JERSEY OIL & GAS

ANNUAL REPORT & ACCOUNTS 2017

Highlights

- Oil Discovery at Verbier sidetrack well 20/05b-13Z, with estimated gross recoverable resources of up to 130 million barrels of oil equivalent, with a minimum proven volume of 25 million barrels of oil equivalent
- Placing with new and existing institutional investors and open offer completed in November 2017 raising £23.8m (gross) to significantly strengthen the Company's balance sheet
- The Company benefitted from a double carry on the exploration programme, with Operator Statoil carrying well costs of up to $25 million on the 20/05b-13 well and JOG receiving a 10% cash carry from its co-venturer CIECO of approximately £2.4m
- Cash balances at year end of £25.4m and no debt

Post year end

- 2018 work programme and budget approved for P2170 licence which includes an appraisal well programme for the recent Verbier oil discovery
- Contracts awarded by P2170 Licence Operator, Statoil, for the semi-submersible rig, West Phoenix, to drill an appraisal well, with the possibility for a sidetrack well, on the Verbier oil discovery in P2170 licence in the summer of 2018
- The P2170 licence co-venturers have committed to pre-fund a 3D seismic survey over the P2170 licence area and certain offset acreage, during Q2 2018 with delivery of final data in Q1 2019

Outlook

- Global oil prices appear to be holding steady above the $60/bbl level, providing increased clarity for pursuit of the Group's growth strategy
- Exciting year ahead with near-term drilling activity on Verbier in the summer of 2018
- Additional 3D seismic survey will facilitate the potential future development of the Verbier discovery and enhance our understanding and evaluation of other drillable prospects in the greater P2170 licence area
- Ongoing licence-wide exploration effort looking for other Verbier analogues, including Cortina and Meribel
- Contingent plans for site survey and additional exploration well planning
- The Company continues to pursue its dual strategy of appraising and exploring P2170, while seeking to acquire oil and gas production assets in the UK Continental Shelf ("UKCS") region of the North Sea

Overview

The year ended 31 December 2017 was transformational for Jersey Oil and Gas ("JOG" or the "Company" or, together with its subsidiaries, the "Group"), led by the Verbier discovery in licence P2170, in which the Company has an 18% working interest.

This discovery was a result of the drilling programme undertaken in 2017, by Statoil as operator of licence P2170, which enabled us to announce estimated gross recoverable resources of between 25 and 130 mmboe (million barrels of oil equivalent), with a minimum proven volume of 25 mmboe. Besides being of major significance to JOG, the Verbier discovery was also a positive endorsement of North Sea exploration activity generally.

The Board believes that the results at Verbier provide encouragement that in addition to the Verbier prospect there could be a material amount of further resources within the P2170 licence area, and we are approaching this potential prospectivity on a number of fronts. An appraisal drilling programme for Verbier is scheduled for which a work programme and budget have been agreed by the P2170 co-venturers. In addition, we have recently announced a major new 3D seismic survey, which will help with early stage development planning, should the Verbier appraisal programme be successful and also advance our exploration activity across the rest of the P2170 licence, which includes the Cortina prospect, the Meribel lead and other potential Verbier analogues. This work is being undertaken both by Statoil, on behalf of the joint venture, and by JOG on its own account, as we look to fully maximise the value of the Verbier discovery.

Whilst further details of the discovery are covered in the Chief Executive's Officers Report, it is clear that these are exciting times for JOG, with the potential for generating significant shareholder value, both from the Verbier prospect itself, and in the areas beyond.

Economic Background

The economic background against which this was achieved included Brent Crude Oil opening 2017 at $56 per barrel, falling back to $50 per barrel at the half way point, and then increasing to $66 per barrel at the year end. The consensus view, at the beginning of 2018, was for a year-end Brent Crude Oil price of around $60, which at the time of this statement is trading at c.$74 per barrel. In terms of the long-term outlook, the majority of global projections envisage the level of oil and gas demand in 2035 or 2040 to be in excess of what is it today. In a UK Continental Shelf ("UKCS") context, whilst we are past peak production, and a number of companies are seeking to dispose of asset portfolios, there also continues to be exploration activity, with notable successes, one of which was the 2017 JOG discovery at Verbier.

The development of activity in the UKCS continues to be actively promoted through the Oil and Gas Authority's Maximising Economic Recovery programme, which provides strategic influence on the future development of the UKCS (which the Government estimates could have up to 20billion barrels of recoverable reserves remaining). As part of this Government led incentivisation process, the headline rate of tax in the UKCS was reduced to 40% in 2016.

Against this backdrop, we have continued to engage with multiple vendors in connection with the acquisition of producing assets. As in previous years, we continue to apply a rigorous and disciplined approach to asset valuation and will not be swayed in the event of what we see as uneconomic prices being offered by others, or unrealistic terms being asked by vendors. A number of potential transactions have reached very advanced stages of negotiation for JOG but have not been completed, for a number of quite different, deal-related reasons.

We believe that the level of divestment activity will most likely increase following proposed tax changes, announced by the Chancellor of the Exchequer in 2017 which, effective from November 2018, should allow the historical tax profile of an oil and gas field to be transferred to the purchaser of a licence interest, thereby allowing tax relief for future costs of abandonment expenditure. Although our experience is that a number of vendors are prepared to retain their abandonment obligations, this change should enable asset purchasers, such as JOG, to take them on more easily.

Equity Placing

In the third quarter of 2017 we raised approximately £24m through a placing and open offer of new ordinary shares, largely in order to fund our share of future appraisal and exploration costs relating to the Verbier discovery. We were particularly pleased to welcome new institutional shareholders via the placing and report a 94% take up of the maximum allocation of £4m, under the subscription offer, to our existing shareholders.

Financial Results

Our pre-tax profit for the year amounted to £726k, up from a loss of £793k in 2016. The main contributor to this profit was the carry reimbursement we received in relation to the Verbier drilling programme. Nonetheless, we continue to maintain a tight control over our costs, both in the year just passed and going forward.

Cash at year end was just over £25m and we are presently budgeting for £9m to £11m of capital expenditure in relation to the 2018 P2170 work programme, including the Verbier appraisal well.

Outlook

The drilling of one or perhaps two appraisal wells on Verbier later this year will clearly be an important milestone for JOG and we will be working closely with our co-venturers on this major opportunity. We will also continue to assess potential production asset acquisitions, whilst maintaining our pricing discipline and are cognisant not to overly dilute what may be significant value for shareholders ahead of this summer's Verbier appraisal well. Given the operating and economic environment in which JOG operates, I believe that the JOG strategy of appraising the Verbier discovery and additional exploration activity, together with an active production acquisition programme leaves us in the right place, at the right time, to develop significant value for shareholders, and we will be working very hard to do so.

On behalf of the Board, I would like to welcome the new shareholders who supported our equity placing in 2017 and to thank those existing shareholders who have increased their shareholdings. I would also like to thank all of our employees who have continued to work on our exploration and production ambitions, not forgetting the significant salary cuts that were taken in earlier years.

Marcus Stanton
Non-Executive Chairman
26 April 2018

Overview
When our interim results were published on 28 September 2017, we had just embarked on the drilling of the Verbier sidetrack well, following a disappointing initial well earlier in the month. Potential for hydrocarbons to exist up dip from the water-bearing sands encountered in the initial well could not be ruled out, so a decision by the joint venture was made to drill the sidetrack well. We were subsequently delighted to announce, in early October, the Verbier oil discovery in good quality sands with the results exceeding pre-drill expectations for the sidetrack well. The operator's initial estimates of gross recoverable resources associated with the Verbier discovery were between 25 and 130 million barrels of oil equivalent, with a minimum proven recoverable volume of 25 million barrels of oil equivalent. It is our belief that this discovery was the largest conventional discovery to be made in UKCS part of the North Sea during 2017 and was a significant milestone for Jersey Oil and Gas.

