DRILLING, DEVELOPMENT AND INVESTMENT IN THE UNITED KINGDOM HYDROCARBON SECTOR

UNION JACK OIL plc

Annual Report and
Financial Statements
2013

UNION JACK OIL

Directors, Officers and Advisers

DIRECTORS

David Bramhill
Executive Chairman

Joseph O'Farrell
Executive

Martin Durham
Non-Executive

Raymond Godson
Non-Executive

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AUDITOR

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England

SOLICITORS

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Temple Quay,
Bristol BS1 6EG,
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BANKERS

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Bath BA1 2JN,
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JOINT BROKERS

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14 Clifford Street,
London W1S 4JU,
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Northland Capital Partners Limited
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London EC2A 1NT ,
England

PUBLIC RELATIONS CONSULTANTS

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Upper Farm,
Wootton St. Lawrence,
Basingstoke RG23 8PE,
England

UNION JACK OIL

Union Jack Oil plc is an onshore oil and gas exploration company with a focus on drilling, development and investment in the United Kingdom hydrocarbon sector. The issued share capital is traded on the AIM Market of the London Stock Exchange (Ticker: UJO).

Our strategy is the appraisal and exploitation of the assets currently owned. Simultaneous with this process, the Company's management expects to continue to use its expertise to acquire further licence interests over areas where there is a short lead time between the acquisition of the interest and either exploration drilling or initial production from any oil or gas fields that may be discovered.

SUMMARY OF LICENCE INTERESTS HELD BY UNION JACK OIL plc

Burton on the Wolds	
PEDL201	10.0%
Wressle	
PEDL180	8.33%
Biscathorpe	
PEDL253	10.0%
North Kelsey	
PEDL241	10.0%

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Chairman's Statement

I am pleased to present to the Shareholders of Union Jack Oil plc ("Union Jack" or "the Company"), the Annual Report and Financial Statements for the year ended 31 December 2013.

The Board is of the opinion that the United Kingdom onshore hydrocarbon arena offers excellent value presenting the opportunity to participate in late stage projects in a reasonably low cost environment where commercial discoveries can be brought onstream within a short timeframe.

The Company effectively commenced trading in February 2013 with the acquisition of a 10% interest in PEDL201, containing the drill ready Burton on the Wolds Prospect.

Following this initial acquisition, Union Jack acquired an 8.33% interest in PEDL180 containing the Wressle Prospect in May 2013.

The intention of the operator, Egdon Resources U.K. Limited, a subsidiary of AIM listed Egdon Resources plc, is to drill both the above mentioned conventional wells back to back commencing in June 2014. Union Jack has a firm commitment to participate in the drilling of these two prospects.

In addition, the Company holds options over 10% of PEDL253, containing the Biscathorpe Prospect and 10% of PEDL241, containing the North Kelsey Prospect.

A comprehensive summary of our licence interests can be found in the Review of Operations section of this report.

Corporate and Financial

The highlight of the corporate year was the Company's admission to trading on the AIM Market of the London Stock Exchange in July 2013.

The admission was accompanied by a placing and subscription raising gross proceeds of £909,500.

This funding was preceded by a placing of £562,250 before expenses in February 2013.

These funds will be applied to the drilling of the Burton on the Wolds -1 and Wressle-1 wells and provide ongoing working capital for Union Jack.

Post year end, the Company raised £650,000 before expenses during March 2014.

The majority of the Company's funds are currently invested in deposit accounts with a high street bank. In the current environment of low interest rates we are pleased to receive a competitive return on shareholder funds without placing capital at risk.

The last two placings are Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS) qualifying, with the Company having been granted conditional clearance by HMRC. The key conditions are the commencement of production at one of the licence interests held within two years of admission to AIM.

On admission to AIM in July 2013, William O'Dea, non-executive director stepped down from the Board. An appreciative thank you is given to Willie for his efforts and support to Union Jack during its formation. A welcome is also given to Ray Godson who joined the Board on admission.

Summary

The past year has been one of operational and corporate growth for Union Jack.

In the opinion of the Board, the building blocks have been added with the acquisition of interests in four, high potential licences, two of which will be exploited by the drilling of conventional wells at Burton on the Wolds and Wressle during the coming months.

In addition, the directors plan to expand the Company's asset portfolio.

I hope to report on positive drill results from at least one of our exploration efforts in the near future.

The future of Union Jack remains bright.

David Bramhill
Executive Chairman
29 April 2014

OPERATIONAL HIGHLIGHTS

- **Acquisition of material interests and options in four onshore Petroleum Exploration and Development Licences all containing drill ready prospects**
- **Progress made towards delivering on strategy to appraise and exploit the acquired assets**
- **The expected commencement of a conventional two well drilling programme comprising Wressle-1 and Burton on the Wolds-1 in June 2014**

FINANCIAL HIGHLIGHTS

- **Admission to trading on AIM in July 2013**
- **Placing and Subscription raising £909,500 before expenses in July 2013**

Strategic Report

for the year ended 31 December 2013

Strategy

Our strategy is the appraisal and exploitation of the assets currently owned. Simultaneous with this process, the Company's management expects to continue to use its expertise to acquire further licence interests over areas where there is a short lead time between the acquisition of the interest and either exploration drilling or initial production from any oil or gas fields that may be discovered.

Business Review

Union Jack Oil plc is a UK registered company, focused on the exploration for, and future development of, hydrocarbon projects.

A review of the Company's operations during the year ended 31 December 2013 and subsequently to the date of this report is contained in the Chairman's Statement and Review of Operations.

The loss for the year amounted to £708,920 (period ended 31 December 2012: £142,573).

The directors do not recommend the payment of a dividend (period ended 31 December 2012: nil).

A placing raising £562,250 before expenses was completed in February 2013 to raise working capital for the Company.

The whole of the issued share capital of the Company was admitted to AIM on 30 July 2013 accompanied by a placing and subscription raising £909,500 before expenses. After 31 December 2013 the Company raised further capital as disclosed in note 20 to these financial statements.

Future Developments

The directors intend to continue their involvement with the licences as disclosed in the Review of Operations. They continue to seek further acquisition opportunities in relation to onshore oil and gas exploration and development.

Key Performance Indicators

The Company has made good progress during the year ended 31 December 2013 in preparation for due diligence and research in identifying suitable additions to its hydrocarbon portfolio and sources of finance for their acquisition.

Key financial performance indicators will be determined during 2014, when exploration drilling commences.

