JERSEY OIL & GAS

# ANNUAL REPORT & ACCOUNTS 2018

**Highlights during the year**

- **Post discovery well analysis**: 2018 was a year of post well analysis following the Verbier oil discovery made in October 2017.
- **PGS Seismic Survey**: JOG participated in pre-funding a 3D seismic survey over the P2170 licence area and certain offset acreage to advance the interpretation of the 2017 Verbier discovery and assessment of other exploration opportunities within the P2170 licence and surrounding area.
- **Preparation for the Verbier Appraisal Well**: The West Phoenix semi-submersible rig was contracted for drilling, as part of a larger Equinor operated drilling campaign, leading to cost benefits for JOG with certain costs being shared. Originally scheduled to commence in H2 2018, the well was subsequently rescheduled and drilled in H1 2019.
- **Board Change**: On 14 November 2018, Vicary Gibbs joined the Company and Board, replacing Scott Richardson Brown as Chief Financial Officer.
- **Strong Cash Position**: Ended 2018 with £19.8 million of which approximately £4-5 million will be utilised through H1 2019, principally to settle our share of the Verbier appraisal well costs.

**Post year end**

- **Verbier Appraisal Well Result**: The 20/05b-14 appraisal well, which was safely drilled, ahead of schedule and within budget, unfortunately did not encounter Upper Jurassic reservoir sands as anticipated. The appraisal well results will be fully integrated with the final processed data from the 3D seismic survey, acquired in 2018, in order to evaluate the upside potential for further Verbier appraisal activity.
    - Our contingent resource volumetric estimates are likely to be revised towards the lower end of the initial resource estimate of 25 million barrels of oil equivalent ("MMboe") from the 2017 Verbier oil discovery results, a volume which JOG views to be commercially viable.
    - A large part of the mapped area of the Verbier discovery, located to the north west of the 20/05b-14 well location remains untested. Additional resource potential, which was not tested with this well or the discovery well, has also been identified in a deeper horizon beneath the Verbier discovery. These prospects, along with the Cortina prospect, will be re-evaluated with the new seismic data and then considered for future drilling.

**Outlook**

- **Delivery of final 3D seismic survey dataset:** Final processed dataset from the 3D seismic survey is expected to be delivered around the end of Q2 2019.
- **Technical re-evaluation of P2170 licence area**: JOG, together with Equinor and CIECO, will complete the already planned full re-evaluation of the licence area, combining the recent appraisal well results and data collected during operations with the fully processed 3D seismic data in order to better understand the reservoir distribution of the primary target. The evaluation will also include an assessment of additional prospectivity in deeper targets and the other previously identified exploration opportunities, including Cortina, before making decisions on any potential future appraisal/exploration programme.
- **Licensing awards in the 31st Supplementary Offshore Licensing Round**: We look forward to the results of the 31st Supplementary Offshore Licensing Round which we see as being highly beneficial to the Verbier discovery, with the potential to enhance its commercial viability.
- **M&A**: The UKCS continues to benefit from a vibrant M&A market. JOG continues to evaluate all relevant opportunities as it pursues its growth strategy seeking attractive returns.

***Andrew Benitz, CEO of Jersey Oil & Gas, commented:***

*"JOG continues to benefit from our initial Verbier oil discovery announced in 2017, notwithstanding the recent appraisal well results. We look forward to delivery of the new 3D seismic data and working with our co-venturers on assessing potential future appraisal and exploration drilling opportunities on the licence area. Additionally, we are excited by the potential for a new area hub catalysed by the 31st Supplementary Offshore Licensing Round and the positive impact we believe this will have for Verbier. The Company benefits from a strong funding position and we are optimistic that we can create value for shareholders through our core asset base, with multiple catalysts that exist for the Company through the remainder of 2019."*

**Overview**

During the year ended 31 December 2018 Jersey Oil and Gas ("JOG" or the "Company" or, together with its subsidiaries, the "Group") sought to consolidate and develop its position following the oil discovery at licence P2170 ("Verbier"). We did this largely through agreeing a work programme with our co-venturers for the drilling of an appraisal well to assess the extent of the Verbier discovery in addition to undertaking seismic and other pre-drilling technical work.

The appraisal well was drilled in the first quarter of 2019 and, to our great disappointment, failed to intersect Upper Jurassic reservoir sands as anticipated.

Whilst this was a setback to our short-term ambitions, we continue to see core value to the Company from the estimated contingent resource volume for the Verbier oil discovery and material additional value potential across the P2170 licence and look forward to the results of further technical work currently being undertaken. We are also confident of our ability to capitalise on a number of further opportunities in the North Sea, the background to which is covered in the Chief Executive's Statement that follows.

**Economic and Industry Environment**

Brent Crude Oil started trading in 2018 at a price of $65 per barrel, increasing to $85 per barrel and then falling back to $55 per barrel at the year end. At the time of this statement Brent is trading around $70 per barrel, with market commentators anticipating prices of $70 per barrel for the end of 2019. Geopolitical events and macroeconomic influences, of which there are many, continue to play their part in setting the market price of oil. Nonetheless, current and expected price levels continue to bode well for the development of profitable oil and gas opportunities in the North Sea.

Across the whole of the North Sea region, sixty exploration wells are expected to be drilled in 2019, which is a 25% increase versus 2018. As regards the UK sector of the North Sea, the Oil and Gas Authority ("OGA") estimates that 10 to 20 billion barrels of oil remain to be developed, which could sustain production for another 20 years or more. As a result, we continue to be very comfortable operating within this economic and industry environment.

The OGA also continues to place great emphasis on its Maximising Economic Recovery ("MER") programme, and our strategic plans to develop the P2170 licence and surrounding areas, are fully aligned with this strategy.

In addition to our operational activities, we continue to assess multiple M&A growth opportunities, assisted by £30m of tax losses and indicative bank funding support. However, based on our internal pricing analysis and prudent economic evaluation of many oil and gas interests, we have not been prepared to pay prices which we believe to be unlikely to deliver a good return to shareholders.

**Financial Results**

Our pre-tax loss for the year amounted to £2.0m down from a £0.7m profit in 2017, reflecting the end of the carried interest arrangement with CIECO V&C (UK) Limited in relation to licence P2170.

Cash at year end was £19.8m, which will be reduced further by approximately £4-5m, as our share of the Verbier appraisal well costs falls due during H1 2019.

**Corporate Governance**

During 2018 we adopted the Quoted Companies Alliance Corporate Governance Code (the "QCA Code") which, in practical terms, meant that we codified many of the governance processes that we already undertook, and implemented a number of new processes in a more formal way, such as board effectiveness reviews. This process of adopting the principles of the QCA Code was completed smoothly and a full corporate governance report follows later in the 2018 Report and Accounts and further details can be found on our website.

**People**

We continue to add to our team as our requirements grow and, subsequent to the 2018 year-end, leased some office space in London which is modest and cost effective and will act as a focal point for our UK-based personnel.

In the latter part of 2018, Scott Richardson Brown stood down as Chief Financial Officer and a director of the Company, in order to focus on his other directorships and business interests, having served on the Board since June 2013. At the same time, we welcomed Vicary Gibbs as our new Chief Financial Officer. Vicary has extensive experience as a corporate financier advising oil and gas corporates, including JOG, and in addition to his finance responsibilities, we look forward to taking advantage of his deal-based skills, as the Company develops.

**Outlook**

JOG has a strong team, and on behalf of the Board, I would like to thank all of our employees who have continued to work in support of the Company's activities, both in the front line and in support roles.

We continue to view the P2170 licence area, including Verbier, as a valuable asset with significant prospectivity and will assess the information obtained from the first quarter appraisal well, in addition to the enhanced seismic data due to be delivered around the end of Q2 2019 to determine the potential for further appraisal and exploration wells.

Work also continues on other catalysts for growth, including the OGA's 31st Supplementary Offshore Licensing Round, which includes acreage in the Greater Buchan Area and various potential production asset acquisition opportunities.

The Company remains well-funded to continue its exploration and appraisal activities on its core P2170 licence and we remain fully focused on increasing shareholder value.

**Marcus Stanton**
Non-Executive Chairman
20 May 2019

**Overview**

2018 was a year of post-well analysis following the Verbier oil discovery announced in October 2017 and preparation for the next phase of exploration activity. Early on in the year, the joint venture, operated by Equinor UK Ltd ("Equinor"), approved an appraisal well programme and contracted the West Phoenix semi-submersible rig for drilling. Such drilling had the objective of determining the potential volume range of the Verbier oil discovery, which on discovery was estimated by the operator to be 25-130 million barrels of oil equivalent ("MMboe"), whilst acquiring data important to our further understanding of the depositional model for the Verbier reservoir sands. In addition, we pre-funded the acquisition and processing of a significant 3D seismic survey by Petroleum Geo-Services ASA ("PGS") covering the P2170 licence area and certain offset acreage. The final processed dataset is expected to be delivered around the end of Q2 2019.

Post year-end, JOG announced the results of the Verbier appraisal well, which unfortunately did not encounter the anticipated Upper Jurassic reservoir sands. As a result, our contingent resource estimate is likely to be revised towards the lower, 25 MMboe end of its initial range. It is important to note that such a revision does not factor in elements of additional resource potential within the P2170 licence area which include the area to the north west of Verbier, a deeper objective beneath the Verbier discovery and the Cortina prospect to the east of Verbier.

In addition to the P2170 prospects, we believe that there is potential for the exploitation and development of existing discovered, but currently undeveloped reserves that would allow for an area development approach around Verbier. Further to this, in January 2019, the OGA launched its 31st Supplementary Offshore Licensing Round, covering what is referred to as the Greater Buchan Area, which will comprise eight blocks that surround the existing P2170 licence. The OGA has estimated that up to 300 MMboe of recoverable oil volumes exist within this area, a material volume that potentially could lead to an area hub development, thereby enhancing the commercial viability of volumes discovered within P2170. During the year and post year-end, JOG committed resources to evaluating the development potential of this wider area. Post completion of the Verbier appraisal well, JOG remains well funded for further potential drilling activity on P2170, should this be agreed by the joint venture parties.

**Operations**

In January 2018, the P2170 co-venturers confirmed an approved work programme and budget for the appraisal of the Verbier oil discovery. Subsequently, Equinor contracted the West Phoenix, a sixth-generation semi-submersible drilling rig and related well services. This high-specification drilling rig is equipped with a dual derrick drilling system and substantial main deck space that can be pre-loaded, allowing for an optimal drilling performance at an attractive price.

Post the initial 2017 discovery, the co-venturers analysed the discovery well results, re-interpreting the existing seismic data and updating the prospectivity of P2170. JOG was pleased to announce, in April 2018, the pre-funding of a significant new 3D seismic survey over the licence area and certain offset acreage, as part of a wider survey by PGS. The acquisition parameters of this survey were specifically optimised to advance our interpretation of Verbier and the further assessment of other late Jurassic exploration opportunities. The survey was completed at the end of June 2018 and the data is now being processed by PGS. In December 2018, a fast-track processed dataset volume from the PGS survey, that overlays Verbier and Cortina, was delivered. Interpretation of this data has already commenced, and JOG has recruited a senior geoscientist in order to manage our own interpretation in parallel with work underway by Equinor. Early indications are that the data quality is improved compared to previous datasets. The fully processed dataset is on track to be delivered around the end of Q2 2019. The drilling location for the appraisal well was determined utilising a seismic data set, purchased for this purpose from TGS-NOPEC Geophysical Company ASA during 2018.