Soon after the discovery, JOG completed a successful equity placing that strengthened its balance sheet ahead of an expected work programme of appraisal and further exploration across the P2170 licence. Post year end, we were pleased to announce that the West Phoenix, a sixth generation semi-submersible rig, has been contracted for a summer 2018 appraisal programme to determine the potential of our Verbier discovery. We have also recently announced JOG's participation in a new 3D seismic survey that will cover licence P2170 and further offset acreage, optimised to advance the interpretation of Verbier and additional exploration analogues; a clear demonstration of the licence co-venturers' optimism for the acreage.

Operations
A key focus for JOG during 2017 was the build up of operations and drilling on the P2170 licence area with respect to the Verbier exploration well programme, operated by Statoil. Following our successful farm-out to Statoil during 2016, JOG retained an 18% interest in this licence. In April 2017, we were pleased to announce the signing, by Statoil, of a contract for use of the Transocean Spitsbergen rig. This set in motion detailed plans for drilling of the Verbier exploration well, which commenced in August 2017.

Prior to the exploration drilling programme, JOG also furthered its technical understanding of the two drill-ready prospects on the licence, Verbier and Cortina, and in March 2017 we announced the findings of an independent Competent Person's Report ("CPR"), conducted by ERC Equipoise Limited, which ascribed prospective resources and risks for these prospects. We were pleased with the outcome of this independent study, as it reported an upgrade on our previous management estimates, with mean prospective resources of 162MMbbls ascribed to Verbier with a chance of success of 29%, and 124MMbbls ascribed to Cortina with a chance of success of 19%.

In August, JOG announced the commencement of the drilling of the Verbier exploration well, 20/05b-13. Unfortunately, although the well was on time and within budget, after 29 days of drilling, JOG was disappointed to announce that the well had failed to find any commercial hydrocarbons. The well encountered water-bearing Upper Jurassic sands, deeper than anticipated. This geological result was indeed a surprise to the P2170 co-venturers. Led by the operator, Statoil, the wireline log data from the well, together with the pressure samples and seismic data, were subsequently evaluated. It was concluded that potential for hydrocarbons to be present in an accumulation up dip of the 20/05b-13 Verbier exploration well could not be ruled out. Accordingly, JOG was pleased to support the operator's recommendation to undertake the drilling of a sidetrack exploration well which commenced in September 2017.

Successful Verbier Sidetrack
In October 2017, JOG was delighted to announce an oil discovery in the Verbier sidetrack well. Preliminary analysis indicated that the well had proven a hydrocarbon accumulation in good quality sands, up-dip of the water-bearing sands encountered in the initial well. Extensive evaluation of the sidetrack well results, together with the existing 3D seismic data, has been ongoing since the discovery, with initial Statoil estimates of gross recoverable resources associated with the discovery of between 25 and 130 million barrels of oil equivalent, with a minimum proven recoverable volume of 25 million barrels of oil equivalent in the immediate vicinity of the wellbore.

The Company's management has run notional development scenarios, which include a subsea tie-back development scenario to commercialise the minimum proven volume and a standalone platform development for volumes in excess of the mean recoverable volume estimate of 69 million barrels. For the Verbier upside case of 130 million barrels, management has estimated that full lifecycle costs (including capex, opex and abex) have the potential to be under $35/barrel. In the event of a low case of 25 million barrels recoverable, development scenarios exist which management currently believe could be commercially viable. When aggregating recoverable prospective resource estimates for the Cortina prospect and Meribel lead, the resource range for P2170 is estimated by management to be 70 MMboe in the low case to 273 MMboe in the upside case.

In addition to confirming the presence of oil in the Verbier prospect, this discovery provides valuable information to help better understand the prospectivity of the P2170 licence area, incentivising the joint venture to increase its exploration activities. In parallel with the excellent technical analysis being conducted by licence operator Statoil, JOG has been conducting its own technical studies post well results, for the benefit of shareholders, which are fully aligned, and have been presented to the co-venturers.

Other Licence Activity
In early 2016, JOG sold its interest in licence P1989, in which the Partridge prospect was located, to Azinor Catalyst Limited ("Azinor") in return for a contingent financial interest, subject to a discovery, of up to US$4m. During August 2017, Azinor announced that drilling had begun on its Partridge prospect. While the well encountered excellent quality reservoir rocks, hydrocarbons were not present and it has now been plugged and abandoned. Accordingly, no contingent payments will be received by the Company from Azinor.

In 2014 the P1923 licence was relinquished in which JOG has a 30% working interest. During 2017, Centrica, the original operator, identified an opportunity to recoup some of the costs incurred in the reprocessing of the datasets. The sale of the data resulted in a payment to JOG of £22,500.

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 P2032, 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.

JOG's Acquisition Strategy
The Company has continued with its other main focus of seeking to acquire value-enhancing North Sea production focused assets. The Company now benefits from a stronger balance sheet, which will provide vendors with greater confidence in its ability to execute on potential acquisitions. The Company will also benefit from having the necessary resources to undertake its own studies in relation to the ongoing evaluation of numerous North Sea oil and gas production focused prospects. The Company has a strong pipeline of asset opportunities currently under evaluation. Following the success with Verbier, JOG's management is mindful of the remaining upside potential that a 2018 appraisal programme has for our shareholders and whilst we are keen to expand our North Sea portfolio, we remain sensitive about equity dilution and are therefore increasingly disciplined in our approach to acquisitions.

Financial review
Due to the beneficial nature of JOG's carry arrangements on licence P2170, the Company ended the financial year posting a profit of £0.7m. Following the successful farm out to Statoil during 2016, JOG and its co-venturer CIECO benefitted from a cost carry of $25m for expenditure relating to the 20/05b-13 well. This well was drilled within budget and did not exceed this carry value. In addition to the carry from Statoil, JOG benefitted from a double carry arrangement receiving an additional 10% cash carry reimbursement from CIECO for the exploration programme, which included expenditure during the drilling of the sidetrack well. Reimbursement cash received by JOG from its co-venturer, CIECO, in relation to this carry arrangement was approximately £2.4m during 2017. Following the successful exploration programme in 2017, JOG's carry arrangements have now ceased and any future expenditure on this licence will be funded by JOG in proportion to its 18% working interest in the licence.

Our Cost of Sales during the year was limited to ongoing work on our remaining licence interest, P2170, where we have incurred expenditure which is not recoverable from our co-venturers. This included proprietary technical studies, commissioned by JOG, to further our geological understanding of the Verbier prospect and an independent competent person's report by ERC Equipoise Limited, the results of which were announced in March 2017.

The Company has always been focused on controlling administration costs and tries to keep these to a minimum. To this end we have continued to maintain a low cost operation, comprising only one very cost-effective office in Jersey. Overall, however, costs have increased year-on-year as we expanded our cost base slightly following the farm-out of licence P2170 and in the lead up to drilling. We also incurred increased advisory costs relating to potential asset acquisitions pursued during the period.

Looking Forward
The Company has worked hard over the last few years to deliver value to our shareholders and in 2017 we achieved another significant value-enhancing event with the Verbier oil discovery, following on from the farm-out to Statoil in 2016. Further to the successful fundraising in October 2017, the Company is well funded, as we turn our attention to appraising Verbier. We are also continuing our exploration activities with the recently announced 3D survey, to fully evaluate the prospectivity across the P2170 licence area.

We remain very excited by the opportunities currently available to us in the year ahead. The significant investment being made by our co-venturers in Verbier and the potential analogous opportunities, in close proximity, provide us with the potential to deliver significant further upside for our shareholders in the coming years. I would like to take this opportunity to thank our existing and new shareholders for their support and look forward to providing updates as we progress another exciting drilling programme during this year.