Principal Risks and Uncertainties

Although the directors have extensive experience in the acquisition and development of assets similar to those held by the Company, as with all companies within the energy sector the business of oil and gas development involves varying degrees of risk. These risks include operating reliance on third parties, the ability to exploit discoveries and the risk of cost overruns.

There are also specific political, regulatory and licensing risks attached to various projects as well as issues of commerciality, environmental, economic, competition, reliance on key personnel, contractor and judicial factors.

The directors believe that they have mitigated risks as far as reasonably practicable – by maintaining strong relationships with project operators, implementing internal controls and continually reviewing and seeking to improve such controls as well as business processes and procedures.

Financial Risk Management Objectives and Policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

The use of financial derivatives is governed by the Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash Flow Risk

During the year, the Company's activities did not expose it to financial risks of changes in foreign currency exchange rates.

Credit Risk

The Company's principal financial assets are bank balances and cash and other receivables. The credit risk on liquid funds is limited because the counterparty is a bank with high credit-rating.

Liquidity Risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses its existing cash funds.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, Review of Operations and the Strategic Report. The directors' forecasts demonstrate that the Company will meet its day to day working capital and share of estimated drilling costs over the forecast period from the cash held on deposit. The principal risk to the Company's working capital position is drilling cost overruns. The Company has sufficient funding to meet planned drilling expenditures and a level of contingency. Should a greater cost overrun arise the Company would seek to raise additional funds in order not to default on its commitments and thus risk forfeiture of the individual licence concerned. Taking account of these risks, sensitised forecasts show that the Company should be able to operate within the level of funds currently held. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Approval of the Board

This Strategic Report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. While the directors believe the expectation reflected within the Annual Report to be reasonable in light of the information available up to the time of their approval of this report, the actual outcome may be materially different owing to factors either beyond the Company's control or otherwise within the Company's control, for example owing to a change of plan or strategy.

Accordingly, no reliance may be placed on the forward – looking statements.

On behalf of the Board

David Bramhill
Chairman

29 April 2014

Review of Operations

PEDL201

Burton on the Wolds

United Kingdom

In February 2013, Union Jack entered into an agreement with Egdon Resources U.K. Limited ("Egdon Resources"), a subsidiary of AIM listed Egdon Resources plc ("Egdon"), the licence operator, and privately controlled Celtique Energie Petroleum Limited ("Celtique Energie") to acquire a 10% interest in PEDL201, located in the onshore UK East Midlands Province.

PEDL201 contains the Burton on the Wolds Prospect, a four way dip closed, footwall structure on the Hoton Fault system.

The Burton on the Wolds Prospect is located on the southern boundary of the Widmerpool Gulf, a geological basin with proven oil generation and on trend with the Rempstone and Long Clawson producing oil fields.

Having been mapped from proprietary 2D seismic data which was acquired by Egdon during 2011, the geological evaluation has highlighted two stratigraphically independent Carboniferous targets within the prospect. The shallower target, the Rempstone Sandstone, is productive at a nearby oil field. In addition, a seismic anomaly, possibly indicative of a carbonate reef, underlies the Rempstone Sandstone and provides the deeper secondary target.

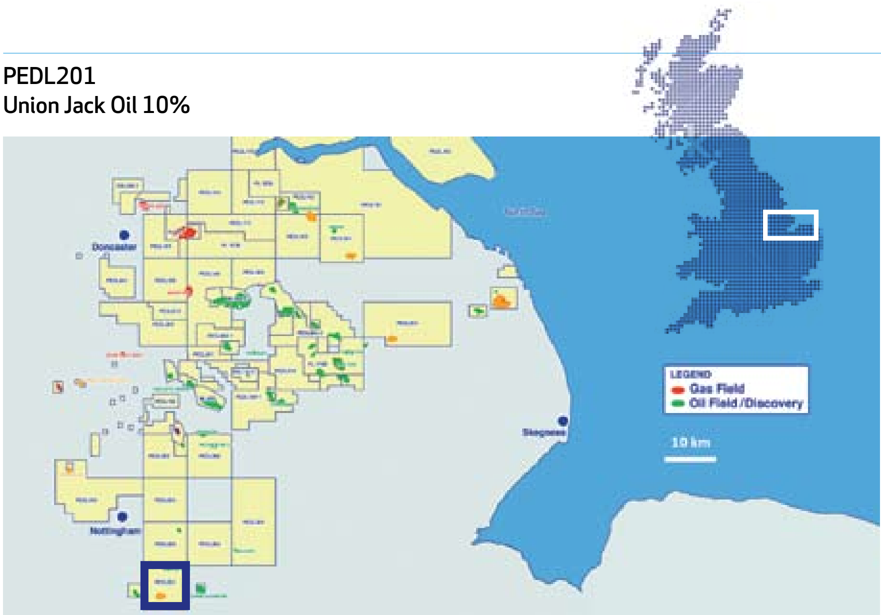
The subsurface target location to test the prospect has been agreed and in late July 2013 planning consent was granted by Leicestershire County Council for the drilling of an exploratory borehole, Burton on the Wolds-1.

The planned well will be drilled to a total depth of approximately 1,000 metres and has been designed to evaluate the primary and secondary reservoir objectives. This well is planned for drilling during 2014 and has been designed to intersect both targets in a structurally favourable position near the crest of the structure.

The total mean Prospective Resource volumes for the two target objectives, as calculated by Molten Limited ("Molten"), the company who produced the Competent Persons Report in respect of Union Jack's AIM admission, are estimated to be 4.83 million barrels of oil.

The interests in PEDL201 are held by:	
Egdon Resources (operator)	32.5%
Celtique Energie	32.5%
Terrain Energy Limited	12.5%
Corfe Energy Limited	12.5%
Union Jack Oil	10.0%

PEDL201
Union Jack Oil 10%



KEY DEVELOPMENTS

- **The total mean Prospective Resource volumes for the two target objectives, as calculated by Molten, are estimated to be 4.83 million barrels of oil.**
- **Drilling is planned for 2014**

PEDL180

Wressle

United Kingdom

In May 2013 Union Jack entered into an agreement with Egdon Resources, the licence operator, to acquire an 8.33% interest in PEDL180 containing the Wressle Prospect.

