed share options	-	-	(405,292)	405,292	-	-
At 31 December 2015 and 1 January 2016	2,331,767	69,569,978	1,381,133	(71,970,520)	(382,543)	929,815
Loss and total comprehensive loss for the year	-	-	-	(793,439)	-	(793,439)
Issue of share capital	15,250	1,600,252	-	-	-	1,615,502
Share based payments	-	-	114,788	-	-	114,788
At 31 December 2016	**2,347,017**	**71,170,230**	**1,495,921**	**(72,763,959)**	**(382,543)**	**1,866,666**

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	**Description and purpose**
Called up share capital	Represents the nominal value of shares issued
Share premium account	Amount subscribed for share capital in excess of nominal value
Share options reserve	Represents the accumulated balance of share based payment charges recognised in respect of share options granted by the Company less transfers to retained deficit in respect of options exercised or cancelled/lapsed
Accumulated losses	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income
Reorganisation reserve	Amounts resulting from the restructuring of the Group at the time of the IPO in 2011

The notes on pages 22 to 32 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Cash used in operations	23	**(927,144)**	(4,163,979)
Net interest received		**2,070**	9,358
Net cash used in operating activities		**(925,074)**	(4,154,621)
Cash flows from investing activities			
Purchase of intangible assets	13	**(85,993)**	(2,722,853)
Proceeds on sale of intangible fixed assets	7	**414,966**	-
Purchase of property, plant and equipment	14	**-**	(147,868)
Net cash generated from/(used in) investing activities		**328,973**	(2,870,721)
Cash flows from financing activities			
Proceeds from share issue	18	**1,615,501**	813,970
Net cash generated from financing activities		**1,615,501**	813,970
Increase/(Decrease) in cash and cash equivalents	23	**1,019,400**	(6,211,372)
Cash and cash equivalents at beginning of year	23	**862,910**	7,074,282
Cash and cash equivalents at end of year	23	**1,882,310**	862,910

The notes on pages 22 to 32 are an integral part of these financial statements

1. **GENERAL INFORMATION**

Jersey Oil and Gas plc ("the Company") and its subsidiaries (together, "the Group") are involved in upstream oil and gas business in the UK.

The Company is a public limited company, which is quoted on AIM, a market operated by the London Stock Exchange plc and incorporated and domiciled in the United Kingdom. The address of its registered office is 10 The Triangle, ng2 Business Park, Nottingham, NG2 1AE.

2. **SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Accounting
These financial statements have been prepared under the historic cost convention, in accordance with International Financial Reporting Standards and IFRS IC interpretations as adopted by the European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going Concern
The Company is expected to have sufficient resources to cover the expected running costs of the business for a period of 12 months after the issue of these financial statements. Taking into account the carry from Statoil and the anticipated cash receivable from CIECO in relation to our carry from them on the P.2170 (Verbier) well drilling and given the current anticipated well costs, the Statoil carry and proceeds receivable from CIECO, as well as our current cash reserves, are in a dry hole case expected to more than exceed the estimated liability of the Company. Should the well be successful as we hope, further testing and well activity will be required and the Company will seek to approve budgets with our partners and raise additional finance in order to cover this eventuality and its share of the expected additional costs. Whilst there can be no certainty of the success of any fund raising, the Directors believe the successful well result in this scenario would position the Company favourably in order to source additional capital. Based on these circumstances, the directors have considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

Changes in Accounting Policy and Disclosures
(a) New and amended standards adopted by the Company

There are no new standards that came into effect during 2016.

(b) The following standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018, but the Group has not adopted them early. The Group does not expect the adoption of these standards to have a material impact on the financial statements.

- IFRS 15 'Revenue from contracts with customers' is effective for accounting periods beginning on or after 1 January 2018.
- IFRS 9 'Financial 'instruments' is effective for accounting periods on or after 1 January 2018.
- IFRS 16 'Leases' is effective for accounting periods beginning on or after 1 January 2019.

Amendments have also been made to the following standards effective on or after 1 January 2017. The Group does not expect the amendments to have a material impact on the Group's financial statements.

- IFRS 2 'Share-based Payment'
- IFRS 4 'Insurance Contracts'
- IFRS 12 'Disclosure of Interests in Other Entities'
- IAS 7 'Statement of Cash Flows'
- IAS 12 'Income Tax'
- IAS 28 'Investment in Associates and Joint Ventures'
- IAS 40 'Investment Property'

All other amendments to accounting standards not yet effective and not included above are not material or applicable to the Group.

Significant Accounting Judgements and Estimates
The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the financial statements. If in future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The Group's accounting policies make use of accounting estimates and judgements in the following areas:

- impairment (note 13),
- the estimation of share based payment costs (note 21).