Andrew Benitz
Chief Executive Officer
26 April 2018

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 on the AIM market of 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 (the Group being Jersey Oil and Gas plc and all of its subsidiaries) during the year ended 31 December 2017 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 this 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 and legislative changes
- Regulatory and compliance risks
- Co-venturer and other party counterparty credit risk
- Adverse foreign exchange movements

Managed:
Close relationships are maintained with financial parties including shareholders, banks and the investor community as the Group may require capital beyond its existing cash resources, to advance potential development scenarios and further exploration potential for its principal asset, Licence P2170 and to facilitate potential future acquisitions.

The Group relies on external funding for its own cash reserves, however our cash reserves are depleted by Group overheads and required capital expenditure on assets. 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. The Company raised significant funds towards the end of 2017 and expects to be able to operate within its existing cash reserves well into 2019, 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 production accruing to the Company from its asset portfolio.

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 Board's ongoing business risk appraisal process.

Operational Risks:

- Loss of key employees
- Delay and cost overrun on projects, including weather related delays
- HSSE incidents
- Exploration and appraisal well failures
- Delays to exploration well programme execution
- Failure of third-party services
- Inherent geological risks and 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 industry costs have reduced, due to the low oil price environment, this should not be expected to continue in the future, particularly with recent oil price recovery. 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 quality staff and contractors, we believe we can mitigate many of the risks associated with our operations.

The Group typically holds shared equity in its assets. As a result, in its joint venture operations, it relies on the skills, knowledge and experience of the JV licence operator. The Company is pleased to have secured an operator for the P2170 Licence of the calibre and reputation of Statoil. Having such an operator helps to mitigate many of the operational risks including Health, Safety, Security and Environment ("HSSE"), and the management of third-party contractors and service suppliers. Co-venturer 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 HSSE 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, safety and security of employees, contractors and the public and minimises the impact on the environment.

Strategic and External Risks and Opportunities:

- Movement and conditions in capital markets,
- 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 and opportunities set out above are not exhaustive and additional risks, uncertainties and opportunities 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 ongoing activities will be successful. At the current time, the Group has one licence interest, which it considers to have very good reserves potential and prospects, particularly considering the farm-out in 2016 to Statoil and successful drilling results on Verbier in 2017. However it is an exploration licence which comes with some degree of risk and there may be an uncertainty over the future success and potential commercialisation of this asset. The Group also intends to expand it portfolio through the acquisition of producing assets in the future to provide asset diversification and there appears to be strong investor appetite for the right transactions.

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. 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 funds 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.

The Group's Key Performance Indicators ("KPI's") that the Directors consider most important are split into two groups. Firstly our financial KPIs, which relate to cash and administration and operating expenditure, and second our non-financial KPIs which relate to HSSE. Given the nature of our business, it is critical that we monitor and manage very carefully our cash and maintain financial flexibility to recapitalise the balance sheet as and when required, whilst at all times being able to honour our commitments and progress our business in the interest of shareholders. On a similar note, our administration and operating expenditure needs to me kept within budget and within a range that is appropriate to the size and operations of the Group. HSSE is our most important non financial KPI, due to the importance we place on the protection of the environment and the safety of our employees.

Cash Resources and Short-Term Investments
We ended 2017 in a much stronger position than we entered it, with the fundraising we undertook in the fourth quarter of 2017 raising £23.8m (gross). We have a hard-working management team closely aligned with shareholder interests. As at 31 December 2017, we had £25.4m of cash in the bank. The Group remains lean and cost efficient, with annual running costs in 2017 of £1.7m. Budgeted annual running costs for 2018 are currently estimated at around £2.4m as the Group increases its activity, principally across the P2170 licence.

Consolidated Statement of Comprehensive Income
The Group had no trading revenues in 2017 but received other income from its co-venturer CIECO, in respect of operations conducted on Licence P2170.

Financing
In late 2017, the Group raised £23.8m (gross), through a share issue in order to provide sufficient working capital for the Company through into 2019.

Administrative Expenses
2017 saw small increases in the Group's cost base, as the low level of costs incurred during 2016 which included staff salary reductions, were not sustainable in the longer term. Nevertheless the Company still remains nimble and the Directors aim to deliver value for shareholders and maximise the value of every pound spent. During the year we incurred costs on acquisition processes that were terminated or which we were not able to successfully conclude.

Outlook
The Directors consider that the Group remains appropriately capitalised for its current appraisal well programme. It is well managed, 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 continued near term value creation. Our key remaining asset, the P2170 licence area, which includes the Verbier oil discovery and associated exploration potential, has manageable expected obligations in respect of its proposed summer 2018 drilling programme.

On behalf of the Board

Scott Richardson Brown
Chief Financial Officer
26 April 2018

The Company is quoted on AIM and is not therefore required to comply with the requirements of The UK Corporate Governance Code published by the Financial Reporting Council in April 2016. However, the Board is committed to high standards of good corporate governance and, having regard to the current size and structure of the Group, seeks to apply the principles of the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quoted Companies Alliance ("QCA Code"). It is the intention of the Board that the Group will be fully compliant with the requirements of the QCA Code by 28th September 2018.

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 Executive Directors are employed under service contracts.

At each Annual General Meeting one third of the Directors are subject to reappointment 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 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 HSSE 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 QCA 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 Non-Executive Directors' judgement and as such they are considered independent for the purposes of corporate governance.

Board Committees
The Company operates Audit, Remuneration and Nomination Committees comprised of Non-Executive Directors.

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 report of its proceedings.

Under its terms of reference, it is required to meet at least 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, including those 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 regularly 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 report of its proceedings.

Under its terms of reference, it is required to meet at least twice a year and is responsible for ensuring that the Executive Directors and Officers 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 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 at least twice a year and is responsible for identifying and nominating candidates to fill Board vacancies, but it was considered unnecessary to do so during 2017 as its functions were properly carried out as part of the procedures of the Remuneration Committee and 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 an appropriate stage of its development in accordance with best practice.

Board and Committee Attendance in 2017

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Non-Executive Directors								
M J Stanton	7	7	2	2	2	2	-	-
F H Moxon	7	6	2	2	2	2	-	-
Executive Directors								
J A Benitz	7	7	-	-	-	-	-	-
R J Lansdell	7	7	-	-	-	-	-	-
S J Richardson Brown	7	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, Chief Executive Officer 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 and the management meet shareholders on a regular basis through annual meetings and roadshows.

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 duty to ensure the health, safety, security 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 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
- The security of Company data and information

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, Security and the Environment (“HSSE”) is of the highest importance to the Company and expects all Directors, Officers, Managers, Employees and contractors to consider Health, Safety and Security as part of their normal duties and responsibilities. Ron Lansdell, COO, has overall responsibility for implementation and management of the Company’s HSSE policy.

Management commitment to high HSSE standards is set out its HSSE Policy which is:

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

Operational HSSE goals are established by our joint venture operators for our joint venture projects. 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 HSSE culture and a common understanding of the Group's expectations.

The Group's management of HSSE includes:

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

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

John Church FCA
Company Secretary
26 April 2018

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 over the past 18 years, 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 reviews banking transactions on behalf of UK and overseas governmental agencies, and provides expert evidence in Court proceedings. 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 quoted company. He joined Longreach in 2009 as Chief Operating Officer when it was a small private company and oversaw 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 (Honors).