PEDL180 is located in Lincolnshire, on the western margin of the Humber Basin and is on trend with the producing Crosby Warren oil field and the Brigg-1 oil discovery, situated to the immediate northwest and southeast of the licence respectively. These discoveries contain oil in various sandstone reservoirs within the Upper Carboniferous succession, highlighting the relatively low risk potential for one or more sand units to be hydrocarbon bearing over the Wressle structure.

A surface location for the well has been identified, a lease agreed with the landowner and planning consent was granted by the North Lincolnshire Council in June 2013 for the drilling of an exploratory borehole, Wressle-1.

The planned well will be drilled as a deviated well to a total depth of approximately 2,300 metres with a maximum offset of 1,250 metres and has been designed to intersect all of the prospective sandstone reservoirs in a structurally favourable position near the crest of the structure. This well is planned to be drilled during 2014, as part of Egdon Resources' drilling programme which will also include the Burton on the Wolds-1 well.

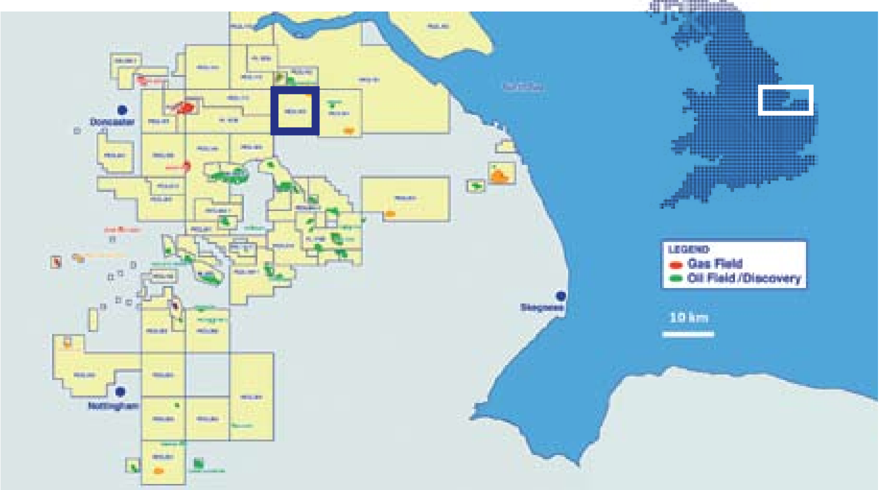
Under the terms of the agreement, should the Wressle-1 well be successful and prove the existence of an economically developable hydrocarbon accumulation that extends into the adjacent PEDL 182 then Union Jack has the option to require Egdon Resources to assign, at no extra cost, an 8.33% interest in that part of the designated field falling within PEDL182.

The Company's interest in PEDL180 is subject to a 0.648% net profit interest (based on Petroleum income less certain deductible expenditure) in favour of Egdon (equivalent to 7.5% of the Company's interest). Following this event the Company will hold 7.682% of PEDL180.

The total mean Prospective Resource volume at Wressle, as calculated by Molten, is estimated to be 2.13 million barrels of oil.

The interests in PEDL180 are held by:	
Egdon Resources (operator)	25.00%
Celtique Energie	33.33%
Europa Oil & Gas Limited	33.34%
Union Jack Oil	8.33%

PEDL180
Union Jack Oil 8.33%



KEY DEVELOPMENTS

- **The total mean Prospective Resource volume at Wressle, as calculated by Molten, is estimated to be 2.13 million barrels of oil.**
- **Drilling is planned for 2014**

PEDL253

Biscathorpe

United Kingdom

In March 2013 Union Jack entered into an agreement with Egdon Resources, the licence operator, and Montrose Industries Limited ("Montrose"), to acquire a 10% interest in PEDL253 containing the Biscathorpe Prospect.

PEDL253 is located within the proven hydrocarbon fairway of the Humber Basin, on trend with the Saltfleetby gas field and the Keddington oil field which produces oil from the Upper Carboniferous Westphalian aged reservoir sandstones.

The Biscathorpe Prospect is a well defined four way dip closed structure mapped from recently reprocessed 3D seismic. The Biscathorpe structure was originally drilled and tested by BP in 1987 with the Biscathorpe-1 well which encountered a 1.2 metre thick, oil bearing sandstone of Lower Westphalian age within a 24 metre gross sequence. Biscathorpe-2 will be directed towards a potentially thicker sand development within the structural closure of the trap.

A subsurface target location to evaluate the exploration potential of the Biscathorpe Prospect has been defined and a surface drilling location has been identified from which a vertical well to the depth of 2,100 metres can be drilled to test the primary subsurface objective. Drilling of the Biscathorpe-2 well is expected to commence following receipt of planning and other consents.

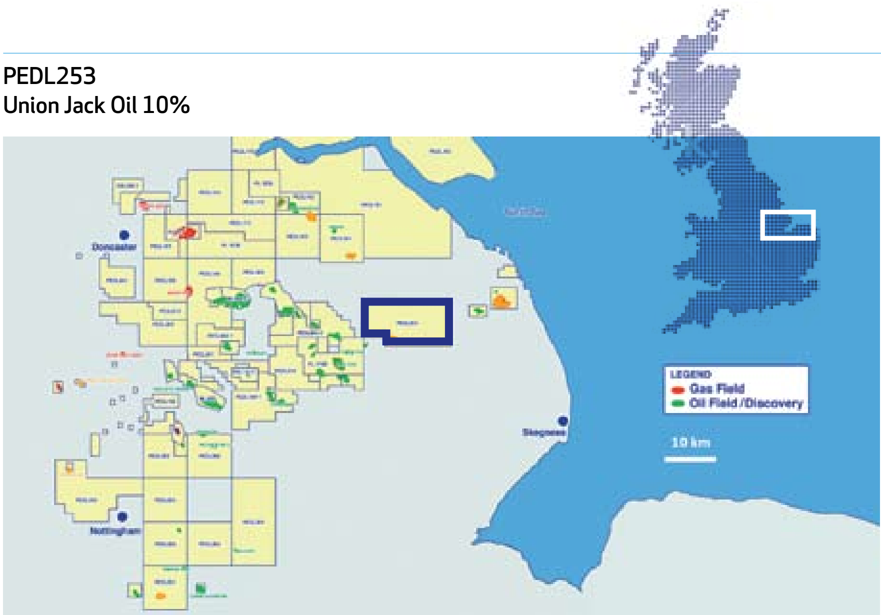
A royalty agreement is in place in respect of the Company's interest in PEDL253 whereby with effect of first production of oil or gas a beneficial interest of 0.6% will be assigned to Charnia Resources Limited. Following this event the Company will hold 9.4% of PEDL253.