Impairments
The group tests its capitalised exploration licence costs for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amounts of CGUs are determined based on value-in-use calculations. These calculations require the use of estimates. An impairment charge of £710 arose relating to licence P1989 during the course of the 2016 year, resulting in the carrying amount of the licence being written down to its recoverable amount of £nil.

Share Based Payments
The Group currently has a number of share schemes that give rise to share based charges. The charge to operating profit for these schemes amounted to £114,788 (2015: £nil). For the purposes of calculating the fair value of the share options, a Black-Scholes option pricing model has been used. Based on past experience, it has been assumed that options will be exercised, on average, at the earliest exercise date. The share price volatility used in the calculation of 40% is based on the actual volatility of the Group's shares as well as that of comparable companies. The risk free rate of return is based on the implied yield available on zero coupon gilts with a term remaining equal to the expected lifetime of the options at the date of grant.

These are described in more detail in the relevant accounting policies within note 2.

2. **SIGNIFICANT ACCOUNTING POLICIES – continued**

Basis of Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50 per cent. of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the Group ceases to have control.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Acquisitions, Asset Purchases and Disposals

Acquisitions of oil and gas properties are accounted for under the purchase method where the business meets the definition of a business combination.

Transactions involving the purchase of an individual field interest, farm-ins, farm-outs, or acquisitions of exploration and evaluation licences for which a development decision has not yet been made that do not qualify as a business combination, are treated as asset purchases. Accordingly, no goodwill or deferred tax arises. Consideration from farm-ins/farm-outs are adequately credited from, or debited to, the asset. The purchase consideration is allocated to the assets and liabilities purchased on an appropriate basis. Proceeds on disposal are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the Consolidated Statement of Comprehensive Income.

Revenue Recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. It is measured at the fair value of consideration received or receivable for sale of goods.

Revenue derived from the production of hydrocarbons in which the Group has an interest with joint venture partners is recognised on the basis of the Group’s working interest in those properties. It is recognised when the significant risks and rewards of ownership have been passed to the buyer.

Revenue from strategic partners on the identification of opportunities for application for a licence to explore further and is recognised in the period in which the services are provided or the date a trigger event occurs if this is later.

2. **SIGNIFICANT ACCOUNTING POLICIES – continued**

Exploration and Evaluation Costs
The Group accounts for oil and gas and exploration and evaluation costs using IFRS 6 "Exploration for and Evaluation of Mineral Resources". Such costs are initially capitalised as Intangible Assets and include payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing.

Exploration costs are not amortised prior to the conclusion of appraisal activities.

Exploration costs included in Intangible Assets relating to exploration licences and prospects are carried forward until the existence (or otherwise) of commercial reserves have been determined subject to certain limitations including review for indications of impairment on an individual license basis. If commercial reserves are discovered, the carrying value, after any impairment loss of the relevant assets, is then reclassified as Property, plant and equipment under Production interests and fields under development. If, however, commercial reserves are not found, the capitalised costs are charged to the Consolidated Statement of Comprehensive Income. If there are indications of impairment prior to the conclusion of exploration activities, an impairment test is carried out.

Property, Plant and Equipment
Property, plant and equipment is stated at historic purchase cost less accumulated depreciation. Asset lives and residual amounts are reassessed each year. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on these assets is calculated on a straight line basis as follows:

Computer & office equipment	3 years

Joint Ventures
The Group participates in joint venture agreements with strategic partners, where revenue is derived from annual retainers and success fees in a combination of cash and carried interests. The Group accounts for its share of assets, liabilities, income and expenditure of these joint venture agreements and discloses the details in the appropriate Statement of Financial Position and Statement of Comprehensive Income headings in the proportion that relates to the Group per the joint venture agreement.

Investments
Fixed asset investments in subsidiaries are stated at cost less accumulated impairment in the Company only Statement of Financial Position and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

Financial Instruments
Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. The Group does not have any derivative financial instruments.

Cash and cash equivalents include cash in hand and deposits held on call with banks with a maturing of three months or less.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the recoverability of the trade receivable is doubtful. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss will be recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. Subsequent recoveries of amounts previously provided for are credited against admin expenses in the Consolidated Statement of Comprehensive Income.

Trade payables are stated initially at fair value and subsequently measured at amortised cost.

Loan notes are stated initially at fair value and subsequently measured at amortised cost of the investment as agreed in the loan instrument.

Exceptional Items
Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

Deferred Tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are provided, using the liability method, on all taxable temporary differences at the reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date.

2. **SIGNIFICANT ACCOUNTING POLICIES – continued**

Foreign Currencies
Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Gains and losses arising on retranslation are recognised in the Consolidated Statement of Comprehensive Income for the year.