Ron Lansdell
Chief Operating Officer
Ron Lansdell is Chief Operating Officer and a founder director of Jersey Oil & Gas E & P Ltd. Previously he was VP E&P at Longreach Oil and Gas responsible for exploration in Morocco. Ron held a number of senior technical and commercial roles during a 13 year career at Eni. These roles included roles in Nigeria, Kazakhstan and exploration management in the Atlantic Margin UK, Faroe Islands and Ireland. Ron began his career in 1972 in seismic data acquisition and processing, initially at Digicon and then at CGG in London, before joining Elf in Norway and then BHP Petroleum as Exploration Coordinator, Western Australia. He spent nine years with Elf (in Norway, France and Syria) and then joined QP as Chief Geophysicist in Qatar before joining Eni. Ron graduated in geology from the University of London, is a member of the PESGB, the Institute of Directors and is a Fellow of The Geological Society.

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, Scott 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. Scott is also a Non-Executive Director of Genius Concepts Ltd a smart heating control business.

Frank Moxon
Non-Executive Director
Frank Moxon has over 28 years' experience as a corporate financier and financial adviser to companies, from start-ups to over £3 billion in size, in a wide range of industry sectors. However, he has specialised for the last 20 years in mining and oil & gas. He has also been a director, trustee or governor of various private and quoted companies, a professional body, several charities and a comprehensive school. He was senior independent director of Cove Energy Plc and is currently a non-executive director of AIM-quoted Harvest Minerals Ltd. He has a BSc in Economics and is a Chartered Fellow of the Chartered Institute for Securities and Investment and a Fellow of both the Energy Institute and the Institute of Materials, Minerals and Mining. 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 2017.

Results and Dividends
The Group's profit for the year was £0.7m (2016: loss of £0.8m). The Directors do not recommend the payment of a dividend (2016: 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 2017 were:

Directors' interests

	As at 31 December 2017 1p Ordinary Shares		As at 31 December 2016 1p Ordinary Shares	
	Shares	**Options**	Shares	Options
Non-Executive Directors				
M J Stanton	39,192	41,570	24,195	41,570
F Moxon	84,935	20,000	84,935	20,000
Executive Directors				
J A Benitz	627,142	180,000	627,142	180,000
R J Lansdell	900,000	180,000	884,663	180,000
S J Richardson Brown	21,391	130,000	16,391	130,000

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 2017, 21,829,227 (2016: 9,916,478) ordinary shares of 1p each were issued and fully paid. Each ordinary share carries one vote.

Substantial Shareholders
At 31 December 2017, 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:

Schroders plc	9.39%
Hargreaves Lansdown Asset Mgt	7.50%
Legal & General Investment Mgt	6.87%
Interactive Investor	6.51%
SVM Asset Mgt	4.12%
Mr R Lansdell	4.12%
Halifax Share Dealing	3.79%
Barclays Wealth	3.64%
Jarvis Investment Mgt	3.49%
City Financial	3.44%
A J Bell Securities	3.09%

Except for Mr Lansdell, none of the directors hold 3% or more of the nominal value of the ordinary share capital of the company. As at 31 December 2017 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.

Up to date details and changes 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 opportunities 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 disclosed in note 4.

Going Concern
The Company is required to have sufficient resources to cover the expected running costs of the business for a period of at least 12 months after the issue of these financial statements. Taking into account the P2170 licence 2018 approved work programme and budget, our current cash reserves are, expected to more than exceed the estimated liability of the Company. 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 this Annual Report.

Disclosure of Information to the Auditors
Each of the Directors 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 they ought to have taken as a Director in order to make themselves 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 24 May 2018 as stated in the Notice of Meeting.

On behalf of the Board

Scott Richardson Brown
Chief Financial Officer
26 April 2018

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.

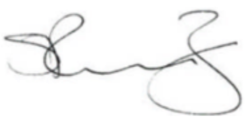
The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's performance, business model and strategy.

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 profit 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 profit of the group; 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
26 April 2018

Introduction
This Remuneration Report has been prepared by the Remuneration Committee and approved by the Board. The Committee is committed to transparent and quality disclosure. Our report for 2017 sets out the details of the remuneration policy for the Directors, describes its implementation and discloses the amounts paid during the year.

Membership and meetings held
The Remuneration Committee is chaired by Frank Moxon and its other member is Marcus Stanton (both Non-Executive Directors). The Committee met twice during 2017.

Performance of the Company in 2017
2017 was a transformational year for the Company following on from the successful drilling campaign in licence P2170 (Verbier), which was drilled safely, on time and within budget. This was followed by a major capital raising in November 2017 involving both new and existing shareholders, resulting in year-end cash balances of c.£25 million.

Share price movements during the year
The Company's share price performance during the year was as follows:

	Price per share	Market capitalisation (£m)
As at 31 December 2016	125.5p	12.4
As at 31 December 2017	191.5p	41.8
2017 low (12 September 2017)	53.5p	5.3
2017 high (9 October 2017)	328.0p	32.6

Key decisions and pay outcomes in 2017
- Basic salaries for the Executive Directors were frozen during 2017 (no change since 1st January 2016) at rates considerably lower than those of appropriate, comparable industry participants;
- The outstanding proportion of the up to 50% salary cuts voluntarily taken by directors and employees from February 2016 to October 2016 were paid in full;
- Annual discretionary bonuses of between 40% and 67% were awarded to Executive Directors in recognition of their historically low salaries and the significant progress made by the Company during 2017 arising from its initial Verbier farm-out success in August 2016 and subsequent technical and other work done prior to and after drilling;
- Options over a total of 60,000 ordinary shares were granted to employees at an exercise price of 310p in April 2017;
- The vesting of the second tranche of share options granted in November 2016 was approved, the relevant performance condition having been deemed by the Committee to have been met;
- In December 2017, a wholesale review of executive and Board remuneration was undertaken in the light of the Company's significant development during 2017 with a view to achieving a revised remuneration structure reflecting its size, profile, future objectives and status as an independent E&P company with a significant proportion of institutional investors. This resulted in salary increases for Executive Directors (revised salaries: J A Benitz £150,000 pa; R J Lansdell £150,000 pa; and S J Richardson Brown £100,000 pa), effective from 1st January 2018, and adjustments to cash and other incentives and benefits.

Advisers
H2glenfern Limited ("h2glenfern"), appointed in November 2017, acted as independent adviser to the Committee when carrying out its review of executive and Board remuneration in December 2017. The Committee is of the view that h2glenfern provides independent remuneration advice to the Committee and does not have any connections with the Group that may impair its independence. H2glenfern reported directly to the Committee and gave a presentation to the Board but provided no other services to the Company. Its total fee for the provision of remuneration services in 2017 was £7,500 (excluding VAT) based on time and materials.

Remuneration policy
The Committee aims to ensure that total remuneration is set at an appropriate level for the Group and its operations.

The objectives and core principles of the remuneration policy are to ensure:

- remuneration levels support the Group strategy;
- an appropriate link between performance and reward;
- alignment of Directors, senior management and shareholder interests;
- linking of long term incentives to shareholder returns;
- recruitment, retention and motivation of individuals with the skills, capabilities and experience to achieve Group objectives; and
- good teamwork by enabling all employees to share in the success of the business.

There are four possible elements that can make up the remuneration packages for Executive Directors, senior management and employees:

- basic annual salary or fees;
- benefits in kind;
- discretionary annual bonus; and
- a long term incentive plan, the Jersey Oil and Gas PLC 2016 Enterprise Management Incentive and Unapproved Share Option Plan (the "Share Option Plan").

Basic salary
The basic salaries of Executive Directors are usually determined by the Committee around the end of each year with any changes taking effect from 1 January. These are reviewed and adjusted taking into account individual performance, market factors and sector conditions. Base salaries for the Executive Directors remained unchanged at their contractual levels during 2017.

Benefits in kind
Benefits provided to Executive Directors during the year comprised life insurance, private health insurance and, for S J Richardson Brown, a 10 per cent. of basic salary matching pension contribution.