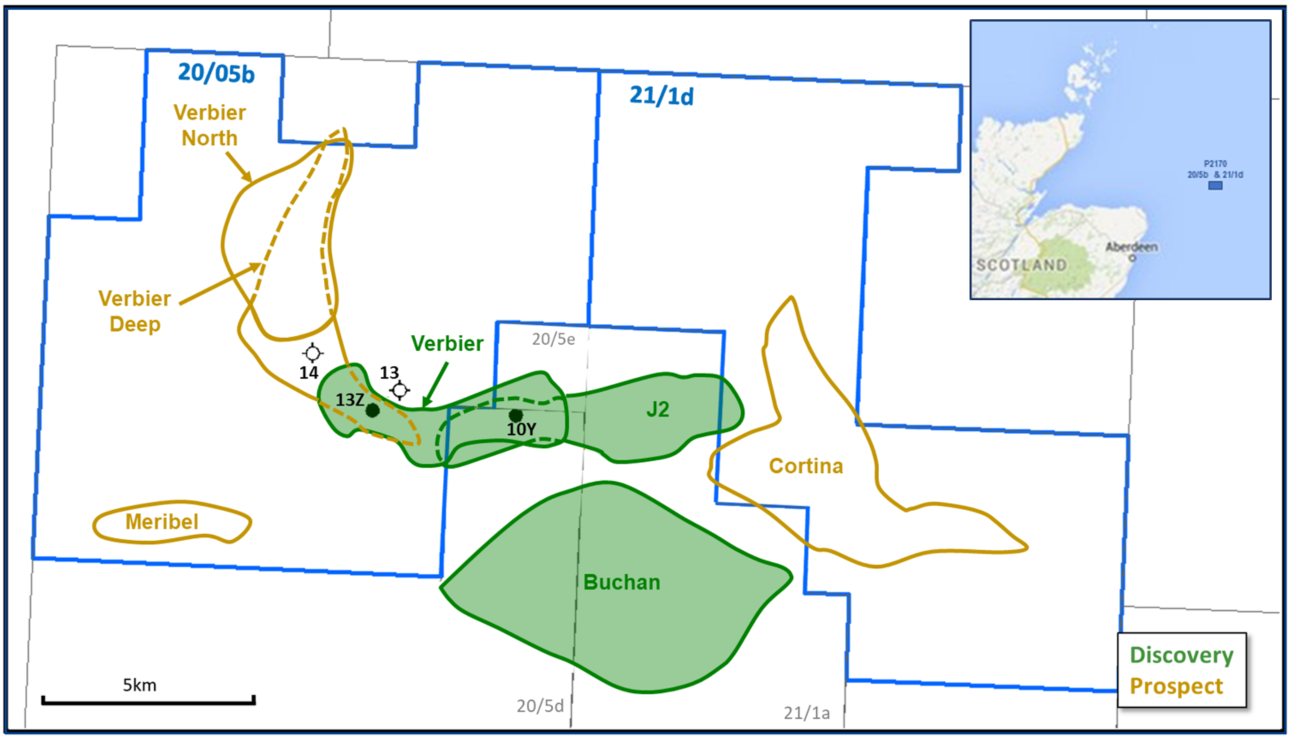
In November 2018, the co-venturers relinquished certain acreage in order to satisfy the Mandatory Surrender Area required under the terms of the Licence, at the end of the Initial Term. The remaining licensed area retains all identified prospectivity including Verbier, Cortina and Meribel and is illustrated on our company website.

The Verbier appraisal well programme was part of a larger Equinor operated drilling campaign which began in September 2018 and moved into UK waters in January 2019 to commence the drilling of two exploration wells for Equinor prior to Verbier. This had cost benefits for JOG in that certain costs were shared, such as mobilisation and demobilisation, across the whole campaign. Post year-end, the 20/05b-14 Verbier appraisal well commenced drilling on 4 March 2019 and its results were announced by JOG on 3 April 2019. The well was drilled ahead of schedule and under budget. However, the well did not encounter Upper Jurassic reservoir sands as anticipated and as a result, our contingent resource volumetric estimates are likely to be revised towards the lower, 25 MMboe end of the initial resource estimate range[1]. As a reminder, the 20/05b-13Z Verbier discovery well encountered excellent quality oil bearing reservoir sands. A full suite of wireline logs was acquired during the 2019 appraisal well programme and this data, together with all the previous well results will be integrated into the final processed 3D seismic data, of which JOG is expecting delivery from PGS around the end of Q2 2019. The resulting analysis will be used to fully evaluate the upside potential for further Verbier appraisal activity. A large part of the mapped area of the Verbier discovery, located to the north west of the recent 20/05b-14 appraisal well remains untested and further additional resource potential, which was not tested with this appraisal well or the 20/05b-13Z discovery well, has also been identified in a deeper horizon beneath the Verbier discovery. These prospects, along with the Cortina prospect, also within the P2170 licence area, will be re-evaluated with the new seismic data and considered for future drilling. A 2017 Competent Person's Report produced by ERC Equipoise, for JOG, ascribed mean recoverable prospective resources of 124 MMbbls to the Cortina prospect.

1 This on-block resource estimate was assessed by the Operator as the minimum proven volumes as a result of the positive well results of the 20/05b-13Z discovery well, its extent in a southerly direction to the Verbier entry point and to the east where the 20/05a-10Y discovery well tested what is believed to be the eastern extent of Verbier.

Figure 1, illustrated below, shows JOG's latest prospect inventory map, outlining the aerial extent of the Verbier discovery and the additional prospectivity across the P2170 licence area. Whilst the drilling of this first Verbier appraisal well was disappointing, additional prospectivity remains on the P2170 licence, beyond the Verbier low case and JOG expects to update its on-licence resource estimates, once the new 3D seismic has been fully evaluated.

**Figure 1** - P2170 discovery and prospect inventory map




**Other Licence Activity**

As reported in prior 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, but we continue our efforts in pursuit of this claim.

**JOG's Acquisition Strategy**

The landscape for potential acquisitions in the North Sea has changed and is increasingly active. The Company bid competitively on the sales of multiple producing assets during the year, but on each occasion, we were outbid. One exception was an acquisition that was agreed but was withdrawn by the vendor at the last minute due to vendor tax considerations. The Board remains committed to growing the business and bringing positive cash flow generation ever closer. Accordingly, we will continue to evaluate opportunities that we consider to be accretive to building shareholder value. We also acknowledge the growth opportunities that exist within the region of the North Sea that we know best, namely the Central North Sea, so we see potential growth in shareholder value being achieved both through organic and inorganic means. JOG remains committed to scaling up its business in the UK North Sea and sees this as a good sector in which to build a profitable full cycle upstream oil and gas business. We are pleased to be active in an area where there is a proactive, industry-facing regulator, the Oil and Gas Authority ("OGA"), and we are fully aligned with the OGA's objective of Maximising Economic Recovery.

**Financial Review**

JOG's 2018 year-end cash position was £19.8 million. As an oil and gas exploration company, JOG produced no production revenue during the year. The final amount payable under our carried interest arrangement with CIECO V&C Limited ("CIECO"), in respect of the P2170 licence, received at the start of 2018, was £12,038 (2017: circa £2.4m). In addition, we received a small amount of interest on our cash deposits.

The loss for the year, before and after tax, was £1,996,300 (2017: Profit £726,692). The change from 2017 reflects the fact that we have fully used the carried interest arrangement with both Equinor and CIECO but also reflects the Company's continued focus on controlling administrative costs within the context of the work undertaken during the year.

We also recognised the benefit of pre-funding the abovementioned PGS multiclient 3D survey with our co-venturers on the P2170 licence, which is an important step in our overall strategic planning as the P2170 licence area retains the potential for further exploration, appraisal and future development phases. Including other appraisal costs, our total spend on licence P2170 for year ended 31 December 2018 was £2.9m.

Further to the P2170 work programme and budget being approved in November 2018, JOG estimated total capex for 2019 to be in the range of £7 million to £10 million. The Verbier appraisal well, which comprised the majority of this estimated capex, was drilled ahead of schedule and under budget and therefore our capex guidance for 2019 has been reduced to a range of £6 million to £7 million. JOG therefore remains in a well-funded position.

**Looking Forward**

Equinor, as the operator of the P2170 licence, remains committed to the project and has confirmed to the co-venturers that it will complete the already planned full re-evaluation of the licence area, combining the recent appraisal well results and data collected during operations with the fully processed new 3D broadband seismic data, in order to better understand the reservoir distribution of the primary target. The evaluation will also include an assessment of additional prospectivity in the deeper targets and the other previously identified exploration opportunities, including Cortina, before a decision is made by the co-venturers on potential future appraisal and exploration programmes. Additionally, it is anticipated that plans for an area hub development will be catalysed by licence awards in the OGA's 31st Supplementary Licencing Round and that this will enhance the commercial viability of our Verbier oil discovery.

I would like to welcome new members to the JOG team, including our new CFO, Vicary Gibbs and Senior Geoscientist, Dr Nasser Bani Hassan. The Company has leased some new office space in London and invested in the latest industry interpretation software and hardware, which will position us well for the post well analysis and seismic interpretation. I thank our dedicated team of professionals for all their work and effort during the year.

Management remain excited by the Company's investment case and continue to believe that there is significant potential to create value for shareholders during 2019, with key events being the integration of data from the wells drilled to date on Verbier into the new 3D dataset, together with a potential update on resource estimates, the 31st Supplementary Licencing Round and planning for future drilling activity.

Many of our shareholders have supported JOG through the highs and lows, as we have sought to grow this business from the ground floor up. We are committed to the long-term growth of this Company and would like to thank our shareholders for their continued support.

**Andrew Benitz**
Chief Executive Officer
20 May 2019

**Business Review and Future Activities**

The principal activity of the Company is that of an upstream oil and gas business in the United Kingdom. The Company is a public limited company incorporated in England and Wales (company number 07503957) and is quoted in London on the AIM market of the London Stock Exchange plc ("AIM") under the designation JOG. The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 31 December 2018 and the position of the Group at the end of the year, as well as the principal risks and uncertainties facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chief Executive Officer's Statement, the Chairman's Statement and the Strategic Report.

**Highlights of 2018**

- **Post discovery well analysis**: 2018 was a year of post well analysis following the Verbier oil discovery made in October 2017.

- **PGS Seismic Survey**: JOG participated in pre-funding a 3D seismic survey over the P2170 licence area and certain offset acreage to advance the interpretation of the 2017 Verbier discovery and assessment of other exploration opportunities within the P2170 licence and surrounding area.

- **Preparation for the Verbier Appraisal Well**: The West Phoenix semi-submersible rig was contracted for drilling, as part of a larger Equinor operated drilling campaign, leading to cost benefits for JOG with certain costs being shared. Originally scheduled to commence in H2 2018, the well was subsequently rescheduled and drilled in H1 2019.

- **Board Change**: On 14 November 2018, Vicary Gibbs joined the Company and Board, replacing Scott Richardson Brown as Chief Financial Officer.

- **Strong Cash Position**: Ended 2018 with £19.8 million of which approximately £4-5m will be utilised through H1 2019, principally to settle our share of the Verbier appraisal well costs.

**Post Year End Developments**

- **Verbier Appraisal Well Result**: The 20/05b-14 appraisal well, which was safely drilled, ahead of schedule and within budget, unfortunately did not encounter Upper Jurassic reservoir sands as anticipated. The appraisal well results will be fully integrated with the final processed data from the 3D seismic survey, acquired in 2018, in order to evaluate the upside potential for further Verbier appraisal activity.
    - Our contingent resource volumetric estimates are likely to be revised towards the lower end of the initial resource estimate of 25 million barrels of oil equivalent ("MMboe") from the 2017 Verbier oil discovery results, a volume which JOG views to be commercially viable.
    - A large part of the mapped area of the Verbier discovery, located to the north west of the 20/05b-14 well location remains untested. Additional resource potential, which was not tested with this well or the discovery well, has also been identified in a deeper horizon beneath the Verbier discovery. These prospects, along with the Cortina prospect, will be re-evaluated with the new seismic data and then considered for future drilling.