Employee Benefit Costs
The Group operates a defined contribution pension scheme. Matching contributions are made by the employer and employees up to 10% of salary each via a salary sacrifice scheme. Contributions payable are charged to the Statement of Comprehensive Income in the period to which they relate. No further obligations remain once contributions have been paid.

Share Based Payments
Equity settled share based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

Equity settled share based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Exercise proceeds net of directly attributable costs are credited to share capital and share premium.

Share Capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity attributable to the Company's equity holders.

Segmental Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors.

3. **SEGMENTAL REPORTING**

The Directors consider that the Group operates in a single segment, that of oil and gas exploration, appraisal, development and production, in a single geographical location, the North Sea of the United Kingdom and do not consider it appropriate to disaggregate data further from that disclosed.

During 2016 the group had no turnover. In 2015 revenue from one major customer exceeded 10%, and amounted to £4.1m.

4. **FINANCIAL RISK MANAGEMENT**

The Group's activities expose it to financial risks and its overall risk management programme focuses on minimising potential adverse effects on the financial performance of the Group. The Company's activities are also exposed to risks through its investments in subsidiaries and is accordingly exposed to similar financial and capital risks as the Group.

Risk management is carried out by the Directors and they identify, evaluate and address financial risks in close co-operation with the Group's management. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange risks and investing excess liquidity.

Credit Risk
The Group's credit risk primarily relates to its trade receivables. Responsibility for managing credit risks lies with the Group's management.

A customer evaluation is typically obtained from an appropriate credit rating agency. Where required, appropriate trade finance instruments such as letters of credit, bonds, guarantees and credit insurance will be used to manage credit risk.

The Group also has a number of joint venture arrangements where partners have made commitments to fund certain expenditure. Management evaluate the credit risk associated with each contract at the time of signing and continually monitor the credit worthiness of our partners.

4. **FINANCIAL RISK MANAGEMENT - continued**

Liquidity Risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages its liquidity through continuous monitoring of cash flows from operating activities, review of actual capital expenditure programmes, and managing maturity profiles of financial assets and financial liabilities.

Capital Risk Management
The Group seeks to maintain an optimal capital structure. The Group considers its capital to comprise both equity and net debt.

The Group monitors its capital structure on the basis of its net debt to equity ratio. Net debt to equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowing less cash and cash equivalents. Total equity comprises all components of equity.

The ratio of net debt to equity as at 31 December 2016 is Nil (2015: Nil).

Maturity analysis of financial assets and liabilities

Financial Assets

	2016	2015
	£	£
Up to 3 months	**122,872**	227,718
3 to 6 months	**-**	-
Over 6 months	**-**	-
	122,872	227,718

Financial Liabilities

	2016	2015
	£	£
Up to 3 months	**187,251**	304,191
3 to 6 months	**-**	-
Over 6 months	**-**	-
	187,251	304,191

5. **EMPLOYEES AND DIRECTORS**

	2016	2015
	£	£
Wages and salaries	**429,553**	555,682
Social security costs	**38,690**	71,954
Share based payments (note 21)	**114,788**	-
Other pensions costs	**24,367**	46,950
	607,398	674,586

Post-employment benefits include employee and Company contributions to money purchase pension schemes.

The average monthly number of employees during the year was as follows:

	2016	2015
Directors	**5**	3
Employees	**6**	4
	11	7

	2016	2015
	£	£
Directors' remuneration	**210,500**	144,744
Compensation for loss of office/ variation in contract	**-**	73,333
Directors' pension contributions to money purchase schemes	**11,000**	18,333
	221,500	236,410

5. **EMPLOYEES AND DIRECTORS – continued**

The average number of Directors to whom retirement benefits were accruing was as follows:

	2016	2015
Money purchase schemes	1	1

Information regarding the highest paid Director is as follows:	2016 £	2015 £
Aggregate emoluments	66,000	65,267
Compensation for loss of office/ variation in contract	-	73,333
	66,000	138,600
Pension contributions	-	18,333

The Directors did not exercise any share options during the year.

Key management compensation

Key management includes Directors (Executive and Non-Executive) and the Company Secretary. The compensation paid or payable to key management for employee services is shown below;

	2016 £	2015 £
Wages and short-term employee benefits	225,688	475,946
Share based payments (note 21)	82,411	-
Pension Contributions	14,375	54,658
	322,474	530,604

6. **OTHER INCOME**

	2016 £	2015 £
Refund of well insurance	37,380	-
Refund of JV well costs	89,202	-
Carried costs reimbursement	87,528	-
	214,110	-

Income from JV partners:	Reimbursement of well-related costs received as a result of the carried interest arrangement with CIECO Exploration in relation to P2170
Refund of well insurance:	A return of prepaid insurance premiums on various policies
Refund of JV well costs:	Refund of prepaid well costs from the operator on the Niobe exploration well due to the actual costs of the well having been less than had been billed. These costs were initially capitalised as intangible assets under IFRS 6 and subsequently impaired in 2015. This has been reflected in the intangible assets note 12.