Discretionary bonuses
A cash bonus award for performance during 2017 was made to Executive Directors and all staff at the end of the year.

Share Option Plan
In November 2016, the Share Option Plan was approved by the Board and the first grants of share option were made to directors and staff since the August 2015 formation of the new board and reorganisation of the Company. No new grants were made to any Director during 2017.

Under the terms of the Plan, Directors and employees are eligible for awards. Options may be issued over shares not exceeding 10% of issued share capital within any period of 10 years. EMI options are subject to an aggregate limit of £3 million and an individual limit of £250,000 by market value of shares. Performance conditions are not required but options can be granted with performance conditions, vesting schedules or both. Performance conditions can apply to individual tranches within grants. Performance conditions can be amended provided they are still deemed a fair measure of performance and not materially more easy or difficult to satisfy as a result. Upon any change of control all options vest in full and any performance conditions are not applied. All options lapse upon the tenth anniversary of grant.

Executive Directors' service contracts
The principal termination provisions of the Executive Directors' service contracts, as amended by any relevant deed of variation, are summarised below. Executive Directors' service contracts are available to view at the Company's registered office.

	J A Benitz	**R J Lansdell**	**S J Richardson Brown**
Effective contract date	14.08.15	14.08.15	03.06.13
Unexpired term	Rolling contract	Rolling contract	Rolling contract
Notice period	12 months save that, in certain circumstances, the Executive may provide 30 days' notice.	12 months save that, in certain circumstances, the Executive may provide 30 days' notice.	4 months

Non-executive Directors' fees
The Non-executive Directors receive a fee for carrying out their duties and responsibilities. The level of such fees is set and reviewed annually by the Board, excluding the Non-executive Directors. The Non-executive Directors do not currently receive additional fees for acting as members of the Board's various committees.

Non-executive Directors' letters of appointment
The principal termination provisions of the Non-executive Directors' letters of appointment, as amended by any relevant deed of variation, are summarised below. Non-executive Directors' letters of appointment are available to view at the Company's registered office.

	F H Moxon	**M J Stanton**
Date of appointment	30.09.15	13.03.11
Unexpired term	Rolling contract	Rolling contract
Notice period	3 months	3 months
Loss of office compensation	No	No

Directors' Emoluments

	Year ended 31 December 2017					Year ended 31 December 2016				
Presented in £'000	**Salary or fees**	**Pension**	**Benefits**	**Bonus**	**Total**	Salary or fees	Pension	Benefits	Bonus	Total
Executive Directors										
J A Benitz	**89**	**-**	**1**	**50**	**140**	61	-	2	5	68
R J Lansdell	**100**	**-**	**4**	**50**	**154**	50	-	3	5	58
S J Richardson Brown	**90**	**20**	**-**	**30**	**140**	45	11	-	5	61
	279	**20**	**5**	**130**	**434**	156	11	5	15	187
Non-Executive Directors										
M J Stanton	**53**	**-**	**-**	**-**	**53**	27	-	-	-	27
F H Moxon	**27**	**-**	**-**	**-**	**27**	13	-	-	-	13
	80	**-**	**-**	**-**	**80**	40	-	-	-	40
Total Directors	**359**	**20**	**5**	**130**	**514**	196	11	5	15	227

The figures shown above for 2016 reflect the Directors' (and employees') voluntary agreement to take salary reductions of up to 50% from February 2016 to October 2016, to provide the Company with sufficient working capital. The figures for 2017 reflect repayment of the outstanding proportion of these 2016 salary reduction amounts.

Options held by Directors serving at 31 December 2017 are set out below.

	At 1 January 2016 '000s	Issued '000s	Exercised '000s	Lapsed '000s	**At 1 January 2017 '000s**	**Issued '000s**	**Exercised '000s**	**Lapsed '000s**	**At 31 December 2017 '000s**
Executive Directors									
J A Benitz									
At 110.0p (*note 1*)									
(exercisable by 29.11.21)	-	180	-	-	**180**	**-**	**-**	**-**	**180**
	-	180	-	-	**180**	**-**	**-**	**-**	**180**
R J Lansdell									
At 110.0p (*note 1*)									
(exercisable by 29.11.21)	-	180	-	-	**180**	**-**	**-**	**-**	**180**
	-	180	-	-	**180**	**-**	**-**	**-**	**180**
S J Richardson Brown									
At 1,500.0p (*note 2*)									
(exercisable by 31.05.23)	10	-	-	-	**10**	**-**	**-**	**-**	**10**
At 110.0p (*note 1*)									
(exercisable by 29.11.21)	-	120	-	-	**120**	**-**	**-**	**-**	**120**
	10	120	-	-	**130**	**-**	**-**	**-**	**130**
Non-executive Directors									
M J Stanton									
At 4,300.0p (*note 3*)									
(exercisable by 12.03.21)	2	-	-	-	**2**	**-**	**-**	**-**	**2**
At 110.0p (*note 1*)									
(exercisable by 29.11.21)	-	40	-	-	**40**	**-**	**-**	**-**	**40**
	2	40	-	-	**42**	**-**	**-**	**-**	**42**
F H Moxon									
At 110.0p (*note 1*)									
(exercisable by 29.11.21)	-	20	-	-	**20**	**-**	**-**	**-**	**20**
	-	20	-	-	**20**	**-**	**-**	**-**	**20**
Total	12	540	-	-	**552**	**-**	**-**	**-**	**552**

Notes:

1. *Granted on 29 November 2016 under the Share Option Plan. Options vest in equal portions over a three-year period from the date of grant. One third vested immediately, one third vested on 29 November 2017 and the remaining third are due to vest, subject to satisfaction of a performance condition, on 29 November 2018. Subject to vesting, the Share Options are exercisable at any time up to 29 November 2021 and if not exercised by that date will lapse.*
2. *Granted on 31 May 2013 under the Trap Oil plc Unapproved Share Option Plan 2011. Options vested in equal portions on 31 May 2014, 31 May 2015 and 31 May 2016 and were not subject to the completion of any performance condition.*
3. *Granted on 13 March 2011 under an Individual Option Agreement. The options (to the extent that they have not lapsed) may be exercised at any time after the date of grant.*

Shareholder feedback

The objective of this report is to communicate the earnings of the Directors and how this is linked to performance. In this regard the Board is committed to maintaining an open and transparent dialogue with shareholders and is always interested to hear their views on remuneration matters.

Frank Moxon

Frank Moxon
Chairman of the Remuneration Committee
26 April 2018

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

Report on the group financial statements

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the company's financial statements, 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.

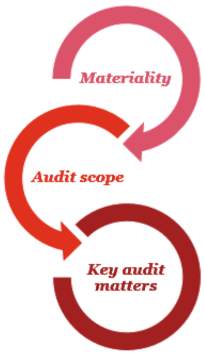
We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the group and parent company statement of financial position as at 31 December 2017; the group statement of comprehensive income, the group and parent company statements of cash flows, and the group and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £270,575 (2016: £42,280), based on 1% of total assets.
- Overall company materiality: £253,320 (2016: £34,000), based on 1% of total assets.
- We identified 2 components (the Plc parent company and Trap Oil Limited) out of the group's total of 3 non-dormant components which were selected due to their size and risk.
- We conducted full scope audits on both of these components which are UK companies.
- No audit work was performed outside of the UK.
- No other component auditors or firms were involved in reporting for the purposes of the consolidated audit opinion
- Risk of management override of controls (Group and parent).