**Business Strategy**

The Company has a two-pronged approach to its strategy. The first is a Core Area Strategy, with an intense focus on the area surrounding our principal asset, UK licence P2170, to create and increase value in the licence and surrounding areas. The second is the pursuit and execution of asset acquisitions in the UK North Sea area. Both approaches aim to deliver strong shareholder returns.

**P2170 Core Area**: P2170 sits in a prolific area of the Outer Moray Firth of the North Sea. In March of 2017, prior to drilling the Verbier oil discovery, ERCE produced a Competent Person's Report ("CPR") for the Company detailing the contingent and prospective resources within the P2170 licence area. Based on the technical work leading up to the date of the CPR it estimated the P2170 licence held gross volumes of a total of 2 MMboe Contingent Resources in Verbier and 286 MMboe PMean Risked Prospective Resources, split between Verbier (162 MMboe) and Cortina (124 MMboe). Post the results of the Verbier oil discovery, announced in October 2017, the P2170 licence operator (Equinor) published estimated recoverable oil volumes of 25 to 130 MMboe for Verbier, with 25 MMboe being the estimated minimum proven oil volumes around the discovery well. While the spread of volumes, when assessed across the different risk/uncertainty levels, remains large, there clearly remains very significant potential across the licence, notwithstanding the recent disappointing appraisal result on Verbier. The Company's strategy therefore is to continue to appraise and explore across the acreage, with a view to proving up further volumes. Once sufficient data has been gained about the licence's potential, the intention is to progress those volumes to development as quickly as possible, giving due consideration to the OGA's MER strategy and the wider area potential.

**UK North Sea Growth Through Acquisitions**: Since JOG's inception, there has been a clear additional focus on acquisition opportunities. Through participation in over fifty different processes, JOG has evaluated as many relevant opportunities as it deems appropriate. The Company's process begins with a technical evaluation. Subject to a positive technical assessment of the merits of the opportunity, it is then assessed commercially. The Company's approach is to ensure there is a balance in the risk / reward outlook of an opportunity and, as such, many of the opportunities assessed have not passed our combination of technical and/or commercial evaluations. For those opportunities that have progressed, most were within competitive processes. We have maintained our discipline relative to our technical and commercial assessments, including our in-house views of the macro environment (commodity prices, FX risk and other macro considerations pertaining to the UK North Sea). While this prudent approach resulted in our being outbid on a number of opportunities, this discipline has ensured that we have not bought production at prices subsequently likely to be proved uncommercial. We intend to continue this prudent approach.

**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 attractive returns for our shareholders. The company has a well-developed and discussed Risk Register. It is updated on a regular basis and discussed at regular points throughout the year. The most recent discussion was at a January 2019 Board meeting.

| **Financial Risks:** | |
|---|---|
| • Availability of funding and access to capital markets<br>• Oil and gas price movements<br>• Cost overruns and inflation<br>• Adverse taxation and legislative changes<br>• Regulatory and compliance risks<br>• Co-venturer and other counterparty risk<br>• Adverse foreign exchange movements | Close relationships are maintained with banks and the investor community as the Group will require capital to facilitate potential future acquisitions. The Group is usually in ongoing discussions with various financial partners, with a view to them supporting the Group in the future once producing assets are acquired or appraisal or exploration assets require further funding. We are also regularly in talks with various third parties and shareholders, regarding the provision of capital, with which to execute any future acquisitions.<br><br>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 into 2020 and beyond depending on work programmes yet to be agreed and, subject to there not being any unforeseen cost overruns or other expenses.<br><br>The Group currently has no income exposure to oil price fluctuations, since there is no longer any production accruing to the Company from its asset portfolio.<br><br>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 and Norwegian Krone 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.<br><br>The Group insures the risks considered appropriate for the Group's needs and circumstances. In particular, events like the drilling of the Verbier appraisal well carry inherent financial and operational risks and these are insured under specific policies with major insurers. |

| **Operational Risks:** | |
|---|---|
| • Loss of key employees<br>• Delay and cost overrun on projects, including weather related delays<br>• HSSE incidents<br>• Exploration and appraisal well failures<br>• Co-venturer and other counterparty risk<br>• Delays to exploration well programme execution<br>• Failure of third-party services<br>• Inherent geological risks and uncertainties | 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 previous 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.<br><br>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 Equinor. 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 the Company's JV co-venturers. These foregoing risks, together with relationships with government and regulators, are part of an on-going Board review process.<br><br>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:** | |
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| • Movement and conditions in capital markets<br><br>• Commercial misalignment with, or default of co-venturers<br><br>• Material oil price movements<br><br>• Material changes in projected abandonment costs of oil and gas fields<br><br>• Brexit | 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.<br><br>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.<br><br>The Company does not see Brexit having a significant impact on its business. We do not currently produce. The global oil market is not forecast to be significantly directly impacted by an exit of the UK from the EU and there is significant demand for gas domestically. However, access to overseas personnel and equipment may be affected to a greater or lesser extent, depending on the precise Brexit outcome.<br><br>There is no absolute assurance that the Group's ongoing activities will be successful. At the current time, the Group has one active licence interest, which it still considers to have good reserves potential and prospects, notwithstanding the recent disappointing appraisal result. However, it is an exploration and appraisal 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 its portfolio through the acquisition of growth assets in the future to provide asset diversification and there appears to be strong investor appetite for the right transactions.<br><br>The risks and opportunities set out above and herein 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. |

**Key Performance Indicators**

The Group's Key Performance Indicators ("KPIs") 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 be 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 2018 in a strong position, with £19.8m of cash remaining.

**Consolidated Statement of Comprehensive Income**

The Group had no trading revenues in 2018 and unlike prior years, where a carried interest arrangement was in place, received no other material income from its joint venture partners, Equinor and CIECO, in respect of operations conducted on licence P2170. Cost of Sales includes expenditure on new licensing round activities and legal costs associated with these activities.

**Administrative Expenses**

2018 saw some increases in the Group's cost base. This resulted from expanding the team post discovery to bring more of our technical resources in house, to give the Company maximum control and influence within our core asset, and from modest salary increases as the low level of costs incurred during and prior to 2017 were not sustainable in the longer term. We have a hard-working management team closely aligned with shareholder interests. The Group continues to remain lean and cost efficient, which leads to us having annual running costs of approximately £2.0m. In addition, a number of studies were undertaken and/or commissioned to further our understanding of P2170 and the neighbouring acreage that will prepare us well for future growth in our core area. 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 asset base. It is well managed, with an efficient, effective and scalable cost base, and remains well placed to pursue our current stated strategy. There is strong belief that there is good potential for continued near-term value creation. Our key asset, the P2170 licence area, which includes the Verbier oil discovery and associated exploration potential, has manageable expected obligations in respect of further forward activity.

On behalf of the Board

**Vicary Gibbs**
Chief Financial Officer
20 May 2019

**Introduction**

The Board of Jersey Oil and Gas plc (“JOG,” “Company” or the “Group”), believes that a sound corporate governance policy, involving a transparent set of procedures and practices, is an essential ingredient to the Company’s success both in the medium and long term. The application of these policies enables key decisions to be made by the Board as a whole, and for the Company to function in a manner that takes into account all stakeholders in the Group, including employees, suppliers and business partners.

As a company quoted on AIM, and effective from 28 September 2018, JOG is also required to comply with a recognised corporate governance code. At the current stage of the Company’s development, the Board believes it appropriate for the Group to comply with the QCA Corporate Governance Code (the “QCA Code”), which is a code designed for growing companies and provides an effective and proportionate governance framework that is reflective of the Group’s culture and values.

**The Board of Directors**

The Board is the main decision-making body of the Group, being responsible for: a) the overall direction and strategy of the Group; b) monitoring performance; c) understanding risk: and d) reviewing controls. It is collectively responsible for the success of the Group.

The Board of Directors currently comprises a Non-Executive Chairman, a Chief Executive Officer, a Chief Operating Officer, a Chief Financial Officer and one other Non-Executive director. The respective skills that each bring to the board are listed in the following section.

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 primarily effected through regular Board meetings as well as contact with other Board members and interested parties between Board meetings. The Chairman is also responsible for the establishment of sound corporate governance principles and practices.

The Chief Executive Officer is responsible for the day-to-day running of the Group’s operations 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 Directors.

The Chief Operating Officer is responsible for, a) the licence-related activities of the Group, b) maintaining and applying the Group’s Health, Safety, Security and Environment (HSSE) Policy, c) the Group’s Procurement Policy, d) in conjunction with the Chief Financial Officer, the Group’s policies and procedures relating to risk management and e) GDPR matters.

The Chief Financial Officer is responsible for the Company’s finances, in addition to other aspects of the business, including risk management, property matters, insurance and human resources.

All of the Executive Directors are employed under service contracts and work full time on the Company’s affairs.

The Non-Executive Directors work part time, approximately four to five full days each month, with additional time commitments depending on new Company developments as they arise. The Board considers that both of the non-executive directors, Marcus Stanton and Frank Moxon, are independent in character and judgement. Although both have shareholdings (acquired with their own funds) and limited share options (granted as part of the annual remuneration process and approved by the Board), the Board considers that this does not impair their judgement.

At the end of each month the Chief Executive briefs the Non-Executive Directors on current developments.

There is a formal schedule of matters specifically reserved for the Board, in addition to the formal matters required to be considered by the Board under the Companies Act. This list includes matters relating to: a) strategy and policy; b) acquisition and divestment proposals; c) approval of major capital investments; d) risk management policy; e) proposals from the Audit Committee, the Remuneration Committee and the Nomination Committee; f) significant financing matters; and g) statutory reporting to shareholders.

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 is assisted by Ian Farrelly, the Company Secretary, whose services are retained through a contract with MSP Services, a company that provides company secretarial and corporate support services.

**Board Effectiveness**

The Board, as a whole, seeks to maintain an appropriate mix of experience, skills, personal qualities and capabilities in order to deliver the strategy of the Company. As a small but growing company this presents its own challenges, with board members taking on responsibilities for dealing with corporate developments as and when opportunities, or problems, arise.

The Group currently undertakes an annual remuneration review, for all Directors and staff, in December of each year. For the 2018 year, a formal board evaluation process was undertaken that was led by the Chairman, assisted by the Company Secretary. Individual directors responded to a very detailed questionnaire covering numerous aspects of the effectiveness of the Board’s performance as a unit, as well as that of its committees and the individual directors. The results of this questionnaire were compiled into a formal report that was reviewed and discussed by the Board. Whilst the overall results of the report were encouraging in that the consensus was that the Board, its committees and individual directors were felt to be performing well, a number of improvement recommendations were made. These recommendations were mainly of an administrative nature and concerned the mechanics of how the Board and committee meetings operated. The improvement recommendations have now been implemented and will be monitored and reviewed on an on-going basis.

The board evaluation process also reviewed succession planning and it was considered that the Company’s succession planning activities were appropriate given the Company’s stage of development, complexity and size. Were the Company to expand from its current size, it was recognised that additional independent non-executive board members would be likely to be sought.