7. **GAIN ON DISPOSAL OF ASSET**

	2016 £	2015 £
Proceeds from Statoil	414,966	-
Net book value of asset	(175,242)	-
Gain on disposal of asset	239,724	-

During the year licence P.2170, which contains the Verbier prospected was farmed out to Statoil. The group still retain an 18% carried interest in this licence.

8. **EXCEPTIONAL ITEMS**

	2016 £	2015 £
Impairment of Goodwill on Business Acquisition	-	(569,884)
Release from contractual agreements with Creditors	-	3,827,609
	-	3,257,725

The impairment of goodwill relates to the acquisition of Jersey Oil E&P Ltd during 2015 and the £3.8m relates to the settlement agreement reached with the Athena Consortium and CGG.

9. NET FINANCE INCOME

	2016 £	2015 £
Finance income:		
Joint venture finance charge	**26**	9,238
Interest received	**2,044**	3,799
	2,070	13,037
Finance costs:		
CGG Services (UK) Limited interest	**-**	2,776
Unwinding of discount on the decommissioning liability	**-**	160,720
Joint venture finance charge	**-**	903
	-	164,399
Net finance income/(costs)	**2,070**	(151,362)

10. LOSS BEFORE TAX

The loss before tax is stated after charging/(crediting):

	2016 £	2015 £
Depreciation	**4,683**	120,168
Impairment of oil assets	**-**	147,868
Intangible asset amortisation	**-**	833,332
Impairment of intangible assets (note 13)	**710**	3,955,329
Onerous contract provision	**-**	(4,177,609)
Auditors' remuneration – audit of parent company and consolidation	**28,500**	27,500
Auditors' remuneration – audit of subsidiaries	**11,500**	11,500
Foreign exchange gain	**(33,326)**	(86,813)
Directors' remuneration (note 5)	**220,500**	236,410
Employee costs (note 5)	**272,110**	438,106
Share based payments (notes 5 & 21)	**114,788**	-

11. TAX

Reconciliation of tax charge

	2016 £	2015 £
Loss before tax	**(793,439)**	(1,430,078)
Tax at the domestic rate of 20% (2015: 20%)	**(158,688)**	(286,016)
Expenses not deductible for tax purposes and non-taxable income	**1,338**	2,010
Deferred tax asset not recognised	**157,350**	284,006
Utilisation of prior year trading losses	**-**	-
Total tax expense reported in the Consolidated Statement of Comprehensive Income	**-**	-

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2016 or for the year ended 31 December 2015.

The Group have not recognised a deferred tax asset due to the uncertainty over when the tax losses can be utilised. At the year end the tax losses within the Group were approximately £25m.

12. LOSS PER SHARE

Basic loss per share is calculated by dividing the losses attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. As a loss was recorded for the current and prior year, the issue of potential ordinary shares would have been anti dilutive (see note 21 for share options in place at the end of the year).

	Loss attributable to ordinary shareholders £	Weighted average number of shares	Per share amount pence
Year ended 31 December 2016			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	(793,439)	8,545,612	(9.28)
Year ended 31 December 2015			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	(1,430,078)	4,895,881	(29.21)

13. INTANGIBLE ASSETS

	Exploration costs £
COST	
At 1 January 2015	**13,907,024**
Additions	**2,722,853**
At 31 December 2015	**16,629,877**
Additions	**85,993**
Disposals	**(175,242)**
Refund of Prior additions (note 6)	**(94,202)**
At 31 December 2016	**16,446,426**
AMORTISATION, DEPLETION & DEPRECIATION	
At 1 January 2015	**12,536,225**
Charge for the year	**-**
Impairment charge for the year	**3,955,329**
At 31 December 2015	**16,491,554**
Impairment charge for the year	**710**
Refund on prior year additions (note 6)	**(94,202)**
At 31 December 2016	**16,398,062**
NET BOOK VALUE	
At 31 December 2016	**48,363**
At 31 December 2015	**138,323**
At 31 December 2014	**1,370,799**

* Impairments relate to the following licences included in Cost of sales in the Consolidated Statement of Comprehensive Income:

	£
Licence P.1989 - Homer	710

Following completion of geoscience evaluation activities in 2015, four North Sea licences (P1556 29/1c (Orchid), P1889 12/26b & 27 (Niobe), P1768 14/14b, 18c & 19c (Bordeaux, Brule) and P1666 30/11c (Romeo)) were relinquished as they were considered to be non-prospective and the associated licence fees were onerous.