The scope of our audit
As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters
Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Risk of management override of controls Group and parent Our Auditing Standards consider management override of controls as a significant audit risk, due to the general risk around management's unique position to perpetrate or conceal the effects of fraud. This may take a number of forms such as falsifying accounting entries which may give a misleading view of the entity's financial position or performance. This cannot be rebutted as this risk is present in all entities.	We have performed the following procedures to address the risk of management override of controls: • Held discussions with management on their assessment and consideration of fraud risk • Performed journal testing, identifying journal postings meeting pre-determined risk criteria across the group • Held fraud inquiries with employees both within and outside of the finance function • Incorporated an element of unpredictability into our audit procedures such as testing individually immaterial balances and transactions throughout the year *Overall, we are satisfied that there have been no suspected, alleged or actual instances of fraud through the application of management override of controls.*

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£270,575 (2016: £42,280).	£253,320 (2016: £34,000).
How we determined it	1% of total assets.	1% of total assets.
Rationale for benchmark applied	A benchmark of total assets is deemed to be the most appropriate measure used by shareholders in assessing the performance of the group. We note that in the previous year a measure of loss before tax was used based on the low value balance sheet at that period and loss before tax is a generally accepted auditing benchmark in this scenario. However, given the success in the year of the drilling of the Verbier well, which has increased the capitalised asset position, coupled with a large share issue increasing the group's cash position, total assets was determined to be a more appropriate benchmark for calculating materiality based on what is of most interest to the current users of the financial statements.	A benchmark of total assets is deemed to be the most appropriate measure used by shareholders in assessing the performance of the company. We note that in the previous year a measure of loss before tax was used based on the low value balance sheet at that period and loss before tax is a generally accepted auditing benchmark in this scenario. However, given the success in the year associated with the drilling of the Verbier well, a large share issue has occurred increasing the group's cash position and as such total assets was determined to be a more appropriate benchmark for calculating materiality based on what is of most interest to the current users of the financial statements.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £154,290 and £253,320. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £18,250 (Group audit) (2016: £2,100) and £9,500 (Company audit) (2016: £1,700) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements
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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
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.

Other required reporting

Companies Act 2006 exception reporting

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 company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
26 April 2018

JERSEY OIL AND GAS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** **£**	2016 £
Revenue	3	**-**	-
Cost of sales		**(13,498)**	(4,950)
GROSS LOSS		**(13,498)**	(4,950)
Other income	6	**2,440,248**	214,110
Gain on disposal of asset	7	**-**	239,724
Administrative expenses		**(1,705,068)**	(1,244,393)
OPERATING PROFIT/(LOSS)		**721,682**	(795,509)
Finance costs	8	**-**	-
Finance income	8	**5,010**	2,070
PROFIT/(LOSS) BEFORE TAX	9	**726,692**	(793,439)
Tax	10	**-**	-
PROFIT/(LOSS) FOR THE YEAR		**726,692**	(793,439)
TOTAL COMPREHENSIVE PROFIT/(LOSS) FOR THE YEAR		**726,692**	(793,439)
Total comprehensive profit/(loss) for the year attributable to:			
Owners of the parent		**726,692**	(793,439)
Profit/Loss per share expressed in pence per share:			
Basic	11	**6.49**	(9.28)
Diluted	11	**6.03**	(9.28)

The notes on pages 24 to 34 are an integral part of these financial statements

JERSEY OIL AND GAS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	**2017** £	2016 £
NON-CURRENT ASSETS			
Intangible assets - Exploration costs	12	**1,357,959**	48,363
Property, plant and equipment	13	**-**	372
		1,357,959	48,735
CURRENT ASSETS			
Trade and other receivables	15	**356,107**	122,872
Cash and cash equivalents	16	**25,415,410**	1,882,310
		25,771,517	2,005,182
TOTAL ASSETS		**27,129,476**	2,053,917
EQUITY			
Called up share capital	17	**2,466,144**	2,347,017
Share premium account		**93,851,526**	71,170,230
Share options reserve	20	**1,231,055**	1,495,921
Accumulated losses		**(71,666,579)**	(72,763,959)
Reorganisation reserve		**(382,543)**	(382,543)
TOTAL EQUITY		**25,499,603**	1,866,666
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	18	**1,629,873**	187,251
TOTAL LIABILITIES		**1,629,873**	187,251
TOTAL EQUITY AND LIABILITIES		**27,129,476**	2,053,917

The financial statements on pages 20 to 34 were approved by the Board of Directors and authorised for issue on 26 April 2018. They were signed on its behalf by Scott Richardson Brown – Chief Financial Officer.

Scott Richardson Brown
Chief Financial Officer
26 April 2018

Company Registration Number: 07503957

The notes on pages 24 to 34 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Share premium account £	Share options reserve £	Accumulated losses £	Reorganisation reserve £	Total equity £
At 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 and 1 January 2017	2,347,017	71,170,230	1,495,921	(72,763,959)	(382,543)	1,866,666
Profit and total comprehensive Profit for the year	-	-	-	726,692	-	726,692
Issue of share capital	119,127	22,681,296	-	-	-	22,800,423
Share based payments	-	-	105,822	-	-	105,822
Exercised share options	-	-	(370,688)	370,688	-	-
At 31 December 2017	**2,466,144**	**93,851,526**	**1,231,055**	**(71,666,579)**	**(382,543)**	**25,499,603**

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 Initial Public Offering (IPO) in 2011

The notes on pages 24 to 34 are an integral part of these financial statements

JERSEY OIL AND GAS PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017**	2016
		£	£
Cash flows from operating activities			
Cash used in operations	22	**2,036,892**	(927,144)
Net interest received	8	**5,010**	2,070
Net cash used in operating activities		**2,041,902**	(925,074)
Cash flows from investing activities			
Purchase of intangible assets	12	**(1,309,225)**	(85,993)
Proceeds on sale of intangible fixed assets	7	**-**	414,966
Net cash generated from/(used in) investing activities		**(1,309,225)**	328,973
Cash flows from financing activities			
Net proceeds from share issue		**22,800,423**	1,615,501
Net cash generated from financing activities		**22,800,423**	1,615,501
Increase in cash and cash equivalents	22	**23,533,100**	1,019,400
Cash and cash equivalents at beginning of year	22	**1,882,310**	862,910
Cash and cash equivalents at end of year	22	**25,415,410**	1,882,310

The notes on pages 24 to 34 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 the upstream oil and gas business in the UK.

The Company is a public limited company incorporated and domiciled in the United Kingdom and quoted on AIM, a market operated by London Stock Exchange plc. 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 required 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 P2170 licence 2018 approved work programme and budget, our current cash reserves are, expected to more than exceed the estimated liability of the Company. 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 Policies and Disclosures
(a) New and amended standards adopted by the Company:

There are no new standards that came into effect during 2017.

(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 beginning 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:

- the estimation of share based payment costs (note 20).

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 Cash Generating Units are determined based on value-in-use calculations. There were no impairment triggers in 2017 and no impairment charge has been recorded.

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 £105,822 (2016: £114,788). 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 of 40% used in the calculation is based on the actual volatility of the Company'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.

2. **SIGNIFICANT ACCOUNTING POLICIES – continued**

Basis of Consolidation
(a) Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern their 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 is 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 the 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 is recognised in the period in which services are provided to such partners by the Group 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 has 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's 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 maturity 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 administrative expenses in the Consolidated Statement of Comprehensive Income.

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

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
Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to contributions.

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 2017 and 2016 the Group had no turnover. During the 2017 year the Group did receive £2,417,748 (2016: £87,528) for carried cost reimbursements from co-venturers which is shown in Other Income.

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 debtor 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 co-ventureres have made commitments to fund certain expenditure. Management evaluate the credit risk associated with each contract at the time of signing and regularly 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 2017 is Nil (2016: Nil).