**Board Committees**

The Company operates an Audit Committee, a Remuneration Committee and a Nomination Committee, each comprised of non-executive directors.

| **Audit Committee** | **Chair:** Marcus Stanton, (Non-Exec Chairman) | **Other Member:** Frank Moxon, (NED) |
|---|---|---|
| Both members of the Audit Committee are regarded as having recent and relevant financial expertise. | | |
| Under its terms of reference, the Audit Committee is required to meet at least twice a year, at which executive directors may attend by invitation, and its responsibilities include:<br>• Monitoring the independence and objectivity of the Auditors;<br>• Reviewing and approving the external auditor's terms of engagement, scope of work, fees, the findings arising from the external audit work and external audit performance;<br>• Monitoring the integrity of the Group's published financial information;<br>• Reviewing the risk identification and risk management processes of the Group; and<br>• Reviewing the Group's procedures to prevent bribery and corruption in addition to ensuring that appropriate whistleblowing arrangements are in place. | | |
| Notes: Due to the current size of the business, it is not considered appropriate to have an internal audit function. | | |

| **Remuneration Committee** | **Chair:** Frank Moxon, (NED) | **Other Member:** Marcus Stanton, (Non-Exec Chairman) |
|---|---|---|
| Under its terms of reference, it is required to meet at least twice a year and its responsibilities include:<br>• Determining and agreeing with the Board the broad policy for the renumeration of the executive directors;<br>• Determine the individual remuneration package of each executive director;<br>• Review all share incentive plans; and<br>• Recommending option grants for the executive directors and other employees, as considered appropriate. | | |
| No Director is involved in deciding their own remuneration. The Non-Executive Directors' remuneration is decided by the Executive Directors. | | |

| **Nomination Committee** | **Chair:** Frank Moxon, (NED) | **Other Member:** Marcus Stanton, (Non-Exec Chairman) |
|---|---|---|
| Under its terms of reference, it is required to meet at least twice a year and its responsibilities include:<br>• Evaluating the balance of skills, experience and diversity on the Board; and<br>• Approving candidates for Board vacancies, save for the appointment of the Chairman of the Board or the Chief Executive Officer, which are matters for the whole Board. | | |
| Due to the size of the Company, no meetings of the Nomination Committee were held during 2018 as its functions have been properly carried out as part of the work of the Remuneration Committee and the Board. | | |

**Board and Committee Attendance in 2018**

| | Board | | Audit Committee | | Remuneration Committee | | Nomination Committee | |
|---|---|---|---|---|---|---|---|---|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| **Non-Executive Directors** | | | | | | | | |
| M J Stanton | 5 | 5 | 2 | 2 | 3 | 3 | - | - |
| F H Moxon | 5 | 5 | 2 | 2 | 3 | 3 | - | - |
| **Executive Directors** | | | | | | | | |
| J A Benitz | 5 | 5 | - | - | - | - | - | - |
| R J Lansdell | 5 | 5 | - | - | - | - | - | - |
| S J Richardson Brown (resigned) | 4 | 4 | - | - | - | - | - | - |
| V J Gibbs | 1 | 1 | - | - | - | - | - | - |

**Corporate Culture**

The Board believes that long-term success of the Company, based on our business model, is underpinned by a corporate culture that is based on ethical values and behaviours.

We do this using certain rule-based procedures (such as a formal Code of Conduct) and, more importantly, by the behavioural example of individual Board members, particularly the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer. These values, which we seek to instil throughout the Group, include integrity, respect, honesty and transparency. As a small company, these characteristics are far more visible to staff than might otherwise be the case. We also hold internal meetings at which Directors and staff discuss matters, both formally and informally, in addition to a two day offsite, to which all employees, and directors, are encouraged to attend.

The Company operates a well-defined organisational structure through which we seek to determine that these ethical values and behaviours are recognised and respected, in addition to which every employee is aware of our established whistleblowing procedures.

**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.

These internal procedures include, a) Board approval for all policies, procedures and significant projects, b) a budgeting and planning process, requiring approval by the Board, c) the receipt of regular reports covering the Company's financial affairs, d) internal controls as articulated in the Group's Financial Reporting Procedures, and e) a review of the draft annual and interim reports by the Audit Committee, before being recommended to the Board.

This system 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.

**Risk Management**

During the year consideration was given as to whether the oversight of risk, and risk management, should be within the remit of the Audit Committee. It was decided that at this stage of the Company's development, it would be preferable for this to continue to be the responsibility of the Board as a whole, rather than a sub-committee. As part of this process, the Company's Risk Register is now formally maintained by the Chief Operating Officer and presented to all of the Directors at every Board meeting.

**Health & Safety**

The Board firmly believes that Health, Safety, Security and the Environment ("HSSE") is of the highest importance to the Group and expects all Directors, officers, managers, employees and contractors to consider HSSE as part of their normal duties and responsibilities.

The Board's commitment to high HSSE standards is set out in its HSSE Policy, which is:

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

In addition, certain operational HSSE goals are established by our joint venture operator 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 provide visible and active leadership within the Group promoting a positive HSSE culture and a common understanding of its expectations.

The HSSE function is managed by the Chief Operating Officer, who reports on these matters to the Board regularly.

**Relations with Shareholders**

The Board considers that good communication with shareholders, based on the mutual understanding of objectives, is important. In addition to the information included in the Group's Annual and Interim reports, there is regular dialogue between the Board (led by the Chief Executive Officer) and shareholders, in addition to required public announcements. The Chief Executive Officer and Chief Operating Officer also give regular presentations to investors, including one-to-one meetings with major shareholders during the year, in addition to specific meetings with shareholders relating to major transactions.

A constant and up-to-date information flow is also maintained on the Group's website which contains all press announcements and financial reports as well as extensive operational information on the Group's activities.

The Board also 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 for the Group.

**Ongoing Review of Corporate Governance**

During 2018, we decided to adopt the QCA Code and, as a result, a number of changes have been introduced to our corporate governance procedures. Going forward, these corporate governance policies and procedures will be reviewed regularly and are likely to change further as our business develops, or in response to further regulatory and other relevant guidance.

**Marcus Stanton**
Non-Executive Chairman
20 May 2019

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 extensive banking and commercial experience in addition to being 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 has previously held executive banking and leadership roles at Robert Fleming & Co (as Chief Operating Officer of Global Capital Markets) and Hill Samuel & Co (Director, Corporate Finance), in addition to having been a Non-Executive Director of a number of AIM quoted companies over the past 20 years. He qualified as a Chartered Accountant at Arthur Andersen, where he worked in the oil and gas division. For the last 20 years Marcus has also acted as an expert witness specialising in complex financial transactions, both in the UK and abroad. 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. Marcus keeps his skill set up to date through meetings with chairmen of other AIM listed companies, membership of the Quoted Companies alliance, attendance at North Sea oil and gas industry events and the continued professional development requirements of the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities and Investment

**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). Andrew keeps his skill set up to date through regular meetings with other oil and gas executives, regular communication with financial advisors and attendance at North Sea oil and gas industry events.

**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. Through his Society and Institute memberships, Ron keeps himself regularly updated on technical, commercial and governance issues.

**Vicary Gibbs**
***Chief Financial Officer***
Vicary Gibbs is a corporate financier with over 20 years' experience advising oil and gas companies. He began his career at Robert Fleming & Co. in their London oil and gas team. During his career he subsequently worked for a variety of different Investment Banks' oil and gas teams including Deutsche Bank (London and Houston), Bank of America, Hawkpoint and BMO Capital Markets.
Vicary's extensive experience includes a multitude of sell-side and buy-side asset and corporate M&A deals, strategic advisory, restructuring, privatisation and capital raising transactions. Vicary has a BA in Business Administration.
Vicary keeps his skill set up to date through regular meetings with other oil and gas executives, attendance at North Sea oil and gas industry events and through attendance at workshops and on courses run by leading accountancy and legal firms.

**Frank Moxon**
***Non-Executive Director***
Frank Moxon has nearly 30 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 oil & gas and mining. He has held a number of senior management roles within the financial services industry and, in addition to being senior independent director at Cove Energy Plc, has been a director of various oil & gas and mining companies listed in London, Australia and Canada. Frank is currently also a non-executive director of AIM-quoted Harvest Minerals Ltd and of East of England Co-operative Society. He has a BSc in Economics and is an Honorary Chartered Fellow of the Chartered Institute for Securities & Investment, a Fellow of the Energy Institute and of the Institute of Materials, Minerals & Mining and a member of the Petroleum Exploration Society of Great Britain. He is chairman of the Jersey Oil and Gas plc Remuneration and Nomination Committees and a member of its Audit Committee.
Frank keeps his skill set up to date through attendance at North Sea oil and gas industry and Quoted Companies Alliance events and satisfaction of the continuing professional development requirements of the Energy Institute, the Institute of Materials, Minerals and Mining (which has an oil & gas division) and the Chartered Institute for Securities and Investment.

The Directors present their report together with the audited Group and Company financial statements for the year ended 31 December 2018.

**Results and Dividends**

The Group's loss for the year was £2.0m (2017: profit of £0.7m). The Directors do not recommend the payment of a dividend (2017: 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 2018 were:

**Directors' interests**

| | **As at 31 December 2018 1p Ordinary Shares** | | As at 31 December 2017 1p Ordinary Shares | |
|---|---|---|---|---|
| | **Shares** | **Options** | Shares | Options |
| **Non-Executive Directors** | | | | |
| M J Stanton | 39,192 | 81,570 | 39,192 | 41,570 |
| F Moxon | 84,935 | 40,000 | 84,935 | 20,000 |
| **Executive Directors** | | | | |
| J A Benitz | 627,142 | 360,000 | 627,142 | 180,000 |
| R J Lansdell | 925,000 | 360,000 | 900,000 | 180,000 |
| S J Richardson Brown (resigned 14/11/18) | 21,391 | 250,000 | 21,391 | 130,000 |
| V J Gibbs (appointed 14/11/18) | 4,447 | 150,000 | N/A | N/A |

**Directors' Third Party Indemnity Provisions**

The Company maintained during the year 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 2018, 21,829,227 (2017: 21,829,227) ordinary shares of 1p each were issued and fully paid. Each ordinary share carries one vote.

**Substantial Shareholders**

At 31 December 2018, 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:

| | |
|---|---|
| Hargreaves Lansdown Asset Mgt | 12.28% |
| Schroders plc | 10.77% |
| Legal & General Investment Mgt | 6.17% |
| Interactive Investor | 4.78% |
| Mr RJ Lansdell | 4.24% |
| SVM Asset Mgt | 3.35% |
| Barclays Wealth | 3.31% |
| A J Bell Securities | 3.11% |

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 2018, 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 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. Further to completion of the Verbier appraisal well programme, there are currently no firm work commitments on the P2170 licence, other than ongoing Operator overheads and licence fees. Other work that the Company is undertaking in respect of the P2170 licence and surrounding areas is modest relative to its current cash reserves. The Company's current cash reserves are therefore expected to more than exceed its estimated liabilities. 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, the Audit Committee Report and the Remuneration Report contained in 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 27 June 2019 as stated in the Notice of Meeting.

**On behalf of the Board**

**Vicary Gibbs**
Chief Financial Officer
20 May 2019

***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 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 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.

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.

**Vicary Gibbs**
Chief Financial Officer
20 May 2019

**Introduction**

This Audit Committee Report has been prepared by the Audit Committee and approved by the Board.

**Membership and meetings held**

The Audit Committee is chaired by Marcus Stanton and its other member is Frank Moxon (both Non-Executive Directors). The Committee met twice during 2018, linked to events in the Company's financial calendar. In order to encourage greater understanding and involvement in the work of the Audit committee, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer also attended each of these meetings. The external audit partner also attended each of these meetings. In addition, informal meetings of the Audit Committee were held during 2018 in connection with the preparation of the half yearly and yearly report and accounts, attended by the Chief Financial Officer.

**Role of the Audit Committee**

As part of our process of adopting the QCA Code, the Terms of Reference for the Audit Committee were updated in June 2018, and provide for the Committee's main responsibilities to include:

- Monitoring the independence and objectivity of the Auditors,
- Reviewing and approving the external auditor's terms of engagement, scope of work, fees, the findings arising from the external audit work and external audit performance,
- Monitoring the integrity of the Group's published financial information,
- Reviewing the risk identification and risk management processes of the Group, and
- Reviewing the Group's procedures to prevent bribery and corruption in addition to ensuring that appropriate whistleblowing arrangements are in place.