The Company's interest is currently unfunded. An option to withdraw from the licence interest is in place with Egdon and Montrose.

The total mean Prospective Resource volume for the main reservoir objective, as calculated by Molten, is estimated to be 11.73 million barrels of oil. Further exploration upside is recognised from the 3D seismic and well data which suggests the presence of a pinchout providing a stratigraphic component to the trap.

The interests in PEDL253 are held by:	
Egdon Resources (operator)	54.0%
Montrose	36.0%
Union Jack Oil	10.0%

PEDL253
Union Jack Oil 10%



KEY DEVELOPMENTS

- **The total mean Prospective Resource volume for the main reservoir objective, as calculated by Molten, is estimated to be 11.73 million barrels of oil**

PEDL241

North Kelsey

United Kingdom

In March 2013 Union Jack entered into an agreement with Egdon Resources, the licence operator, to acquire a 10% interest in PEDL241 containing the North Kelsey Prospect.

PEDL241 is located within the proven hydrocarbon fairway of the Humberside Platform and contains the North Kelsey Prospect.

This prospect is a well defined tilted fault block mapped from 3D seismic. Based on offset well data, potential exists for up to four separate stacked reservoir sequences to be hydrocarbon bearing. The nearby Crosby Warren oil field and the Brigg oil discovery are productive from Upper Carboniferous Namurian aged reservoirs.

The subsurface target location to evaluate the exploration of the North Kelsey Prospect has been defined and a surface drilling location has been identified from which a vertical well can be drilled.

The Company's interest in PEDL241 is currently unfunded. An option to withdraw from this licence interest is in place with Egdon.

The total mean Prospective Resource volume for the four reservoir objectives, as calculated by Molten, is estimated to be 9.91 million barrels of oil.

The interests in PEDL241 are held by:	
Egdon Resources (operator)	40.0%
Celtique Energie	50.0%
Union Jack Oil	10.0%

PEDL241
Union Jack Oil 10%

KEY DEVELOPMENTS

- **The total mean Prospective Resource volume for the four reservoir objectives, as calculated by Molten, is estimated to be 9.91 million barrels of oil**

Directors' Report

for the year ended 31 December 2013

The directors present their report together with the financial statements for the year ended 31 December 2013.

Directors

The directors in office at the end of the year, and their interests in the shares of the Company as at 1 January 2013 and 31 December 2013, were as shown in the table below.

	ORDINARY SHARES	
	31 December 2013	1 January 2013
D Bramhill	44,664,580	14,800,400
J O'Farrell	105,664,180	20,000,000
M Durham	9,200,000	2,000,000
R Godson	12,000,000	–

Directors who served during the year and subsequently are as follows:

David Bramhill (executive director).

Joseph O'Farrell (executive director).

Martin Durham (non-executive director).

Ray Godson (non-executive director) was appointed on 30 July 2013.

William O'Dea (non-executive director) resigned on 30 July 2013.

Directors' Remuneration Report

The remuneration of the directors for the year ended 31 December 2013 and the period ended 31 December 2012 was as follows:

	SALARIES AND FEES	
	2013 £	2012 £
D Bramhill	77,439	–
J O'Farrell	62,686	–
M Durham	25,000	–
R Godson	25,000	–

Included in the above is £55,939 paid to D Bramhill and £57,358 to J O'Farrell, respectively, net of tax and national insurance, in shares at par value of 0.25p per share.

R Godson received a fee of £25,000 for his services through his consultancy firm, Godson and Co. No amounts were outstanding at the year end in this respect.

Directors' remuneration is disclosed in note 3 of these financial statements.

Copies of the Service Agreements in respect of D Bramhill and J O'Farrell are available for inspection at the Company's Registered Office. Copies of the Letters of Appointment in respect of M Durham and R Godson are available for inspection at the Company's Registered Office.

Annual General Meeting

The Annual General Meeting of the Company will be held on 29 May 2014 in accordance with the Notice of Annual General Meeting on page 35. Details of the resolutions to be passed are included in this notice.

Events after the Balance Sheet Date

The following events have taken place following the year end:

A placing raising £650,000 before expenses was completed in March 2014.

In March 2014 shareholders approved a share sub-division at a General Meeting.

This means that Ordinary shares of 0.25p in the capital of the Company were sub-divided into one new Ordinary share of 0.025p each, and one Deferred share of 0.225p.

The new Ordinary shares have the same rights, being subject to the restrictions and ranking pari passu in all respects with the existing Ordinary shares (save as to the nominal value).

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 11. At the Balance Sheet date the Company had one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are also warrants in issue as disclosed in note 11.

Substantial Shareholdings

On 31 March 2014, the Company's shareholders' register showed the following persons holding voting rights of 3% or more as a shareholder of the Company.

Name of holder	Percentage of voting rights	No. of ordinary shares	Nature of holding
XCAP Nominees Limited	19.07%	213,638,889	Beneficial
Joseph O'Farrell	9.40%	105,664,180	Beneficial
Hargreave Hale Limited	7.90%	88,888,889	Beneficial
David Bramhill	4.00%	44,664,580	Beneficial

Disclosure of Information to the Auditor

The directors at the date of the approval of this Annual Report individually confirm that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

A resolution to reappoint the Auditor, Deloitte LLP, will be proposed at the forthcoming Annual General Meeting.

Company Name and Registered Number

The registered number of Union Jack Oil plc is 07497220.

On behalf of the Board

David Bramhill
Chairman

29 April 2014

Corporate Governance Report

for the year ended 31 December 2013

The Company's securities are traded on the AIM Market of the London Stock Exchange ("AIM"). The Company has considered the Quoted Company Alliance ("QCA") corporate governance guidelines for AIM companies relevant to the Company.

The Board

During the year the Board of directors of Union Jack Oil plc consisted of two executive directors and two non-executive directors as disclosed within the Directors, Officers and Advisers section of this report, who were responsible for the proper management of the Company. The Board met in person or by telephone, as permitted by the current articles of association, ten times during the year.

The Board will meet at least four times in the coming year to review trading performance and budgets, ensure adequate funding, set and monitor strategy, examine acquisition opportunities and report to shareholders. The Board has a formal schedule of matters specifically reserved to it for decisions.

Remuneration Committee

The Remuneration Committee comprises Martin Durham, who acts as its Chairman, and Ray Godson. It determines the employment terms and total remuneration of the executive directors.