Maturity analysis of financial assets and liabilities

Financial Assets

	2017	2016
	£	£
Up to 3 months	**356,107**	122,872
3 to 6 months	**-**	-
Over 6 months	**-**	-
	356,107	122,872

Financial Liabilities

	2017	2016
	£	£
Up to 3 months	**1,629,872**	187,251
3 to 6 months	**-**	-
Over 6 months	**-**	-
	1,629,872	187,251

5. **EMPLOYEES AND DIRECTORS**

	2017	2016
	£	£
Wages and salaries	**795,389**	429,553
Social security costs	**64,409**	38,690
Share based payments (note 20)	**105,822**	114,788
Other pensions costs	**42,407**	24,367
	1,008,027	607,398

Other pension costs include employee and Company contributions to money purchase pension schemes.

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

	2017	2016
Directors	**5**	5
Employees	**7**	6
	12	11

	2017	2016
	£	£
Directors' remuneration	**489,000**	210,500
Directors' pension contributions to money purchase schemes	**20,000**	11,000
Benefits	**5,231**	4,665
	514,231	226,165

5. **EMPLOYEES AND DIRECTORS – continued**

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

	2017	2016
Money purchase schemes	**1**	1

Information regarding the highest paid Director is as follows:	**2017**	2016
	£	£
Aggregate emoluments and benefits	**153,924**	68,000
Pension contributions	**-**	-
	153,924	68,000

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;

	2017	2016
	£	£
Wages and short-term employee benefits	**519,544**	230,353
Share based payments (note 20)	**52,978**	82,411
Pension Contributions	**24,375**	14,375
	596,897	327,139

6. **OTHER INCOME**

	2017	2016
	£	£
Refund of well insurance	**-**	37,380
Refund of joint venture well costs	**-**	89,202
Sale of datasets	**22,500**	-
Carried costs reimbursement	**2,417,748**	87,528
	2,440,248	214,110

Carried costs reimbursement: Reimbursement of well-related costs received as a result of the carried interest arrangement with CIECO V&C (UK) Limited in relation to licence P2170

Refund of well insurance: A return of prepaid insurance premiums on various policies

Sale of datasets Income generate from the sale of data relating to a relinquished licence

Refund of joint venture 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**

	2017	2016
	£	£
Proceeds from Statoil	**-**	414,966
Net book value of asset	**-**	(175,242)
Gain on disposal of asset	**-**	239,724

During the prior year licence P2170, which contains the Verbier oil discovery and other exploration prospects was farmed out to Statoil. The Group retains an 18% interest in this licence.

8. **NET FINANCE INCOME**

	2017	2016
	£	£
Finance income:		
Joint venture finance charge	**-**	26
Interest received	**5,010**	2,044
	5,010	2,070
Finance costs:		
Unwinding of discount on the decommissioning liability	**-**	-
Joint venture finance charge	**-**	-
	-	-
Net finance income	**5,010**	2,070

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9. PROFIT/(LOSS) BEFORE TAX

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

	2017	2016
	£	£
Depreciation	**372**	4,683
Impairment of intangible assets (note 12)	**-**	710
Auditors' remuneration – audit of parent company and consolidation	**28,500**	28,500
Auditors' remuneration – audit of subsidiaries	**11,500**	11,500
Foreign exchange (gain)/loss	**4,980**	(33,326)
Directors' remuneration (note 5)	**514,231**	226,165
Employee costs (note 5)	**387,974**	266,445
Share based payments (notes 5 & 20)	**105,822**	114,788

10. TAX

Reconciliation of tax charge

	2017	2016
	£	£
Profit/Loss before tax	**726,692**	(793,439)
Tax at the domestic rate of 19.25% (2016: 20%)	**138,072**	(158,688)
Capital allowances in excess of depreciation	**(276,257)**	-
Expenses not deductible for tax purposes and non-taxable income	**20,034**	1,338
Deferred tax asset not recognised	**118,151**	157,350
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 2017 or for the year ended 31 December 2016.

The Group has 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 £25million.

11. PROFIT/LOSS PER SHARE

Basic profit/(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 profit/(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 prior year, the issue of potential ordinary shares would have been anti dilutive (see note 20 for share options in place at the end of the year).

	Profit/(Loss) attributable to ordinary shareholders £	**Weighted average number of shares**	**Per share amount pence**
Year ended 31 December 2017			
Basic and Diluted EPS			
Basic	726,692	11,203,777	6.49
Diluted	726,692	12,056,036	6.03
Year ended 31 December 2016			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	(793,439)	8,545,612	(9.28)

12. INTANGIBLE ASSETS

	Exploration costs £
COST	
At 1 January 2016	16,629,877
Additions	85,992
Disposals	(175,242)
Refund of prior additions	(94,202)
At 31 December 2016	16,446,425
Additions	1,309,596
Disposals	(16,222,821)
At 31 December 2017	1,533,200
AMORTISATION, DEPLETION & DEPRECIATION	
At 1 January 2016	16,491,554
Charge for the year	-
Impairment charge for the year	710
Refund on prior year additions (note 6)	(94,202)
At 31 December 2016	16,398,062
Amortisation on disposal	(16,222,821)
At 31 December 2017	175,241
NET BOOK VALUE	
At 31 December 2017	1,357,959
At 31 December 2016	48,363
At 31 December 2015	138,323

During 2017, the Group retained an 18% equity interest in Licence P2170 (Verbier) and a commercial interest in P1989 (Partridge)

During 2016, the P2170 licence was farmed out to Statoil, under the terms of which we disposed of 42% of our 60% interest (retaining an 18% interest) in the licence. The disposal recorded in the previous year within this note reflects this reduced interest.

At 31 December 2017 the remaining exploration asset (P2170 – Verbier) was reviewed and the then carrying value of £1,357,959 was considered reasonable based on on-going exploration work on the licence area and as a result no further impairments have been considered necessary.

13. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment £
COST	
At 1 January 2016	286,022
Additions	-
At 31 December 2016	286,022
Disposals	(160,236)
At 31 December 2017	125,786
ACCUMULATED AMORTISATION, DEPLETION & DEPRECIATION	
At 1 January 2016	280,967
Charge for the year	4,683
At 31 December 2016	285,650
Charge for the year	372
Disposals	(160,236)
At 31 December 2017	125,7856
NET BOOK VALUE	
At 31 December 2017	-
At 31 December 2016	372
At 1 January 2016	5,055

14. IMPAIRMENTS

	2017 £	2016 £
Exploration assets	**-**	710
	-	710

15. TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Current:		
Trade receivables (net)	**277,710**	-
Other receivables	**67**	67
Value added tax	**52,085**	19,513
Prepayments and accrued revenue	**26,245**	103,292
	356,107	122,872

As at 31 December 2017 there were no trade receivables past due nor impaired. There are no credit quality concerns over the trade receivables balance outstanding at the year end.

16. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Unrestricted cash in bank accounts	**25,415,410**	1,882,310

The cash balances are placed with a creditworthy financial institution.

17. CALLED UP SHARE CAPITAL

Issued and fully paid:

Number:	Class	Nominal value	**2017 £**	2016 £
21,829,227 (2016: 9,916,478)	Ordinary	1p	**2,466,144**	2,347,017

During the year the company issued 11,912,749 ordinary shares for which it received c.£24m gross

18. TRADE AND OTHER PAYABLES

	2017 £	2016 £
Current:		
Trade payables	**1,279,870**	46,413
Accrued expenses	**219,586**	98,587
Other payables	**8,169**	10,391
Taxation and Social Security	**122,248**	31,860
	1,629,873	187,251

19. CONTINGENT LIABILITY

In accordance with a 2015 settlement agreement reached with the Athena Consortium, although Trap Oil Limited remains a Licensee in the joint venture, any past or future liabilities in respect of its interest can only be satisfied from the Group's share of the revenue that the Athena Oil Field generates and up to 60 per cent. of net disposal proceeds or net petroleum profits from the Group's interests in the P2170 and P1989 licences which are the only remaining assets still held that were in the Group at the time of the agreement with the Athena Consortium 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 P2170 (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, however 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.