**Internal Audit**

Due to the current size of the business, it is not considered appropriate to have an internal audit function.

**Key Areas of Focus in the Year Ended 31st December 2018**

The Committee's particular areas of focus during the year were as follows:

- Review of the 2017 Annual Report and projected cash flows, in addition to the accounting for our licence interests,
- Review of the interim results for the six months ended 30 June 2018,
- Discussions and meetings with the external auditors in connection with the planning for the 2018 Annual Report,
- The appointment of a new Chief Financial Officer and overseeing an appropriate induction programme.

The Committee also considered the independence and objectivity of the PwC audit function, in relation to advisory work undertaken by PwC during the year and considered that these services were undertaken by a separate department in PwC and were of sufficient size that PwC could continue to be considered independent. It was also noted that as part of a five-year rotation programme, the PwC audit partner currently responsible for the audit of the Company would be changed, once the 2018 accounts have been completed, in order to maintain PwC's independent and objective role as the Company's external auditor.

**Management of Risk**

During the year, consideration was given as to whether the oversight of risk, and risk management, should be within the remit of the Audit Committee. It was decided that at this stage of the Company's development it would be preferable for this to continue to be the responsibility of the Board as a whole, rather than a sub-committee. It was also decided to formalise the Company's Risk Register, which is now maintained by the Chief Operating Officer and presented at every Board meeting.

**Policy Reviews**

During the year the Committee prepared an updated policy statement on Bribery and Corruption and Tax Evasion.

**Committee Evaluation**

The performance and effectiveness of the Committee has been reviewed as part of an annual Board performance evaluation process and the Committee was considered to be operating effectively.

**Marcus Stanton**
**Chairman of the Audit Committee**
20 May 2019

### 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 2018 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 three times during 2018.

### 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").

### Performance of the Company in 2018

2018 was a year of post-well analysis following the Verbier oil discovery announced in October 2017 and preparation for the next phase of exploration activity. Earlier in the year, the joint venture, operated by Equinor UK Ltd ("Equinor"), approved an appraisal well programme and contracted the West Phoenix semi-submersible rig for drilling. This drilling had the objective of determining the potential volume range of the Verbier oil discovery, which on discovery was estimated by the operator to be 25-130 million barrels of oil equivalent ("MMboe"), whilst acquiring data important to our further understanding of the depositional model for the Verbier reservoir sands. In addition, JOG pre-funded the acquisition and processing of a significant 3D seismic survey by Petroleum Geo-Services ASA ("PGS") covering the P2170 licence area and certain offset acreage. Post year-end, the Verbier appraisal well was drilled during March 2019 and its result announced in April 2019. Unfortunately, the well did not encounter Upper Jurassic reservoir sands as anticipated and as a result, JOG's contingent resource volumetric estimates are likely to be revised towards the lower, 25 MMboe end of the initial resource estimate range.

### Key activities for 2018

- Reviewed remuneration of Executive Directors including recommending modest increases in the salary levels of JA Benitz and RJ Lansdell effective December 2018;
- Developed the terms of the remuneration of the Company's new CFO appointed in November 2018;
- Reviewed 2018 Company performance and recommending discretionary bonuses of 7% of salary to JA Benitz and RJ Lansdell in December 2018;
- Reviewed long term incentives and made recommendations for option awards in January 2018 across the Company (including to Executive Directors), in June 2018 to an employee, in November 2018 to the new CFO and, post year end, in January 2019 across the Company (including to Executive Directors);
- Approved the vesting of the third tranche of share options granted in November 2016, the relevant performance condition having been deemed by the Committee to have been met;
- During the year, the Committee reviewed the terms of service contracts for Executive Directors and recommended that the same be undertaken by the Company in respect of employment contracts for employees and the appointment letters of Non-Executive Directors in order to ensure that these were up to date and compliant with relevant legislation. This resulted in the implementation of new service contracts for Executive Directors and new Appointment Letters for Non-Executive Directors post the year-end;
- During the year, and following year end, the committee agreed a loss of office compensation package for SJ Richardson Brown. This included payments in respect of a one-month handover period, in lieu of his notice period and the retention of his vested and unvested options; and
- The Committee, advised and assisted by the Company Secretary, established the framework and reviewed the relevant documentation for the Company's first Board and Committee evaluation process which was subsequently completed in January 2019.

### Advisers

H2glenfern Limited ("h2glenfern") were appointed in November 2017 to act as independent adviser to the Committee when carrying out its review of executive and Board remuneration in December 2017. The Committee determined that no further such detailed review was required during 2018. However, h2glenfern were engaged post year-end to advise on a remuneration review during 2019. This work is still ongoing.

### Basic salary

The basic salaries of Executive Directors are normally 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.

The salaries of JA Benitz and RJ Lansdell at 1 January 2018 were both £150,000. These were increased by 10% in December 2018 to £165,000 for both individuals.

V Gibbs was appointed CFO in November 2018 with a salary of £150,000.

**Benefits in kind and cash equivalents**

Benefits provided to Executive Directors during the year comprised life insurance, private health insurance and, for SJ Richardson Brown, a 10 per cent. of basic salary matching pension contribution. RJ Lansdell and VJ Gibbs take an 8% cash alternative to a 10% matching pension contribution. JA Benitz took a matching pension contribution for six months and the 8% cash alternative thereafter.

**Discretionary bonuses**

A cash bonus award for performance during 2018 was made to Executive Directors and most staff at the end of the year.

In the light of the progress the Company made during the year, including the commissioning and acquisition of a full seismic programme and preparation for the Verbier appraisal programme, the Remuneration Committee recommended annual bonuses of £10,000 each be awarded to JA Benitz and RJ Lansdell. These bonuses represented 7% of salary.

**Share Option Plan**

Under the terms of the Company's 2016 Enterprise Management Incentive and Unapproved Share Option Plan, Directors and employees are eligible for awards. 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.

The following awards were made to Directors during 2018.

| Director | Position | Date of Grant | Number of New Options Granted | Exercise Price Per Share (pence) | Exercise Period | Total Options Held Following This Grant |
|---|---|---|---|---|---|---|
| Andrew Benitz | Chief Executive Officer | 29/1/2018 | 180,000 | 200 | 7 Years | 360,000 |
| Ronald Lansdell | Chief Operating Officer | 29/1/2018 | 180,000 | 200 | 7 years | 360,000 |
| Scott Richardson Brown *(resigned 14.11.18)* | Chief Financial Officer | 29/1/2018 | 120,000 | 200 | 7 years | 250,000 |
| Marcus Stanton | Non-Executive Chairman | 29/1/2018 | 40,000 | 200 | 5 years | 81,570 |
| Frank Moxon | Non-Executive Director | 29/1/2018 | 20,000 | 200 | 5 years | 40,000 |
| Vicary Gibbs *(appointed 14.11.18)* | Chief Financial Officer | 14/11/2018 | 150,000 | 172 | 7 years | 150,000 |

Approximately one year on from when the principal 2018 awards were made the Company made further awards post period end. These awards are detailed below:

| Director | Position | Date of Grant | Number of New Options Granted | Exercise Price Per Share (pence) | Exercise Period | Total Options Held Following This Grant |
|---|---|---|---|---|---|---|
| Andrew Benitz | Chief Executive Officer | 17/01/2019 | 70,000 | 175 | 7 Years | 430,000 |
| Ronald Lansdell | Chief Operating Officer | 17/01/2019 | 70,000 | 175 | 7 years | 430,000 |
| Vicary Gibbs *(appointed 14.11.18)* | Chief Financial Officer | 17/01/2019 | 40,000 | 175 | 7 years | 190,000 |
| Marcus Stanton | Non-Executive Chairman | 17/01/2019 | 20,000 | 175 | 5 years | 101,570 |
| Frank Moxon | Non-Executive Director | 17/01/2019 | 15,000 | 175 | 5 years | 55,000 |

**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** *(Resigned 14.11.18)* | **V J Gibbs** |
|---|---|---|---|---|
| Effective contract date | 11.03.19 | 11.03.19 | 03.06.13 | 11.03.19 |
| Unexpired term | Rolling contract | Rolling contract | Rolling contract | Rolling contract |
| Notice period | 12 months save that, in certain circumstances (including material changes to contract terms or non-consensual relocation), the Executive may provide 30 days' notice. | 12 months save that, in certain circumstances (including material changes to contract terms or non-consensual relocation), the Executive may provide 30 days' notice. | 4 months | 12 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. During 2018, the fee for the Chairman was £50,000 and the annual fee for the Non-executive Director was £30,000. At the beginning of 2019 these fees were increased to £55,000 and £35,000 respectively.

**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 | 11.03.19 | 11.03.19 |
| Unexpired term | Rolling contract | Rolling contract |
| Notice period | 3 months | 3 months |
| Loss of office compensation | No | No |

**Directors' Emoluments**

| *Presented in £'000* | **Year ended 31 December 2018** Salary [(1)] or fees | Pension | Benefits | Bonus | Total | Year ended 31 December 2017 Salary or fees | Pension | Benefits | Bonus | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | | |
| J A Benitz | **158** | **8** | **1** | **10** | **175** | 89 | - | 1 | 50 | 140 |
| R J Lansdell | **162** | **-** | **-** | **10** | **172** | 100 | - | 4 | 50 | 154 |
| S J Richardson Brown *(resigned 14.11.18)* | **115** | **17** | **2** | **-** | **134** | 90 | 20 | - | 30 | 140 |
| V J Gibbs *(appointed 14.11.18)* | **22** | **-** | **-** | **-** | **22** | n/a | n/a | n/a | n/a | n/a |
| | **457** | **25** | **3** | **20** | **505** | 279 | 20 | 5 | 130 | 434 |
| **Non-Executive Directors** | | | | | | | | | | |
| M J Stanton | **50** | **-** | **-** | **-** | **50** | 53 | - | - | - | 53 |
| F H Moxon | **30** | **-** | **-** | **-** | **30** | 27 | - | - | - | 27 |
| | **80** | **-** | **-** | **-** | **80** | 80 | - | - | - | 80 |
| Total Directors | **537** | **25** | **3** | **20** | **585** | 359 | 20 | 5 | 130 | 514 |

*Note: (1) Salary includes an 8% cash contribution as an alternative to a matching 10% pension contribution if elected.*

The figures shown above for 2017 reflect repayment of the outstanding proportion of voluntary 2016 salary reductions of up to 50% from February 2016 to October 2016 which were taken by Directors (and employees) to provide the Company with sufficient working capital.