Following these relinquishments the Group retained two licences: Licence P.2170 (Verbier) and P.1989 (Homer).

The P.2170 licence was farmed out to Statoil, under which we disposed of 42% of our 60% interest (retaining an 18% interest) in the licence. The disposal recorded within the note reflects this reduced interest.

At 31 December 2016 the remaining exploration asset (P.2170 – Verbier) was reviewed and the then carrying value of £48,363 was considered reasonable based on ongoing exploration work in the licence block and as a result no further impairments have been considered necessary.

14. PROPERTY, PLANT AND EQUIPMENT

	Production interests and fields under development £	Computer and office equipment £	Total £
COST			
At 1 January 2015	29,305,027	286,022	**29,591,049**
Additions	147,868	-	**147,868**
At 31 December 2015	29,452,895	286,022	**29,738,917**
Additions	-	-	**-**
At 31 December 2016	29,452,895	286,022	**29,738,917**
ACCUMULATED AMORTISATION, DEPLETION & DEPRECIATION			
At 1 January 2015	29,305,027	160,799	**29,465,826**
Charge for the year	-	120,168	**120,168**
Impairment charge for the year	147,868	-	**147,868**
At 31 December 2015	29,452,895	280,967	**29,733,862**
Charge for the year	-	4,683	**4,683**
At 31 December 2016	29,452,895	285,650	**29,738,545**
NET BOOK VALUE			
At 31 December 2016	-	372	**372**
At 31 December 2015	-	5,055	**5,055**
At 1 January 2015	-	125,223	**125,223**

Following the contract negotiations on the Athena production field the costs incurred on the licence have been impaired as the asset does not have a value to the Group.

15. IMPAIRMENTS

	2016 £	2015 £
Production asset	**-**	147,868
Exploration assets	**710**	3,955,329
	710	4,103,197

16. TRADE AND OTHER RECEIVABLES

Current:	**2016** £	2015 £
Trade receivables (net)	**-**	124,526
Other receivables	**67**	68
Deposits	**-**	15,000
Value added tax	**19,513**	26,253
Prepayments and accrued revenue	**103,292**	61,871
	122,872	227,718

17. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Unrestricted cash in bank accounts	**1,882,310**	862,910

18. CALLED UP SHARE CAPITAL

Issued and fully paid:

Number:	Class	Nominal value	**2016** £	2015 £
9,916,478 (2015: 8,391,477)	Ordinary	1p	**2,347,017**	2,331,767

19. TRADE AND OTHER PAYABLES

Current:	**2016** £	2015 £
Trade payables	**46,413**	29,202
Accrued expenses	**98,587**	150,560
Other payables	**10,391**	101,390
Taxation and Social Security	**31,860**	23,039
	187,251	304,191

20. CONTINGENT LIABILITY

In 2015 the settlement agreement reached with our partners in the Athena Consortium means that, although Trap Oil Limited remains a Licensee in the joint venture, any past or future liabilities in respect of its interest can only be paid from the revenue that the Athena Oil Field generates and 60 per cent. of net disposal proceeds or net profits from the P.2170 and P.1989 licences which are the only remaining assets still held that were in the Group at the time of the agreement with the consortium partners who hold security over these assets. Any future repayments, capped at 125% of the unpaid liability associated with the Athena Oil Field, cannot be calculated with any certainty, and any remaining liability still in existence once the Athena Oil Field has been decommissioned will be written off. A payment was made in 2016 to the Athena Consortium in line with this agreement following the farm-out of P.2170 (Verbier) to Statoil and the subsequent receipt of monies relating to that farm-out.

In 2014 the Group assigned its lease of 35 King Street to a third party, although the Group is still acting as Authorised Guarantor for all liabilities of the assignee in relation to the lease agreement, which terminates on 30 October 2018.

21. SHARE BASED PAYMENTS

The Group operates a number of share option schemes. Options are exercisable at the prices set out in the table below. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest.

Equity settled share based payments are measured at fair value at the date of grant. The fair value determined at the date of grant of equity settled share based payments is expensed on a straight line basis over the vesting period, based upon the Group's estimate of shares that will eventually vest.

The Group share option schemes are for Directors, Officers and employees. The charge for the year was £114,788 (2015 nil) and details of outstanding options are set out in the table below.