The Committee makes recommendations to the Board on overall remuneration for the executive directors in order to attract, retain and motivate high quality executives capable of achieving the Company's objectives. The current package comprises basic salary only. Directors remuneration for the year is noted in the Directors' Report and shown in note 3 on page 24.

Those disclosures form part of this report.

The remuneration of non-executive directors is determined by the Board.

Audit Committee

The Audit Committee comprises Ray Godson, who acts as its Chairman, and Martin Durham. The Committee is responsible for considering a wide range of financial matters. It monitors the controls that are in place to ensure the integrity of the financial information reported to shareholders.

This Committee also provides a forum for reporting by the Company's auditor. The executive directors may attend meetings by invitation.

Internal Financial Control

The directors are responsible for establishing and maintaining the Company's internal financial control systems. These are designed to meet the particular needs of the Company and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The key procedures that the directors have established to provide effective internal financial controls are:

- **Identification of Business Risks**

  The Board is responsible for identifying the major business risks faced by the Company and for determining the appropriate course of action to manage these risks.

- **Investment Appraisal**

  Capital expenditure is regulated by authorisation limits. For expenditure beyond the specified limits including investments in exploration projects, detailed proposals are submitted to the Board for review and sign-off.

- **Financial Reporting**

  The Company has a comprehensive system for reporting financial results to the Board.

- **Audit Committee**

  The Audit Committee monitors, through reports made to it, the controls that are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the external auditor.

Directors' Responsibilities Statement

for the year ended 31 December 2013

The directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report on the Financial Statements

to the Members of Union Jack Oil plc

We have audited the financial statements of Union Jack Oil plc ("the Company") for the year ended 31 December 2013 which comprise the Income Statement, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Principal Accounting Policies and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on , or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sonya Butters

Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom

29 April 2014

Income Statement

for the year ended 31 December 2013

	Notes	31.12.13 £	Period 1.2.12 to 31.12.12 £
Revenue		–	–
Administrative expenses before AIM admission costs		(514,470)	(142,966)
AIM admission costs		(199,406)	–
Total administrative expenses		(713,876)	(142,966)
Operating loss	2	(713,876)	(142,966)
Finance income	4	5,025	393
Loss before taxation		(708,851)	(142,573)
Taxation	5	(69)	–
Loss for the financial year		(708,920)	(142,573)
Attributable to:			
Equity shareholders of the Company		(708,920)	(142,573)
Loss per share			
Basic and diluted loss per share (pence)	6	(0.12)	(0.24)

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Comprehensive Income

for the year ended 31 December 2013

	31.12.13 £	Period 1.2.12 to 31.12.12 £
Loss for the financial year	(708,920)	(142,573)
Other comprehensive income	–	–
Total comprehensive loss for the financial year	(708,920)	(142,573)

The accompanying accounting policies and notes form an integral part of these financial statements.

Balance Sheet

as at 31 December 2013

	Notes	31.12.13 £	31.12.12 £
Assets			
Non-current assets			
Exploration and evaluation assets	7	44,294	–
Investments	8	20,000	–
		64,294	–
Current assets			
Trade and other receivables	9	40,673	25,564
Cash and cash equivalents	10	867,207	485,187
		907,880	510,751
Total assets		972,174	510,751
Liabilities			
Current liabilities			
Trade and other payables	17	71,262	31,157
Total liabilities		71,262	31,157
Net assets		900,912	479,594
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	11	2,079,201	607,451
Share-based payments reserve	12	284,263	14,716
Retained earnings	12	(1,462,552)	(142,573)
Total equity		900,912	479,594

The financial statements of Union Jack Oil plc, registered number 07497220, were approved and authorised for issue by the Board of Directors on 29 April 2014 and were signed on its behalf by:

David Bramhill
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2013

	Share capital £	Retained earnings £	Share-based payment reserve £	Total £
Balance at 1 February 2012 (unaudited)	1	–	–	1
Changes in equity				
Issue of share capital	607,450	–	–	607,450
Total comprehensive income	–	(142,573)	–	(142,573)
Share-based payment charge	–	–	14,716	14,716
Balance at 31 December 2012	**607,451**	**(142,573)**	**14,716**	**479,594**
Balance at 1 January 2013	607,451	(142,573)	14,716	479,594
Changes in equity				
Issue of share capital	1,471,750	–	–	1,471,750
Issue costs	–	(611,059)	–	(611,059)
Total comprehensive income	–	(708,920)	–	(708,920)
Share-based payment charge	–	–	269,547	269,547
Balance at 31 December 2013	**2,079,201**	**(1,462,552)**	**284,263**	**900,912**

The accompanying accounting policies and notes form an integral part of these financial statements.

Statement of Cash Flows

for the year ended 31 December 2013

	Notes	31.12.13 £	Period 1.2.12 to 31.12.12 £
Cash flow from operating activities	13	(688,949)	(117,656)
Cash flow from investing activities			
Purchase of intangible assets		(44,294)	–
Purchase of investments		(20,000)	–
Interest received		5,025	393
Net cash used in investing activities		(59,269)	393
Cash flow from financing activities			
Proceeds on issue of new shares		1,471,750	602,450
Cost of issuing new shares		(341,512)	–
Net cash generated from financing activities		1,130,238	602,450
Net increase in cash and cash equivalents		382,020	485,187
Cash and cash equivalents at beginning of financial year		485,187	–
Cash and cash equivalents at end of financial year	10	867,207	485,187

The accompanying accounting policies and notes form an integral part of these financial statements.

Principal Accounting Policies

Union Jack Oil plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 6 Charlotte Street, Bath BA1 2NE, England. The nature of the Company's operations and its principal activities are set out in the Directors' Report, Strategic Report and Review of Operations. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Basis of Preparation

The annual financial statements of Union Jack Oil plc ("the Company") have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2013.

The financial statements have been prepared under the historical cost convention. The principal accounting policies set out below have been consistently applied to all periods presented.

Going Concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 5.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks.

Financial Instruments

Financial assets and financial liabilities are recognised on the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Exploration and Evaluation Costs

The Company follows a successful efforts based accounting policy for oil and gas assets.

Costs (including research costs) incurred prior to obtaining the legal rights to explore an area will be expensed immediately to the Income Statement.