20. 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's share option schemes are for Directors, Officers and employees. The charge for the year was £105,822 (2016: £114,788l) 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 2017	Options issued	Options Exercised	Options lapsed/non vesting during the year	No. of shares for which options outstanding at 31 Dec 2017
Mar 2011	100	Vested	Mar 2021	24,138	-	20,974	-	3,164
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	-	13,333	-	246,667
Nov 2016	110	Nov 2017	Nov 2021	260,000	-	-	13,333	246,667
Nov 2016	110	Nov 2018	Nov 2021	260,000	-	-	13,333	246,667
Apr 2017	310	Apr 2017	Apr 2022	-	20,000	-	-	20,000
Apr 2017	310	Apr 2018	Apr 2022	-	20,000	-	-	20,000
Apr 2017	310	Apr 2019	Apr 2022	-	20,000	-	-	20,000
							Total	**843,007**

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.

21. 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

22. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	2017	2016
	£	£
Profit/(loss) for the year before tax	726,692	(793,439)
Adjusted for:		
Amortisation, impairments, depletion and depreciation	-	5,393
Share based payments (net)	105,822	114,788
Gain on disposal of assets	-	(239,724)
Finance costs	-	-
Finance income	(5,010)	(2,070)
	827,504	(915,052)
(Increase)/Decrease in trade and other receivables	(233,235)	104,846
Increase/(Decrease) in trade and other payables	1,442,623	(116,938)
Cash Generated from/(used in) operations	2,036,892	(927,144)

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 2017

	31 Dec 2017	1 Jan 2017
	£	£
Cash and cash equivalents	25,415,410	1,882,310

Year ended 2016

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

		Analysis of net cash	
	At 1 Jan 2017	Cash flow	At 31 Dec 2017
	£	£	£
Cash and cash equivalents	1,882,310	23,533,100	25,415,410
Net cash	1,882,310	23,533,100	25,415,410

23 AVAILABILITY OF THE ANNUAL REPORT 2017

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.

JERSEY OIL AND GAS PLC
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	**2017** £	2016 £
CURRENT ASSETS			
Trade and other receivables	5	**76,172**	32,696
Cash and cash equivalents	6	**25,267,423**	1,777,566
		25,343,595	1,810,262
TOTAL ASSETS		**25,343,595**	1,810,262
EQUITY			
Called up share capital	7	**2,466,144**	2,347,017
Share premium account		**93,851,526**	71,170,230
Share options reserve		**1,231,055**	1,495,916
Accumulated losses		**(72,776,950)**	(73,552,237)
TOTAL EQUITY		**24,771,770**	1,460,926
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	**571,825**	349,336
TOTAL LIABILITIES		**571,825**	349,336
TOTAL EQUITY AND LIABILITIES		**25,343,595**	1,810,262

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 financial statements on pages 36 to 41 were approved by the Board of Directors and authorised for issue on 26 April 2018. They were signed on its behalf by S J Richardson Brown – Chief Financial Officer.

Scott Richardson Brown
Chief Financial Officer
26 April 2018

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 2016	2,331,767	69,569,979	1,381,128	(72,828,837)	454,037
Total comprehensive 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
Total comprehensive profit for the year	-	-	-	404,599	404,599
Issue of Share capital	119,127	22,681,296	-	-	22,800,423
Transactions with owners (share based payments)	-	-	105,822	-	105,822
Lapsed share options	-	-	(370,688)	370,688	-
At 31 December 2017	**2,466,144**	**93,851,526**	**1,231,055**	**(72,776,950)**	**24,771,770**

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

COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	**2017** £	2016 £
Cash flows from operating activities			
Cash generated from operations	10	**(107,146)**	(299,706)
Net cash used in operating activities		**(107,146)**	(299,706)
Cash flows from investing activities			
Interest received		**5,010**	2,044
Net cash generated from investing activities		**5,010**	2,044
Cash flows from financing activities			
Proceeds from share issue		**22,800,423**	1,615,501
Loans from/(to) subsidiary companies		**791,570**	(283,895)
Net cash generated from financing activities		**23,591,993**	1,331,606
Increase in cash and cash equivalents	10	**23,489,857**	1,033,944
Cash and cash equivalents at beginning of year	10	**1,777,566**	743,622
Cash and cash equivalents at end of year	10	**25,267,423**	1,777,566

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, where appropriate, provisions for impairment.

Going Concern
The Company is required to have sufficient resources to cover the expected running costs of the business for a period of at least 12 months after the issue of these financial statements. Taking into account the P2170 licence 2018 approved work programme and budget, our current cash reserves are, expected to more than exceed the estimated liability of the Company. Based on these circumstances, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated 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. PROFIT/(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 profit for the year was £404,599 (2016: Loss £723,400).

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

4. PROPERTY, PLANT AND EQUIPMENT

	Office equipment £
COST	
At 1 January 2016	255,029
At 31 December 2016	255,029
Disposals	(160,236)
At 31 December 2017	**94,793**
ACCUMULATED DEPRECIATION	
At 1 January 2016	255,029
Charge for the year	-
At 31 December 2016	255,029
Eliminated on disposal	(160,236)
At 31 December 2017	**94,793**
NET BOOK VALUE	
At 31 December 2017	**-**
At 31 December 2016	-
At 1 January 2016	-

5. **TRADE AND OTHER RECEIVABLES**

	2017	2016
	£	£
Current:		
Value Added Tax	**49,915**	15,363
Prepayments	**26,257**	17,333
	76,172	32,696

6. **CASH AND CASH EQUIVALENTS**

	2017	2016
	£	£
Cash at bank	**25,267,423**	1,777,566

7. **CALLED UP SHARE CAPITAL**

Issued and fully paid:

Number:	Class	Nominal Value	2017 £	2016 £
21,829,227 (2016: 9,916,478)	Ordinary	1p	**2,466,144**	2,347,017

During the year the company issued 11,912,749 ordinary shares for which it received c£24m gross.

8. **TRADE AND OTHER PAYABLES**

	2017	2016
	£	£
Current:		
Amounts due to Group undertakings	**211,678**	211,678
Trade payables	**117,295**	28,209
Other payables	**89,520**	22,272
Accrued expenses	**153,332**	87,177
	571,825	349,336

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 2017 £	2016 £
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 £67,020,193 (2016: £68,255,683) and Jersey Oil & Gas E&P Ltd £884,356 (2016: £440,433) have been fully provided for as a doubtful debt given the doubt over the ability of the subsidiaries to continue as going concerns without support from the parent company.

During the year the Company also made sales to Trap Oil Limited amounting to £725,147 (2016: £445,466).

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

RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
Profit /(Loss) for the year before tax	**404,599**	(723,400)
Adjusted for:		
(Reversal of impairment)/Impairment of receivables from subsidiaries (note 9)	**(791,570)**	283,895
Provision for write off of loan interest	**149,182**	69,489
Share based payments (net)	**105,822**	114,788
Finance income	**(154,192)**	(71,533)
	(286,159)	(326,761)
(Increase)/Decrease in receivables (note 5)	**(43,476)**	2,613
Increase in trade and other payables (note 8)	**222,489**	24,442
Cash used in operations	**(107,146)**	(299,706)

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 2017

	31 Dec 2017	**1 Jan 2017**
	£	**£**
Cash and cash equivalents	**25,267,423**	**1,777,566**

Year ended 2016

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

	Analysis of net cash		
	At 1 Jan 2017	**Cash flow**	**At 31 Dec 2017**
	£	**£**	**£**
Cash and cash equivalents	1,777,566	23,489,857	25,267,423
Net cash	**1,777,566**	**23,489,857**	**25,267,423**