Options held by Directors serving at 31 December 2018 are set out below.

| | At 1 Jan 2017 '000s | Issued '000s | Exercised '000s | Lapsed '000s | **At 1 Jan 2018 '000s** | **Issued '000s** | **Exercised '000s** | **Lapsed '000s** | **At 31 Dec 2018 '000s** |
|---|---|---|---|---|---|---|---|---|---|
| *Executive Directors* | | | | | | | | | |
| **J A Benitz** | | | | | | | | | |
| At 110.0p (*note 1*) (exercisable by 29.11.21) | 180 | - | - | - | **180** | **-** | **-** | **-** | **180** |
| At 200.0p (*note 2*) (exercisable by 29.01.25) | - | - | - | - | **-** | **180** | **-** | **-** | **180** |
| | 180 | - | - | - | **180** | **180** | **-** | **-** | **360** |
| **R J Lansdell** | | | | | | | | | |
| At 110.0p (*note 1*) (exercisable by 29.11.21) | 180 | - | - | - | **180** | **-** | **-** | **-** | **180** |
| At 200.0p (*note 2*) (exercisable by 29.01.25) | - | - | - | - | **-** | **180** | **-** | **-** | **180** |
| | 180 | - | - | - | **180** | **180** | **-** | **-** | **360** |
| **V J Gibbs** *(appointed 14.11.18)* | | | | | | | | | |
| At 172.0p (*note 4*) (exercisable by 14.11.25) | - | - | - | - | **-** | **150** | **-** | **-** | **150** |
| | - | - | - | - | **-** | **150** | **-** | **-** | **150** |
| *Non-executive Directors* | | | | | | | | | |
| **M J Stanton** | | | | | | | | | |
| At 4,300.0p (*note 5*) (exercisable by 12.03.21) | 2 | - | - | - | **2** | **-** | **-** | **-** | **2** |
| At 110.0p (*note 1*) (exercisable by 29.11.21) | 40 | - | - | - | **40** | **-** | **-** | **-** | **40** |
| At 200.0p (*note 3*) (exercisable by 29.01.23) | - | - | - | - | **-** | **40** | **-** | **-** | **40** |
| | 42 | - | - | - | **42** | **40** | **-** | **-** | **82** |
| **F H Moxon** | | | | | | | | | |
| At 110.0p (*note 1*) (exercisable by 29.11.21) | 20 | - | - | - | **20** | **-** | **-** | **-** | **20** |
| At 200.0p (*note 3*) (exercisable by 29.01.23) | - | - | - | - | **-** | **20** | **-** | **-** | **20** |
| | 20 | - | - | - | **20** | **20** | **-** | **-** | **40** |
| Total | 422 | - | - | - | **422** | **570** | **-** | **-** | **992** |

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 29 January 2018 under the Share Option Plan. Options vest entirely on the third anniversary of their date of grant subject to satisfaction of certain performance conditions. Subject to vesting, the Share Options are exercisable at any time up to 29 January 2025 and if not exercised by that date will lapse.*
3. *Granted on 29 January 2018 under the Share Option Plan. Options vest entirely on the third anniversary of their date of grant and have no performance conditions. Subject to vesting, the Share Options are exercisable at any time up to 29 January 2023 and if not exercised by that date will lapse.*
4. *Granted on 14 November 2018 under the Share Option Plan. Options vest entirely on the third anniversary of their date of grant subject to satisfaction of certain performance conditions. Subject to vesting, the Share Options are exercisable at any time up to 14 November 2025 and if not exercised by that date will lapse.*
5. *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 remuneration 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
20 May 2019

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

# Report on the audit of the 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 2018 and of the Group's loss and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as 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 Consolidated and Company statements of financial position as at 31 December 2018; the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and 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

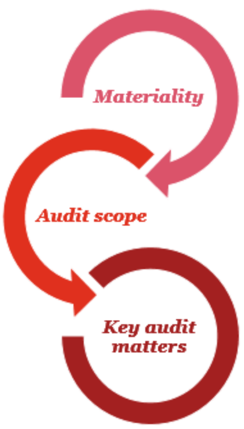
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit 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: £242,000 (2017: £270,575), based on 1% of total assets.
- Overall Company materiality: £239,500 (2017: £253,320), based on 1% of total assets.

- We have performed a full scope audit of Jersey Petroleum Limited, the component which holds the Verbier licence, and the Plc entity. Both components were selected due to their size and risk.
- 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 impairment in Intangible assets – Exploration costs (Group only).

### *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 impairment in Intangible assets – Exploration costs (Group)*<br>The carrying value of "Intangible assets – Exploration costs" as at 31 December 2018 is £4.3 million, representing the capitalised exploration and evaluation costs relating to the Verbier licence.<br>We have considered whether the results of the Verbier appraisal well drilled after the period end represents an indicator of impairment of the carrying value of the asset under the requirements of the accounting standards at 31 December 2018. | We have performed the following procedures to address the risk of impairment in Intangible assets – Exploration costs:<br>• Held discussions with both finance and operational management regarding the future plans for the licence;<br>• Obtained budgets and future forecast cash flows to evidence that future exploration and evaluation spend is planned for the licence area;<br>• Assessed and challenged management's assessment of the commercial viability of the licence and concluded that it is reasonable; and<br>• Reviewed post-year end Board reports and public announcements to verify that management plan to continue exploration and evaluation activities in the area.<br>We have concluded that on the basis of the work performed above that there are no indicators of impairment against the specific requirements of IFRS 6 and the carrying value of the licence as at 31 December 2018 remains appropriate. |

We determined that there were no key audit matters applicable to the company to communicate in our report.

### *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.

The group financial statements are a consolidation of four components. Additionally there are three dormant subsidiary entities which do not significantly impact the group consolidated position.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed over the components by the group engagement team. We identified two financially significant components (Jersey Oil and Gas Plc and Jersey Petroleum Limited) that, in our view, required full scope audits due to their relative size in the group. The audit of this full scope components was performed by the group engagement team.

Together, the full scope components scoped into our audit included 99% of consolidated assets within the group.

### *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*** | £242,000 (2017: £270,575). | £239,500 (2017: £253,320). |
| ***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. This is based on the focus users of the financial statements place on the outcome of the Verbier licence, which has increased the capitalised asset position and coupled with a large share issue increasing the Group's cash position has led to total assets being deemed to be the most appropriate benchmark for calculating materiality. | A benchmark of total assets is deemed to be the most appropriate measure used by shareholders in assessing the performance of the Company. This is based on the large share issue in prior years which has increased the Company's cash position which is used to fund future exploration activity and general overheads. Total assets was therefore deemed to be the most 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 £98,890 and £239,500. Jersey Petroleum Limited was 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 £12,100 (Group audit) (2017: £18,250) and £11,975 (Company audit) (2017: £9,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

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.

We have nothing to report in respect of the above matters.

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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

## 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 2018 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 in Respect of the Financial Statements set out on page 15, 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
20 May 2019

**JERSEY OIL AND GAS PLC**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Note | **2018** £ | 2017 £ |
|---|---|---|---|
| Revenue | 3 | **-** | - |
| Cost of sales | | **(609,925)** | (13,498) |
| **GROSS LOSS** | | **(609,925)** | (13,498) |
| Other income | 6 | **12,037** | 2,440,248 |
| Administrative expenses | | **(1,447,383)** | (1,705,068) |
| **OPERATING (LOSS)/PROFIT** | | **(2,045,271)** | 721,682 |
| Finance income | 7 | **48,971** | 5,010 |
| **(LOSS)/PROFIT BEFORE TAX** | 8 | **(1,996,300)** | 726,692 |
| Tax | 9 | **-** | - |
| **(LOSS)/PROFIT FOR THE YEAR** | | **(1,996,300)** | 726,692 |
| **TOTAL COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR** | | **(1,996,300)** | 726,692 |
| Total comprehensive (loss)/profit for the year attributable to: | | | |
| Owners of the parent | | **(1,996,300)** | 726,692 |
| (Loss)/profit per share expressed in pence per share: | | | |
| Basic | 10 | **(9.15)** | 6.49 |
| Diluted | 10 | **(9.15)** | 6.03 |

The notes on pages 29 to 38 are an integral part of these financial statements

## JERSEY OIL AND GAS PLC
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
## AS AT 31 DECEMBER 2018

| | Note | **2018** £ | 2017 £ |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Intangible assets - Exploration costs | 11 | **4,306,589** | 1,357,959 |
| Property, plant and equipment | 12 | **30,264** | - |
| | | **4,336,853** | 1,357,959 |
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 13 | **80,594** | 356,107 |
| Cash and cash equivalents | 14 | **19,782,511** | 25,415,410 |
| | | **19,863,105** | 25,771,517 |
| **TOTAL ASSETS** | | **24,199,958** | 27,129,476 |
| **EQUITY** | | | |
| Called up share capital | 15 | **2,466,144** | 2,466,144 |
| Share premium account | | **93,851,526** | 93,851,526 |
| Share options reserve | 19 | **1,491,019** | 1,231,055 |
| Accumulated losses | | **(73,662,879)** | (71,666,579) |
| Reorganisation reserve | | **(382,543)** | (382,543) |
| **TOTAL EQUITY** | | **23,763,267** | 25,499,603 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 16 | **436,691** | 1,629,873 |
| **TOTAL LIABILITIES** | | **436,691** | 1,629,873 |
| **TOTAL EQUITY AND LIABILITIES** | | **24,199,958** | 27,129,476 |

The financial statements on pages 25 to 38 were approved by the Board of Directors and authorised for issue on 20 May 2019. They were signed on its behalf by Vicary Gibbs – Chief Financial Officer.

Vicary Gibbs
Chief Financial Officer
20 May 2019

Company Registration Number: 07503957

| | Called up share capital £ | Share premium account £ | Share options reserve £ | Accumulated losses £ | Reorganisation reserve £ | Total equity £ |
|---|---|---|---|---|---|---|
| **At 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 and 1 January 2018** | 2,466,144 | 93,851,526 | 1,231,055 | (71,666,579) | (382,543) | 25,499,603 |
| Loss and total comprehensive loss for the year | - | - | - | (1,996,300) | - | (1,996,300) |
| Share based payments | - | - | 259,964 | - | - | 259,964 |
| **At 31 December 2018** | **2,466,144** | **93,851,526** | **1,491,019** | **(73,662,879)** | **(382,543)** | **23,763,267** |

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 accumulated 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 |

**JERSEY OIL AND GAS PLC**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2018**

| | Note | **2018** £ | 2017 £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 21 | **(2,698,361)** | 2,036,892 |
| Net interest received | 7 | **48,971** | 5,010 |
| Net cash (used in)/generated from operating activities | | **(2,649,390)** | 2,041,902 |
| **Cash flows from investing activities** | | | |
| Purchase of intangible assets | 11 | **(2,948,630)** | (1,309,225) |
| Purchase of tangible assets | 12 | **(34,879)** | - |
| Net cash used in investing activities | | **(2,983,509)** | (1,309,225) |
| **Cash flows from financing activities** | | | |
| Net proceeds from share issue | | **-** | 22,800,423 |
| Net cash generated from financing activities | | **-** | 22,800,423 |
| **(Decrease)/Increase in cash and cash equivalents** | 21 | **(5,632,899)** | 23,533,100 |
| **Cash and cash equivalents at beginning of year** | 21 | **25,415,410** | 1,882,310 |
| **Cash and cash equivalents at end of year** | 21 | **19,782,511** | 25,415,410 |

The notes on pages 29 to 38 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 at least 12 months after the issue of these financial statements. Further to completion of the Verbier appraisal well programme, there are currently no firm work commitments on the P2170 licence, other than ongoing Operator overheads and licence fees. Other work that the Company is undertaking in respect of the P2170 licence and surrounding areas is modest relative to its current cash reserves. The Company's current cash reserves are therefore expected to more than exceed its estimated liabilities. 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:

At the start of the year the following standards were adopted
- IFRS 9 'Financial 'instruments' is effective for accounting periods beginning on or after 1 January 2018.
- IFRS 15 'Revenue from Contracts with Customers' is effective for accounting periods beginning on or after 1 January 2018.

Other than changes to the terminology used in accounting policies, these have not had a material impact on the financial statements of the Group.

(b) The following standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019, 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 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 2018. The Group does not expect the amendments to have a material impact on the Group's financial statements.

- IFRS 2 'Share-based Payment'
- IFRS 9 'Financial Instruments'
- 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 assessment of the existence of impairment triggers (note 11).
- the estimation of share-based payment costs (note 19).

**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 2018 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 £259,964 (2017: £105,822). 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 mid-point between vesting and expiring. The share price volatility used in the calculation is based on the actual volatility of the Company's shares, since 1 January 2017. 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.

**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.

2. **SIGNIFICANT ACCOUNTING POLICIES – continued**

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. 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 any expected credit loss. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of 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.