Expenditure incurred on the acquisition of a licence interest will initially be capitalised on a licence by licence basis. Costs will be held, unimpaired, within exploration and evaluation costs until such a time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets will be capitalised initially within intangible assets as exploration and evaluation costs. Exploration costs will initially be capitalised on a well by well basis until the success or otherwise has been established. The success or failure of each exploration/evaluation effort will be judged on a well by well basis. Drilling costs will be written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercially viable.

Principal Accounting Policies

All such costs will be subject to regular technical, commercial and management review for indicators of impairment on at least an annual basis which includes confirming the continued intent to develop or otherwise extract value from the licence, prospect or discovery. Where this is no longer the case, the costs will be immediately expensed.

Following evaluation of successful exploration wells, if commercial reserves are established and the technical feasibility of extraction is demonstrated, and once a project is sanctioned for commercial development, then the related capitalised exploration/evaluation costs will be transferred into a single field cost centre within development/producing assets after testing for impairment within Property, Plant and Equipment. Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs will be written off to the Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated will be capitalised within development/producing assets on a field by field basis. Subsequent expenditure will be capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the part replaced will be expensed.

Net proceeds from any disposal of an exploration asset will initially be credited against the previously capitalised costs. Any surplus proceeds will be credited to the Income Statement.

Plug and suspend and demobilisation costs will be recognised in full when wells have been suspended or facilities installed. A corresponding amount equivalent to the provision will also be recognised as part of the cost of the asset. The amount recognised will be the estimated cost of decommissioning, discounted to its net present value, and will be reassessed each year. Changes in the estimated timing or cost estimates will be dealt with prospectively by recording and adjustment to the provision, and a corresponding adjustment to the decommissioning asset. The unwinding of the discount on the decommissioning provision will be included as a finance cost.

Taxation

The tax expense represents the sum of current and deferred tax.

Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

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, and is accounted for using the Balance Sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of 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 tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the Balance Sheet date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Share Based Payments - Warrants

Equity-settled share-based payments in respect of warrants for professional services are measured at the fair value of the equity instruments at the grant date, on the basis that this is immaterially different from the fair value of the services provided. There are no vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 11. 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 Company's estimate of equity instruments that will eventually vest. At each Balance Sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the Income Statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Investments

Investments represent available-for-sale investments and are initially held at fair value and are subsequently measured at fair value or at cost where fair value is not readily ascertainable. Gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss recognised previously in equity is included in the net profit or loss for the year.

Principal Accounting Policies

International Financial Reporting Standards in Issue but not yet Effective

At the date of authorisation of these financial statements, the IFRS Interpretations Committee has issued standards, interpretations and amendments which are applicable to the Company. Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these financial statements, the following may have an impact going forward:

IFRS9	Financial Instruments
IAS 32	Disclosures - offsetting financial assets and financial liabilities
IAS 36	Recoverable amount disclosures

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Company.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in this note, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgement and estimates that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Warrants

In determining the fair value of warrants and the related charges to the Income Statement, the Company makes assumptions about future events and market conditions. The fair value is determined using a valuation model which is dependent on estimates, including the future volatility of the Company's share price and the expected life of the warrants. This is determined by using historic data from similar companies and historic trends on exercising warrants by warrant holders.

Impairment

In assessing the need to impair exploration and evaluation assets the Board makes assumptions about the future progress and likely successful outcome of exploration and drilling activities. At this early stage of exploration of each investment, these are determined through monitoring market and industry conditions, competent person reports on each prospect and information from each licence's main operator.

Notes to the Financial Statements

for the year ended 31 December 2013

1 Business and Operating Segments

The Company commenced trading in the year and is considered to have one operating segment, being the exploration for, and future development of, hydrocarbon projects in the United Kingdom.

2 Operating Loss

	31.12.13 £	Period 1.2.12 to 31.12.12 £
Operating loss is stated after charging:		
Staff costs (see note 3)	206,623	–
Fees payable to the Company's auditor for:		
– The audit of these financial statements	16,500	16,000
– Tax compliance services	4,500	4,000
– Other assurance services	100,000	–
Total	327,623	20,000

3 Staff Costs

The aggregate payroll cost in the year of the employees, all of whom are directors, was as follows:

	31.12.13 £	Period 1.2.12 to 31.12.12 £
Salaries	190,125	–
Social security costs	16,498	–
	206,623	–

Included in the above is £55,939 and £57,358 paid to D Bramhill and J O'Farrell, respectively, net of tax and national insurance, in shares at par value of 0.25p per share.

The average number of persons employed by the company during the year was 4 (2012: 4).

Details of each director's remuneration are included in the Directors' Report.

Highest paid director

The highest paid director received remuneration of £77,439 (2012 : nil).

Notes to the Financial Statements
for the year ended 31 December 2013

4 Finance Income

	31.12.13 £	Period 1.2.12 to 31.12.12 £
Bank interest	5,025	393

5 Taxation

	31.12.13 £	Period 1.2.12 to 31.12.12 £
Current tax		
UK corporation tax	–	–
Adjustment in respect of prior periods	69	–
Total UK corporation tax charge	69	–

The differences between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax for oil and gas companies of 62% (31 December 2012: 62%) to the loss before tax is as follows:

	£	£
Loss on ordinary activities before tax	(708,851)	(142,573)
Tax on Company loss on ordinary activities at standard UK corporation tax rate of 62% (31 December 2012: 62%)	439,488	88,395
Effects of:		
Disallowable expenses	(141,284)	(57,525)
Losses carried forward	(298,204)	(30,870)
Adjustment in respect of prior periods	69	–
Current tax charge for year	69	–

During the year the Company paid £69 corporation tax on its finance income for the previous year of £393.

The Company is not aware of any factors that will materially affect the future tax charge.

A deferred tax asset of £329,074 (2012: £30,870) relating to the carry forward of losses from trading and pre-trading expenditure has not been recognised in the year as at present it is not envisaged that any tax will become payable in the foreseeable future against which those losses could be utilised as deductions.

Notes to the Financial Statements

for the year ended 31 December 2013

6 Loss Per Share

The Company has issued warrants over ordinary shares which could potentially dilute basic earnings per share in the future. Further details are given in note 11.

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

During the current and prior year the Company had warrants in issue as detailed in note 11. These warrants have not been taken into account when calculating the diluted loss per share as their impact was anti-dilutive. Therefore the basic and diluted loss per share are the same.