Date Of Grant	Exercise price pence	Vesting date	Expiry date	No. of shares for which options outstanding at 1 Jan 2016	Options issued	Options lapsed/non vesting during the year	No. of shares for which options outstanding at 31 Dec 2016
March 2011	100	Vested	Mar 2021	24,138	-	-	24,138
Mar 2011	4,300	Vested	Mar 2021	5,809	-	-	5,809
Mar 2011	4,300	Mar 2014	Mar 2021	4,355	-	-	4,355
Mar 2011	4,300	Mar 2015	Mar 2021	5,809	-	-	5,809
Jul 2011	4,300	Jul 2011	Jul 2021	523	-	-	523
Jul 2011	4,300	Jul 2012	Jul 2021	523	-	-	523
Jul 2011	4,300	Jul 2014	Jul 2021	523	-	-	523
Dec 2011	2,712	Dec 2012	Dec 2021	1,650	-	-	1,650
Dec 2011	2,712	Dec 2014	Dec 2021	1,650	-	-	1,650
Dec 2011	2,712	Dec 2015	Dec 2021	-	-	-	-
May 2013	1,500	May 2014	May 2023	9,500	-	-	9,500
May 2013	1,500	May 2015	May 2023	9,500	-	-	9,500
May 2013	1,500	May 2015	May 2023	-	-	-	-
Nov 2016	110	Nov 2016	Nov 2021	-	260,000	-	260,000
Nov 2016	110	Nov 2017	Nov 2021	-	260,000	-	260,000
Nov 2016	110	Nov 2018	Nov 2021	-	260,000	-	260,000
						Total	**843,980**

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was 41.55p per option. The significant inputs into the model were the mid-market share price on the day of grant or 1p exercise price as shown above and an annual risk-free interest rate of 2 per cent. The volatility measured at the standard deviation of continuously compounded share returns is based on a statistical analysis of daily share prices from the date of admission to AIM to the date of grant on an annualised basis.

22. RELATED UNDERTAKINGS AND ULTIMATE CONTROLLING PARTY

The Group and Company do not have an ultimate controlling party, or parent Company.

Subsidiary	% owned	County of Incorporation	Principal Activity	Registered Office
Predator Oil Ltd	100%	England & Wales	Non Trading	1
Trap Oil Ltd	100%	England & Wales	Oil Exploration	1
Trap Oil & Gas Ltd	100%	Scotland	Non Trading	2
Trap Petroleum Ltd	100%	Scotland	Non Trading	2
Trap Exploration (UK) Ltd	100%	Scotland	Non Trading	2
Jersey Oil & Gas E & P Ltd	100%	Jersey	Management services	3

Registered Offices

1 10 The Triangle, NG2 Business Park, Nottingham, NG2 1AE
2 6 Rubislaw Terrace, Aberdeen, AB10 1XE
3 Howard House, 9 The Esplanade St Helier, Jersey, Channel Islands, JE2 3QA

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	2016 £	2015 £
Loss for the year before tax	**(793,439)**	(1,430,078)
Adjusted for:		
Amortisation, impairments, depletion and depreciation	**5,393**	5,901,697
Share based payments (net)	**114,788**	-
Gain on disposal assets	**(239,724)**	-
Finance costs	**-**	164,399
Finance income	**(2,070)**	(13,037)
	(915,052)	4,622,981
Decrease in inventories	**-**	858,060
Decrease in trade and other receivables	**104,846**	9,798,988
Decrease in trade and other payables	**(116,938)**	(19,444,008)
Cash used in operations	**(927,144)**	(4,163,979)

CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of Cash and cash equivalents are in respect of these statements of financial position amounts:

Year ended 2016

	31 Dec 2016 £	1 Jan 2016 £
Cash and cash equivalents	**1,882,310**	**862,910**

Year ended 2015

	31 Dec 2015 £	1 Jan 2015 £
Cash and cash equivalents	862,910	7,074,282

	At 1 Jan 2016 £	Analysis of net cash cash flow £	At 31 Dec 2016 £
Cash and cash equivalents	862,910	1,019,400	1,882,310
Net cash	**862,910**	**1,019,400**	**1,882,310**

24 CONTINGENT ASSET

The P.1989 licence was farmed out in 2016 to Azinor Catalyst and as such has no value in use at the year end. By way of consideration, Azinor undertook to:

- carry out certain firm work commitments (the "Firm Commitments Work Programme"), as set out in the terms of the Licence, including the drill-or-drop obligation in respect of an exploration well; and
- make certain payments to each of Noreco and JOGI and has contingent on the occurrence of certain future events, namely:
  - US$2m within 90 days of the date when an exploration well, drilled within the Licence area, exceeds a threshold of net-pay with a vertical extent of no less than twenty metres of sands with a hydrocarbon saturation above sixty per cent. and a permeability cut-off of 1mD; and
  - a further US$2m within 90 days of the date when a Field Development Plan in respect of the aforementioned exploration well is approved by the Secretary of State for Energy and Climate Change.

25 AVAILABILITY OF THE ANNUAL REPORT 2016

A copy of these results will be made available for inspection at the Company's registered office during normal business hours on any weekday. The Company's registered office is at 10 The Triangle, ng2 Business Park, Nottingham NG2 1AE. A copy can also be downloaded from the Company's website at www.jerseyoilandgas.com. Jersey Oil and Gas plc is registered in England and Wales with registration number 7503957.