**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.

## 2. SIGNIFICANT ACCOUNTING POLICIES – continued

**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 Board 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.

The Board is the Group's chief operating decision maker within the meaning of IFRS 8 "Operating Segments".

During 2018 and 2017 the Group had no turnover. During the 2018 year the Group did receive £12,037 (2017: £2,417,748) 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-venturers 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.

**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 2018 is Nil (2017: Nil).

## 4. FINANCIAL RISK MANAGEMENT - continued

Maturity analysis of financial assets and liabilities

Financial Assets

| | 2018 £ | 2017 £ |
|---|---|---|
| Up to 3 months | **80,595** | 356,107 |
| 3 to 6 months | **-** | - |
| Over 6 months | **-** | - |
| | **80,595** | 356,107 |

Financial Liabilities

| | 2018 £ | 2017 £ |
|---|---|---|
| Up to 3 months | **436,691** | 1,629,872 |
| 3 to 6 months | **-** | - |
| Over 6 months | **-** | - |
| | **436,691** | 1,629,872 |

## 5. EMPLOYEES AND DIRECTORS

| | 2018 £ | 2017 £ |
|---|---|---|
| Wages and salaries | **956,915** | 795,389 |
| Social security costs | **76,119** | 64,409 |
| Share based payments (note 19) | **259,964** | 105,822 |
| Other pensions costs | **66,984** | 42,407 |
| | **1,359,982** | 1,008,027 |

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:

| | 2018 | 2017 |
|---|---|---|
| Directors | **5** | 5 |
| Employees | **6** | 7 |
| | **11** | 12 |

| | 2018 £ | 2017 £ |
|---|---|---|
| Directors' remuneration | **557,341** | 489,000 |
| Directors' pension contributions to money purchase schemes | **24,702** | 20,000 |
| Benefits | **2,992** | 5,231 |
| | **585,035** | 514,231 |

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

| | 2018 | 2017 |
|---|---|---|
| Money purchase schemes | **2** | 1 |

Information regarding the highest paid Director is as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| Aggregate emoluments and benefits | **167,800** | 153,924 |
| Pension contributions | **7,500** | - |
| | **175,300** | 153,924 |

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

## 5. EMPLOYEES AND DIRECTORS – continued

### 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;

| | 2018 £ | 2017 £ |
|---|---|---|
| Wages and short-term employee benefits | **584,341** | 519,544 |
| Share based payments (note 19) | **118,423** | 52,978 |
| Pension Contributions | **30,702** | 24,375 |
| | **733,466** | 596,897 |

## 6. OTHER INCOME

| | 2018 £ | 2017 £ |
|---|---|---|
| Sale of datasets | **-** | 22,500 |
| Carried costs reimbursement | **12,037** | 2,417,748 |
| | **12,037** | 2,440,248 |

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

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

## 7. NET FINANCE INCOME

| | 2018 £ | 2017 £ |
|---|---|---|
| Finance income: | | |
| Joint venture finance charge | **-** | - |
| Interest received | **48,971** | 5,010 |
| | **48,971** | 5,010 |
| Finance costs: | **-** | - |
| **Net finance income** | **48,971** | 5,010 |

## 8. (LOSS)/PROFIT BEFORE TAX

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

| | 2018 £ | 2017 £ |
|---|---|---|
| Depreciation | **4,615** | 372 |
| Auditors' remuneration – audit of parent company and consolidation | **35,000** | 28,500 |
| Auditors' remuneration – audit of subsidiaries | **12,500** | 11,500 |
| Auditors' remuneration – non-audit work | **8,700** | 50,000 |
| Foreign exchange loss | **9,678** | 4,980 |
| Directors' remuneration (note 5) | **585,035** | 514,231 |
| Employee costs (note 5) | **514,983** | 387,974 |
| Share based payments (notes 5 & 19) | **259,964** | 105,822 |

## 9. TAX

### Reconciliation of tax charge

| | 2018 £ | 2017 £ |
|---|---|---|
| (Loss)/Profit before tax | **(1,996,300)** | 726,692 |
| Tax at the domestic rate of 19% (2017: 19.25%) | **(379,297)** | 139,888 |
| Capital allowances in excess of depreciation | **(589,363)** | (276,257) |
| Expenses not deductible for tax purposes and non-taxable income | **51,292** | 20,034 |
| Deferred tax asset not recognised | **917,368** | 116,336 |
| 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 2018 or for the year ended 31 December 2017.

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 usable tax losses within the Group were approximately £30 million.

## 10. (LOSS)/PROFIT PER SHARE

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

Diluted (loss)/profit per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. As a profit was recorded for the prior year, the issue of potential ordinary shares would have been anti-dilutive (see note 19 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 2018** | | | |
| **Basic and Diluted EPS** | | | |
| Basic & Diluted | (1,996,300) | 21,829,227 | (9.15) |
| **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 |

## 11. INTANGIBLE ASSETS

| | Exploration costs £ |
|---|---|
| **COST** | |
| At 1 January 2017 | **16,446,425** |
| Additions | **1,309,596** |
| Disposals | **(16,222,821)** |
| At 31 December 2017 | **1,533,200** |
| Additions | **2,948,630** |
| At 31 December 2018 | **4,481,830** |
| **ACCUMULATED AMORTISATION, DEPLETION & DEPRECIATION** | |
| At 1 January 2017 | **16,398,062** |
| Charge for the year | **-** |
| Amortisation on disposal | **(16,222,821)** |
| At 31 December 2017 | **175,241** |
| At 31 December 2018 | **175,241** |
| **NET BOOK VALUE** | |
| At 31 December 2018 | **4,306,589** |
| At 31 December 2017 | **1,357,959** |
| At 31 December 2016 | **48,363** |

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

In line with the requirements of IFRS 6, we have considered whether there are any indicators of impairment on the remaining exploration asset (P2170 – Verbier). Based on our assessment, as at 31 December 2018 there are not deemed to be indicators that the licence is not commercial and the carrying value of £4,306,589 continues to be supported by on-going exploration work on the licence area with no further impairments considered necessary.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | Computer and office equipment £ |
|---|---|
| **COST** | |
| At 1 January 2017 | **286,022** |
| Disposals | **(160,236)** |
| At 31 December 2017 | **125,786** |
| Additions | **34,879** |
| At 31 December 2018 | **160,665** |
| **ACCUMULATED AMORTISATION, DEPLETION & DEPRECIATION** | |
| At 1 January 2017 | **285,650** |
| Charge for the year | **372** |
| Disposals | **(160,236)** |
| At 31 December 2017 | **125,786** |
| Charge for the year | **4,615** |
| At 31 December 2018 | **130,401** |
| **NET BOOK VALUE** | |
| At 31 December 2018 | **30,264** |
| At 31 December 2017 | **-** |
| At 1 January 2017 | **372** |

## 13. TRADE AND OTHER RECEIVABLES

| | 2018 £ | 2017 £ |
|---|---|---|
| **Current:** | | |
| Trade receivables (net) | **-** | 277,710 |
| Other receivables | **67** | 67 |
| Value added tax | **63,818** | 52,085 |
| Prepayments and accrued revenue | **16,709** | 26,245 |
| | **80,594** | 356,107 |

As at 31 December 2018 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.

## 14. CASH AND CASH EQUIVALENTS

| | 2018 £ | 2017 £ |
|---|---|---|
| Unrestricted cash in bank accounts | **19,782,511** | 25,415,410 |

The cash balances are placed with a creditworthy financial institution.

## 15. CALLED UP SHARE CAPITAL

Issued and fully paid:

| Number: | Class | Nominal value | 2018 £ | 2017 £ |
|---|---|---|---|---|
| 21,829,227 (2017:21,829,227) | Ordinary | 1p | **2,466,144** | 2,466,144 |

## 16. TRADE AND OTHER PAYABLES

| | 2018 £ | 2017 £ |
|---|---|---|
| **Current:** | | |
| Trade payables | **142,565** | 1,279,870 |
| Accrued expenses | **140,932** | 219,586 |
| Other payables | **130,905** | 8,169 |
| Taxation and Social Security | **22,289** | 122,248 |
| | **436,691** | 1,629,873 |

## 17. NON-CANCELLABLE OPERATING LEASE COMMITMENTS

Total commitments under non-cancellable operating leases were as follows:

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Not longer than one year | **5,333** | - |
| Longer than one year but not longer than five years | **-** | - |
| Longer than five years | **-** | - |
| | **5,333** | - |

## 18. CONTINGENT LIABILITY

In accordance with a 2015 settlement agreement reached with the Athena Consortium, although Jersey Petroleum 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 interest in the P2170 licence which is the only remaining asset still held that was in the Group at the time of the agreement with the Athena Consortium who hold security over this asset. Any future repayments, capped at 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 Equinor and the subsequent receipt of monies relating to that farm-out.

## 19. 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 and 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 £259,964 (2017: £105,822) 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 2018** | **Options issued** | **Options Exercised** | **Options lapsed/non vesting during the year** | **No. of shares for which options outstanding at 31 Dec 2018** |
|---|---|---|---|---|---|---|---|---|
| Mar 2011 | 100 | Vested | Mar 2021 | 3,164 | - | - | - | 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 | 246,667 | - | - | - | 246,667 |
| Nov 2016 | 110 | Nov 2017 | Nov 2021 | 246,667 | - | - | - | 246,667 |
| Nov 2016 | 110 | Nov 2018 | Nov 2021 | 246,667 | - | - | - | 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 |
| Jan 2018 | 200 | Jan 2021 | Jan 2025 | | 420,000 | - | - | 420,000 |
| Jan 2018 | 200 | Jan 2021 | Jan 2025 | | 120,000 | - | 120,000 | - |
| Jan 2018 | 200 | Jan 2018 | Jan 2023 | | 76,666 | - | - | 76,666 |
| Jan 2018 | 200 | Jan 2019 | Jan 2023 | | 76,667 | - | - | 76,667 |
| Jan 2018 | 200 | Jan 2020 | Jan 2023 | | 76,667 | - | - | 76,667 |
| Jun 2018 | 207 | Jun 2019 | Jun 2023 | | 33,333 | - | 33,333 | - |
| Jun 2018 | 207 | Jun 2020 | Jun 2023 | | 33,333 | - | 33,333 | - |
| Jun 2018 | 207 | Jun 2021 | Jun 2023 | | 33,334 | - | 33,334 | - |
| Nov 2018 | 172 | Nov 2021 | Nov 2025 | | 150,000 | - | - | 150,000 |
| | | | | | | | **Total** | **1,643,007** |

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was 41.7p 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.