Loss per share	2013 Pence	2012 Pence
Loss per share from continuing operations	(0.12)	(0.24)

The loss and weighted average number of ordinary shares used in the calculation of loss per share are as follows:

	2013 £	2012 £
Loss used in the calculation of total basic and diluted earnings per share	(708,920)	(142,573)

Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	585,020,400	59,450,909

The deferred shares noted within note 20 have not been included within the calculations of basic or diluted shares above on the basis that IAS 33 defines an ordinary share as an equity instrument that is subordinate to all other classes of equity instruments. Any residual interest in the assets of the Company would not, on liquidation, go to the deferred shareholders, hence they are not considered subordinate.

Notes to the Financial Statements
for the year ended 31 December 2013

7 Intangible Assets

	Exploration and evaluation assets £
At 1 January 2013	–
Costs incurred during the year	44,294
At 31 December 2013	44,294

8 Investments

During the year the Company purchased 90,908 ordinary shares in Elephant Oil Limited, a company registered in England and Wales, for which it paid £20,000. Elephant Oil Limited has 20,201,571 ordinary shares in issue. Union Jack Oil plc has a 0.45% interest in that company.

9 Trade and Other Receivables

	31.12.13 £	31.12.12 £
Other debtors – unpaid share capital	–	5,000
VAT	5,122	16,814
Prepayments	35,551	3,750
	40,673	25,564

The directors consider that the carrying values of trade and other receivables are approximate to their fair value.

All of the Company's receivables have been reviewed for indications of impairment. None of the receivables was found to be impaired.

Notes to the Financial Statements
for the year ended 31 December 2013

10 Cash and Cash Equivalents

	31.12.13 £	31.12.12 £
Cash at bank	867,207	485,187

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is equal to their fair value.

11(a) Share Capital

Allotted and issued: Number	Class	Nominal value	31.12.13 £	31.12.12 £
831,680,400 (31 December 2012: 242,980,400)	Ordinary	0.25p	2,079,201	607,451

Allotments during the year
On 28 February 2013 the Company issued 224,900,000 ordinary shares at par value of 0.25p.

Also 363,800,000 ordinary shares were issued by the Company at par value of 0.25p on 30 July 2013.

Issue costs have been recognised in retained earnings as there is no share premium, see note 12. £269,457 of the issue costs were in the form of warrants, hence there was no cash impact.

Events after the Balance Sheet Date
After the year ended 31 December 2013 the Company amended the class of shares as disclosed in note 20.

Notes to the Financial Statements
for the year ended 31 December 2013

11(b) Share-Based Payments -Warrants

During the year the Company issued share warrants which are exercisable within five years and eighteen months respectively. Details of the number of warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

Year ended December 2013	Number of warrants	WAEP £
Outstanding at the beginning of the year	9,719,216	0.003
Issued in the year	339,200,000	0.003
Outstanding and exercisable at the end of the year	348,919,216	0.003

Period ended December 2012	Number of warrants	WAEP £
Outstanding at the beginning of the period	–	–
Issued in the period	9,719,216	0.003
Outstanding and exercisable at the end of the period	9,719,216	0.003

The fair values of warrants issued were calculated using the Black-Scholes model. The inputs into the model are as follows:

Date of grant	4 December 2012	20 December 2012	22 July 2013	30 July 2013
Number granted	6,074,510	3,644,706	320,000,000	19,200,000
Share price at date of grant	0.3p	0.3p	0.25p	0.25p
Exercise price	0.25p	0.25p	0.30p	0.25p
Expected volatility	69%	69%	77%	77%
Expected life (years)	5.0	2.5	1.5	2.5
Risk free rate	0.8464%	0.8464%	1.2064%	1.2064%
Expected dividend yield	0%	0%	0%	0%
Fair value at date of grant	£11,099	£5,194	£245,655	£22,358
Earliest vesting date	20 December 2012	20 December 2012	30 July 2013	30 July 2013
Expiry date	20 December 2022	20 December 2017	30 July 2018	21 January 2015

The Company gained admission to the ISDX Growth Market during December 2012, and subsequently to the AIM Market during July 2013, and therefore expected volatility was calculated using comparable companies.

The Company recognised total expenses of £269,547 (period to 31 December 2012: £14,716) related to equity-settled share-based payment transactions during the year. As those costs relate to the raising of equity, they have been debited to retained earnings rather than expensed.

Notes to the Financial Statements
for the year ended 31 December 2013

12 Reserves

	Retained earnings £	Share-based payment reserve £	Totals £
At 1 January 2013	(142,573)	14,716	(127,857)
Loss for the year	(708,920)	–	(708,920)
Share issue costs (note 11a)	(611,059)	–	(611,059)
Credit for the year (note 11b)	–	269,547	269,547
At 31 December 2013	(1,462,552)	284,263	(1,178,289)
At 1 February 2012	–	–	–
Loss for the period	(142,573)	–	(142,573)
Credit for the period (note 11b)	–	14,716	14,716
At 31 December 2012	(142,573)	14,716	(127,857)

13 Reconciliation of Loss to Cash Generated from Operations

	31.12.13 £	Period 1.2.12 to 31.12.12 £
Loss before taxation	(708,851)	(142,573)
Finance income	(5,025)	(393)
Income taxes paid	(69)	–
Share-based payments	–	14,716
	(713,945)	(128,250)
Increase in trade and other receivables	(15,109)	(20,563)
Increase in trade and other payables	40,105	31,157
Cash used in operations	(688,949)	(117,656)

Notes to the Financial Statements
for the year ended 31 December 2013

14 Financial Instruments

Classification of financial instruments

The tables below set out the Company's accounting classification of each class of its financial assets and liabilities.

Financial assets measured at fair value	£
At 31 December 2013	
Investments: available-for-sale	20,000
At 31 December 2012	
Investments: available-for-sale	–

The fair value assets are equal to cost.

Financial assets measured at amortised cost	£
At 31 December 2013	
Other receivables	5,122
Cash and cash equivalents	867,207
Total carrying value	872,329
At 31 December 2012	
Other receivables	21,814
Cash and cash equivalents	485,187
Total carrying value	507,001

All of the above financial assets' carrying values approximate to their fair values at 31 December 2013 and 31 December 2012, given their nature and short times to maturity.

Notes to the Financial Statements
for the year ended 31 December 2013

14 Financial Instruments (continued)

Financial liabilities measured at amortised cost	£
At 31 December 2013	
Trade payables	48,762
Accruals	21,000
Other creditors	1,500
Total carrying value	71,262
At 31 December 2012	
Trade payables	15,157
Accruals	16,000
Other creditors	–
Total carrying value	31,157

All of the above financial liabilities' carrying values approximate to their fair values at 31 December 2013 and 31 December 2012 given their nature and short times to maturity.