Independent auditors' report to the members of Jersey Oil and Gas Plc

Report on the parent company financial statements

Our opinion
In our opinion, Jersey Oil and Gas Plc's parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2016 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the company statement of financial position as at 31 December 2016;
- the company statement of changes in equity for the year then ended; and
- the company statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law, and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the directors. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Report of the directors, we consider whether those reports include the disclosures required by applicable legal requirements.

Other matter
We have reported separately on the group financial statements of Jersey Oil and Gas Plc for the year ended 31 December 2016.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
20 April 2017

JERSEY OIL AND GAS PLC
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	**2016** £	2015 £
CURRENT ASSETS			
Trade and other receivables	5	**32,696**	35,309
Cash and cash equivalents	6	**1,777,566**	743,622
		1,810,262	778,931
TOTAL ASSETS		**1,810,262**	778,931
EQUITY			
Called up share capital	7	**2,347,017**	2,331,767
Share premium account		**71,170,230**	69,569,979
Share options reserve		**1,495,916**	1,381,128
Accumulated losses		**(73,552,237)**	(72,828,837)
TOTAL EQUITY		**1,460,926**	454,037
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	**349,336**	324,894
TOTAL LIABILITIES		**349,336**	324,894
TOTAL EQUITY AND LIABILITIES		**1,810,262**	778,931

The financial statements on pages 36 to 41 were approved by the Board of Directors and authorised for issue on 20 April 2017. They were signed on its behalf by S J Richardson Brown – Chief Financial Officer.

Company Registration Number: 07503957

The notes on pages 39 to 41 are an integral part of these financial statements

	Called up share capital £	Share premium account £	Share options reserve £	Accumulated losses £	Total equity £
At 1 January 2015	2,271,693	68,321,083	1,786,420	(70,718,116)	1,661,080
Total comprehensive loss and loss for the year	-	-	-	(2,516,013)	(2,516,013)
Lapsed options	-	-	(405,292)	405,292	-
Issue of Share capital	60,074	1,248,896	-	-	1,308,970
At 31 December 2015	2,331,767	69,569,979	1,381,128	(72,828,837)	454,037
Total comprehensive loss and loss for the year	-	-	-	(723,400)	(723,400)
Issue of Share capital	15,250	1,600,251	-	-	1,615,501
Transactions with owners (share based payments)	-	-	114,788	-	114,788
At 31 December 2016	**2,347,017**	**71,170,230**	**1,495,916**	**(73,552,237)**	**1,460,926**

The notes on pages 39 to 41 are an integral part of these financial statements

	Note	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	10	**(299,706)**	(687,917)
Net cash used in from operating activities		**(299,706)**	(687,917)
Cash flows from investing activities			
Interest received		**2,044**	3,253
Net cash generated from investing activities		**2,044**	3,253
Cash flows from financing activities			
Proceeds from share issue		**1,615,501**	813,970
Loans to subsidiary companies		**(283,895)**	(1,192,580)
Net cash generated from/(used) in financing activities		**1,331,606**	(378,610)
Increase/(Decrease) in cash and cash equivalents	10	**1,033,944**	(1,063,274)
Cash and cash equivalents at beginning of year	10	**743,622**	1,806,896
Cash and cash equivalents at end of year	10	**1,777,566**	743,622

The notes on pages 39 to 41 are an integral part of these financial statements

1. SIGNIFICANT ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

These financial statements have been prepared under the historic cost convention, in accordance with International Financial Reporting Standards and IFRS IC interpretations as adopted by the European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis. The significant accounting judgements and estimates are consistent with those set out in note 2 to the consolidated financial statements. The principal accounting policies adopted are consistent with those set out in note 2 to the consolidated financial statements. The financial risk management for the Company is consistent with those set out in note 4 to the consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Investments in subsidiaries are stated at cost less, and where appropriate, provisions for impairment.

Going Concern

The Company is expected to have sufficient resources to cover the expected running costs of the business for a period of 12 months after the issue of these financial statements. Taking into account the carry from Statoil and the anticipated cash receivable from CIECO in relation to our carry from them on the P.2170 (Verbier) well drilling and given the current anticipated well costs, the Statoil carry and proceeds receivable from CIECO, as well as our current cash reserves, are in a dry hole case expected to more than exceed the estimated liability of the Company. Should the well be successful as we hope, further testing and well activity will be required and the Company will seek to approve budgets with our partners and raise additional finance in order to cover this eventuality and its share of the expected additional costs. Whilst there can be no certainty of the success of any fund raising, the Directors believe the successful well result in this scenario would position the Company favourably in order to source additional capital. Based on these circumstances, the directors have considered it appropriate to adopt the going concern basis of accounting in preparing its company financial statements.