## 20. 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 |
|---|---|---|---|---|
| Jersey North Sea Holdings Ltd | 100% | England & Wales | Non-Trading | 1 |
| Jersey Petroleum Ltd | 100% | England & Wales | Oil Exploration | 1 |
| Jersey E & P Ltd | 100% | Scotland | Non-Trading | 2 |
| Jersey Oil Ltd | 100% | Scotland | Non-Trading | 2 |
| Jersey Exploration 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. First Floor, 17 The Esplanade, St Helier, Jersey JE2 3QA

## 21. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**RECONCILIATION OF LOSS BEFORE TAX TO CASH (USED IN)/GENERATED FROM OPERATIONS**

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| (Loss)/profit for the year before tax | **(1,996,300)** | 726,692 |
| Adjusted for: | | |
| Amortisation, impairments, depletion and depreciation | **4,615** | - |
| Share based payments (net) | **259,964** | 105,822 |
| Gain on disposal of assets | **-** | - |
| Finance costs | **-** | - |
| Finance income | **(48,971)** | (5,010) |
| | **(1,780,692)** | 827,504 |
| (Increase)/Decrease in trade and other receivables | **275,513** | (233,235) |
| Increase/(Decrease) in trade and other payables | **(1,193,182)** | 1,442,623 |
| **Cash Generated from/(used in) operations** | **(2,698,361)** | 2,036,892 |

**CASH AND CASH EQUIVALENTS**

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

**Year ended 2018**

| | **31 Dec 2018** | **1 Jan 2018** |
|---|---|---|
| | **£** | **£** |
| Cash and cash equivalents | **19,782,511** | **25,415,410** |

**Year ended 2017**

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

| | | **Analysis of net cash** | |
|---|---|---|---|
| | **At 1 Jan 2018** | **Cash flow** | **At 31 Dec 2018** |
| | **£** | **£** | **£** |
| Cash and cash equivalents | 25,415,410 | (5,632,899) | 19,782,511 |
| **Net cash** | **25,415,410** | **(5,632,899)** | **19,782,511** |

## 22. POST BALANCE SHEET EVENT

Since the balance sheet date, the appraisal well on the Verbier prospect, within the P2170 licence, has been completed. Unfortunately, the well did not encounter Upper Jurassic reservoir sands as anticipated and as a result, our contingent resource volumetric estimates are likely to be revised towards the lower end of the initial resource estimate of 25 MMboe. For further details refer to the Chief Executive Officer's Report.

## 23 AVAILABILITY OF THE ANNUAL REPORT 2018

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 2018**

| | Note | **2018** £ | 2017 £ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Trade and other receivables | 6 | **4,361,509** | 76,172 |
| Cash and cash equivalents | 7 | **19,590,948** | 25,267,423 |
| | | **23,952,457** | 25,343,595 |
| **TOTAL ASSETS** | | **23,952,457** | 25,343,595 |
| **EQUITY** | | | |
| Called up share capital | 8 | **2,466,144** | 2,466,144 |
| Share premium account | | **93,851,526** | 93,851,526 |
| Share options reserve | | **1,491,014** | 1,231,050 |
| Accumulated losses | | **(74,199,213)** | (72,776,950) |
| **TOTAL EQUITY** | | **23,609,471** | 24,771,770 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | **342,986** | 571,825 |
| **TOTAL LIABILITIES** | | **342,986** | 571,825 |
| **TOTAL EQUITY AND LIABILITIES** | | **23,952,457** | 25,343,595 |

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent Company is not presented as part of these financial statements. The parent Company's loss for the year was £1,422,263 (2017: Profit £404,599).

The financial statements on pages 40 to 46 were approved by the Board of Directors and authorised for issue on 20 May 2019. They were signed on its behalf by Vicary Gibbs – Chief Financial Officer.

Vicary Gibbs
Chief Financial Officer
20 May 2019

Company Registration Number: 07503957

The notes on pages 43 to 46 are an integral part of these financial statements

# COMPANY STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED 31 DECEMBER 2018

| | Called up share capital £ | Share premium account £ | Share options reserve £ | Accumulated losses £ | Total equity £ |
|---|---|---|---|---|---|
| **At 1 January 2017** | 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 | 1,231,050 | (72,776,950) | 24,771,770 |
| Total comprehensive loss for the year | - | - | - | (1,422,263) | (1,422,263) |
| Transactions with owners (share based payments) | - | - | 259,964 | - | 259,964 |
| **At 31 December 2018** | **2,466,144** | **93,851,526** | **1,491,014** | **(74,199,213)** | **23,609,471** |

The notes on pages 43 to 46 are an integral part of these financial statements

# COMPANY STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2018

| | Note | 2018<br>£ | 2017<br>£ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 11 | **(392,611)** | (107,146) |
| Net cash used in operating activities | | **(392,611)** | (107,146) |
| **Cash flows from investing activities** | | | |
| Interest received | | **48,970** | 5,010 |
| Net cash generated from investing activities | | **48,970** | 5,010 |
| **Cash flows from financing activities** | | | |
| Proceeds from share issue | | **-** | 22,800,423 |
| Loans from/(to) subsidiary companies | | **(5,332,834)** | 791,570 |
| Net cash (used in)/generated from financing activities | | **(5,332,834)** | 23,591,993 |
| **(Decrease)/increase in cash and cash equivalents** | 11 | **(5,676,475)** | 23,489,857 |
| **Cash and cash equivalents at beginning of year** | 11 | **25,267,423** | 1,777,566 |
| **Cash and cash equivalents at end of year** | 11 | **19,590,948** | 25,267,423 |

The notes on pages 43 to 46 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 strategy for the Company is consistent with that 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. Further to completion of the Verbier appraisal well programme, there are currently no firm work commitments on the P2170 licence, other than ongoing Operator overheads and licence fees. Other work that the Company is undertaking in respect of the P2170 licence and surrounding areas is modest relative to its current cash reserves. The Company's current cash reserves are therefore expected to more than exceed its estimated liabilities. 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

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **523,862** | 462,875 |
| Social security costs | **60,498** | 52,344 |
| Share based payments | **259,964** | 105,822 |
| Other pensions costs | **50,769** | 42,407 |
| | **895,093** | 663,448 |

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:

| | **2018** | 2017 |
|---|---|---|
| Directors | **3** | 3 |
| Employees | **5** | 6 |
| | **8** | 9 |

## 3. (LOSS)/PROFIT OF PARENT COMPANY

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

The parent Company's loss for the year was £1,422,263 (2017: Profit £404,599).

Auditors' remuneration is disclosed in note 8 in the consolidated financial statements.

## 4. INVESTMENT IN SUBSIDIARIES

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Company – shares in subsidiary undertakings: | **-** | - |

The carrying value of investments in subsidiary entities has been written off in prior periods.

The subsidiary undertakings at 31 December 2018 were as follows:

| **Subsidiary** | **% owned** | **County of Incorporation** | **Principal Activity** |
|---|---|---|---|
| Jersey North Sea Holdings Ltd* | 100% | England & Wales | Non-Trading |
| Jersey Petroleum Ltd* | 100% | England & Wales | Oil Exploration |
| Jersey E & P Ltd** | 100% | Scotland | Non-Trading |
| Jersey Oil Ltd** | 100% | Scotland | Non-Trading |
| Jersey Exploration Ltd** | 100% | Scotland | Non-Trading |
| Jersey Oil & Gas E & P Ltd*** | 100% | Jersey | Management services |

* Registered address: 10 The Triangle, ng2 Business Park, Nottingham, NG2 1AE.
** Registered address: 6 Rubislaw Terrace, Aberdeen, AB10 1XE
*** Registered address: First Floor, 17 The Esplanade, St Helier, Jersey, JE2 3QA

## 5. PROPERTY, PLANT AND EQUIPMENT

| | **Office equipment £** |
|---|---|
| **COST** | |
| At 1 January 2017 | 255,029 |
| Disposals | (160,236) |
| At 31 December 2017 | 94,793 |
| At 31 December 2018 | **94,793** |
| **ACCUMULATED DEPRECIATION** | |
| At 1 January 2017 | 255,029 |
| Eliminated on disposal | (160,236) |
| At 31 December 2017 | 94,793 |
| At 31 December 2018 | **94,793** |
| **NET BOOK VALUE** | |
| At 31 December 2018 | **-** |
| At 31 December 2017 | - |
| At 1 January 2017 | - |

## 6. TRADE AND OTHER RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | **£** | £ |
| Current: | | |
| Value Added Tax | **39,360** | 49,915 |
| Amounts due from Group undertakings | **4,306,589** | - |
| Prepayments | **15,560** | 26,257 |
| | **4,361,509** | 76,172 |

## 7. CASH AND CASH EQUIVALENTS

| | 2018 £ | 2017 £ |
|---|---|---|
| Cash at bank | **19,590,948** | 25,267,423 |

## 8. CALLED UP SHARE CAPITAL

Issued and fully paid:

| Number: | Class | Nominal Value | 2018 £ | 2017 £ |
|---|---|---|---|---|
| 21,829,227 (2017: 21,829,227) | Ordinary | 1p | **2,466,144** | 2,466,144 |

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

## 9. TRADE AND OTHER PAYABLES

| | 2018 £ | 2017 £ |
|---|---|---|
| Current: | | |
| Amounts due to Group undertakings | **211,678** | 211,678 |
| Trade payables | **-** | 117,295 |
| Other payables | **2,917** | 89,520 |
| Accrued expenses | **128,391** | 153,332 |
| | **342,986** | 571,825 |

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

## 10. 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 from/(to) subsidiaries 2018 £ | 2017 £ |
|---|---|---|---|---|---|
| Jersey North Sea Holdings Ltd | 100% | England & Wales | Non-Trading | **(211,676)** | (211,676) |
| Jersey Petroleum Ltd | 100% | England & Wales | Oil Exploration | **4,306,589** | - |
| Jersey E & P Ltd | 100% | Scotland | Non-Trading | **-** | - |
| Jersey Oil Ltd | 100% | Scotland | Non-Trading | **(1)** | (1) |
| Jersey Exploration Ltd | 100% | Scotland | Non-Trading | **(1)** | (1) |
| Jersey Oil & Gas E & P Ltd | 100% | Jersey | Management services | **-** | - |

The Company lends cash to Jersey Oil & Gas E&P Ltd to fund salaries and other administrative costs. The balance outstanding at the end of the year from Jersey Oil & Gas E&P Ltd £1,501,788 (2017: £884,356) has been fully provided for as a doubtful debt given the nature of the company which does not generate revenue and the balance is not expected to be recovered.

The Company provides funding to Jersey Petroleum Limited to fund commitments due on its operations and licence. Historically these have been provided for in full as those licences where not deemed commercial. Following the historical drilling on Verbier the Company believes that the funding provided for this licence to be fully recoverable as the licence is commercially viable. The total amount of funding provided to Jersey Petroleum Limited amounts to £71,735,593 (2017: £67,020,193) of which £67,429,004 (2017: £67,020,193) is provided for as a doubtful debt with the remaining balance being the funding provided in respect of the Verbier licence. During the year, the company has provided funding of £4,715,400, of which £4,306,589 relates to the capitalised Verbier licence costs and £408,811 relates to administrative costs which have been charged to the profit and loss account.

The receivable balance is non-interest bearing and repayable on demand with recovery expected over a number of years.

During the year the Company also charged a management fee to Jersey Petroleum Limited amounting to £985,652, (2017: £725,147).

## 11. NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

**RECONCILIATION OF (LOSS)/PROFIT BEFORE INCOME TAX TO CASH (USED IN)/GENERATED FROM OPERATIONS**

| | 2018 | 2017 |
|---|---|---|
| | £ | £ |
| Profit /(loss) for the year before tax | (1,422,263) | 404.599 |
| Adjusted for: | | |
| (Reversal of impairment)/impairment of receivables from subsidiaries (note 10) | 1,026,245 | (791,570) |
| Provision for write off of loan interest | 130,161 | 149,182 |
| Share based payments (net) | 259,964 | 105,822 |
| Finance income | (179,131) | (154,192) |
| | (185,024) | (286,159) |
| (Increase)/decrease in receivables (note 6) | 21,252 | (43,476) |
| (Decrease)/increase in trade and other payables (note 9) | (228,839) | 222,489 |
| **Cash used in operations** | **(392,611)** | (107,146) |

**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 2018**

| | 31 Dec 2018 | 1 Jan 2018 |
|---|---|---|
| | £ | £ |
| Cash and cash equivalents | 19,590,948 | 25,267,423 |

**Year ended 2017**

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

| | Analysis of net cash | | |
|---|---|---|---|
| | At 1 Jan 2018 | Cash flow | At 31 Dec 2018 |
| | £ | £ | £ |
| Cash and cash equivalents | 25,267,423 | (5,676,475) | 19,590,948 |
| **Net cash** | **25,267,423** | **(5,676,475)** | **19,590,948** |