Notes to the Financial Statements
for the year ended 31 December 2013

15 Financial Instrument Risk Exposure and Management

The principal financial risks to which the Company is exposed are: capital management, liquidity risk and credit risk. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them.

Financial assets held at fair value represent investments classified as available-for-sale. These have been classified as Level 3 financial instruments as their fair value has been based on cost in light of no observable market data.

No financial liabilities are held at fair value.

Credit risk

The Company's credit risk is primarily attributable to its cash balances and such risk is limited because the third party is an international bank.

The Company's total credit risk amounts to the total of the sum of the receivables, cash and cash equivalents. At the year end this amounted to £872,329 (2012: £507,001).

Liquidity risk

In managing liquidity risk, the main objective of the Company is to ensure that it has the ability to pay all of its liabilities as they fall due. The Company monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due.

The table below shows the undiscounted cash flows on the Company's financial liabilities as at 31 December 2013 and 31 December 2012 on the basis of their earliest possible contractual maturity.

At 31 December 2013

	Total £	Within 2 months £	Within 2-6 months £	Greater than 6 months £
Trade payables	48,762	48,762	–	–
Accruals	21,000	–	21,000	–
Other creditors	1,500	1,500	–	–
	71,262	50,262	21,000	–
At 31 December 2012				
Trade payables	15,157	15,157	–	–
Accruals	16,000	–	16,000	–
Other creditors	–	–	–	–
	31,157	15,157	16,000	–

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, add shareholder value and to maintain an optimal capital structure to reduce the cost of capital. The Company defines capital as being share capital plus reserves as disclosed in the Balance Sheet.

The Board of Directors monitors the level of capital as compared to the Company's commitments, and adjusts the level of capital as is determined to be necessary, by issuing shares.

The Company is not subject to any externally imposed capital requirements.

Notes to the Financial Statements
for the year ended 31 December 2013

16 Financial Commitments

At 31 December 2013 the company was committed to its share of drilling costs at the Burton on the Wolds and Wressle Prospects. These costs are expected to total approximately £800,000.

17 Trade and Other Payables

	31.12.13 £	31.12.12 £
Trade payables	48,762	15,157
Accruals	21,000	16,000
Other creditors	1,500	–
	71,262	31,157

18 Related Party Transactions

Related party transactions during the year comprised payments to directors. This includes amounts disclosed in note 3 of these financial statements for directors' remuneration and £25,000 paid to Godson and Co. Chartered Accountants, a company under the control of R Godson, in respect of fees paid for services rendered. At each year end no amounts were owed to or by the Company in respect of these transactions.

In addition, included in other creditors is £500 (2012: £nil) owed to M Durham, a director of the Company, for an over-payment by him on subscription for shares.

19 Contingent Liabilities

The directors are not aware of any contingent liabilities at 31 December 2013 nor 31 December 2012.

20 Events after the Balance Sheet Date

The following events have taken place following the year end:

A placing raising £650,000 before expenses was completed in March 2014.

In March 2014 shareholders approved a share sub-division at a General Meeting.

This means that, Ordinary shares of 0.25p in the capital of the Company were sub-divided into one new Ordinary share of 0.025p each, and one Deferred share of 0.225p.

The new Ordinary shares have the same rights, being subject to the restrictions and ranking pari passu in all respects with the existing Ordinary shares (save as to the nominal value).

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "**AGM**") of Union Jack Oil plc (the "**Company**") will be held at the offices of Osborne Clarke, 2 Temple Back East, Temple Quay, Bristol BS1 6EG on 29 May 2014 at 11.00 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions numbered 1 to 6 will be proposed as ordinary resolutions and resolution numbered 7 will be proposed as a special resolution:

Ordinary Resolutions

Report and Accounts

1 To receive the audited annual accounts of the Company for the year ended 31 December 2013, together with the Directors' Report and the Auditor's Report on those annual accounts.

Re-election of Director at his First AGM

2 To re-elect Raymond Godson as a director, who offers himself for re-election in accordance with the Company's articles of association.

Re-election of Director Retiring by Rotation

3 To re-elect Martin Durham as a director, who retires by rotation in accordance with the Company's articles of association.

Re-appointment of Auditor

4 To re-appoint Deloitte LLP as auditor of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next general meeting at which accounts are laid before the Company.

Auditor's Remuneration

5 To authorise the directors to determine the remuneration of the auditor.

Directors' Authority to Allot Shares

6 That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company ("Relevant Securities") up to an aggregate nominal amount of £280,142.32 (representing 100% of the issued share capital of the Company at the date of this notice) provided that, unless previously revoked, varied or extended, this authority shall expire on the conclusion of the next Annual General Meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the directors may allot Relevant Securities in pursuance of such an offer or agreement as if this authority had not expired.

Special Resolution

Directors' Power to Issue Shares for Cash

7 That, conditional upon the passing of resolution numbered 6, the directors be and they are empowered pursuant to Section 570(1) of the Act to allot equity securities (as defined in Section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the directors under Section 551 of the Act conferred by resolution 6 above as if Section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to the allotment of equity securities up to an aggregate nominal value equal to £140,071.16 (representing 50% of the issued share capital of the Company at the date of this notice) and, unless previously revoked, varied or extended, this power shall expire on the conclusion of the next Annual General Meeting of the Company, except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

By order of the Board

Brian Marshall FCA
Company Secretary

Dated: 29 April 2014

Registered Office:
6 Charlotte Street
Bath BA1 2NE

Notice of Annual General Meeting

Notes:

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at 11.00 a.m. on 27 May 2014 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

2 If you wish to attend the AGM in person, you should arrive at the offices of Osborne Clarke, 2 Temple Back East, Temple Quay, Bristol BS1 6EG in good time before the AGM, which will commence at 11.00 a.m. In order to gain admittance to the AGM, members may be required to prove their identity.

3 A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM or another person as a proxy. You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.

4 To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should reach the Company's registrar, Computershare Investor Services PLC of The Pavilions, Bridgwater Road, Bristol BS99 6ZY, by no later than 11.00 a.m. on 27 May 2014.

5 The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service.

6 In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

7 A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in Notes 3 to 5 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.

8 Copies of the executive directors' service contracts with the Company and letters of appointment of the non-executive directors are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the AGM.

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