2. EMPLOYEES AND DIRECTORS

The Directors' total emoluments, are included in the aggregate of directors' emoluments disclosed in the consolidated financial statements of the ultimate parent company (note 5).

3. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent Company is not presented as part of these financial statements.

The parent Company's loss for the year was £723,400 (2015: £2,516,013).

Auditors' remuneration is disclosed in note 10 in the consolidated financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

	Office equipment £
COST	
At 1 January 2015	255,029
At 31 December 2015	255,029
Additions	-
At 31 December 2016	**255,029**
ACCUMULATED DEPRECIATION	
At 1 January 2015	142,294
Charge for the year	112,735
At 31 December 2015	255,029
Charge for the year	-
At 31 December 2016	**255,029**
NET BOOK VALUE	
At 31 December 2016	**-**
At 31 December 2015	-
At 1 January 2015	112,735

5. TRADE AND OTHER RECEIVABLES

	2016 £	2015 £
Current:		
Value Added Tax	**15,363**	24,083
Prepayments	**17,333**	11,226
	32,696	35,309

6. CASH AND CASH EQUIVALENTS

	2016 £	2015 £
Cash at bank	**1,777,566**	743,622

7. CALLED UP SHARE CAPITAL

Issued and fully paid:

Number:	Class	Nominal Value	2016 £	2015 £
9,916,478 (2015: 8,391,477)	Ordinary	1p	**2,347,017**	2,331,767

8. TRADE AND OTHER PAYABLES

	2016 £	2015 £
Current:		
Amounts due to group undertaking	**211,678**	211,678
Trade payables	**28,209**	4,584
Other payables	**22,272**	19,393
Accrued expenses	**87,177**	89,239
	349,336	324,894

Amounts shown as Current: Amounts owed to Group undertakings - are repayable on demand.

9. RELATED PARTY DISCLOSURES AND ULTIMATE CONTROLLING PARTY

The Group and Company do not have an ultimate controlling party, or parent Company.

Subsidiary	% owned	County of Incorporation	Principal Activity	Amount due to subsidiaries 2016 £	2015 £
Predator Oil Ltd	100%	England & Wales	Non Trading	**211,676**	211,676
Trap Oil Ltd	100%	England & Wales	Oil Exploration	**-**	-
Trap Oil & Gas Ltd	100%	Scotland	Non Trading	**-**	-
Trap Petroleum Ltd	100%	Scotland	Non Trading	**1**	1
Trap Exploration (UK) Ltd	100%	Scotland	Non Trading	**1**	1
Jersey Oil & Gas E & P Ltd	100%	Jersey	Management services	**-**	-

9. **RELATED PARTY DISCLOSURES AND ULTIMATE CONTROLLING PARTY - continued**

The balances outstanding at the end of the year from Trap Oil Limited £68,255,683 (2015: £68,251,398) and Jersey Oil & Gas E&P Ltd £440,433 (2015: £160,882) have been, given the doubt over the ability of the subsidiaries to continue as going concerns, provided for as a doubtful debt.

During the year the Company also made sales to Trap Oil Limited amounting to £445,466 (2015: £1,040,704)

10. **NOTES TO THE COMPANY STATEMENT OF CASH FLOWS**

RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2016	2015
	£	£
Loss for the year before tax	**(723,400)**	(2,516,013)
Adjusted for:		
Depreciation charge (note 4)	**-**	112,735
Impairment of investment in subsidiaries	**-**	495,000
Impairment of receivables from subsidiaries (note 9)	**283,895**	1,404,258
Provision for write off of loan interest	**69,489**	334,118
Share based payments (net)	**114,788**	-
Finance income	**(71,533)**	(3,253)
	(326,761)	(173,155)
Decrease in receivables (note 5)	**2,613**	184,864
Increase/(Decrease) in trade and other payables (note 8)	**24,442**	(699,626)
Cash used in operations	**(299,706)**	(687,917)

CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of Cash and cash equivalents are in respect of these statements of financial position amounts:

Year ended 2016

	31 Dec 2016	**1 Jan 2016**
	£	**£**
Cash and cash equivalents	**1,777,566**	**743,622**

Year ended 2015

	31 Dec 2015	**1 Jan 2015**
	£	£
Cash and cash equivalents	743,622	1,806,896

	Analysis of net cash		
	At 1 Jan 2016	**Cash flow**	**At 31 Dec 2016**
	£	**£**	**£**
Cash and cash equivalents	743,622	1,033,944	1,777,566
Net cash	**743,622**	**1,033,944**	**1,777,566**