UNION JACK OIL

PRODUCTION, DRILLING,
DEVELOPMENT AND
INVESTMENT IN THE
UNITED KINGDOM ONSHORE
HYDROCARBON SECTOR

UNION JACK OIL plc

Annual Report and Financial Statements

2017

Directors, Officers and Advisers

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UNION JACK OIL

Union Jack Oil plc is an onshore oil and gas exploration and production company with a focus on drilling, development, investment and production 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.

Contents

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 2017.

The objective of the Board remains to build a sustainable and successful conventional onshore hydrocarbon production and development business. In this respect, we have had another successful year in expanding our high-quality portfolio of licence interests.

Considerable progress was made in the year under review and in the post balance sheet events period up to the signing of these financial statements that represents a period of solid progress with the highlights being:

- expanding our portfolio with accretive asset value selective transactions with further interests in Wressle and Biscathorpe;
- increased our proven reserves, and level of resources;
- continue to build our oil production profile by the addition of an interest in the producing Fiskerton Airfield oilfield and the acquisition of a further interest in the Keddington oilfield; and
- prepared for the drilling of two significant conventional prospects.

We have expanded our asset base by the acquisition of:

- a further 3.33% interest in PEDLs 180 and 182 containing the significant Wressle discovery bringing our interest to 15%;
- a 20% interest in the producing Fiskerton Airfield oilfield which in the opinion of the Board holds scope for a significant upgrade in production going forward;
- a further 10% interest in PEDL253 containing the attractive conventional drill-ready Biscathorpe-2 prospect that is expected to be drilled around mid-year 2018 as a result of a farm-in and as a post balance sheet event, increasing our interest to 22%; and
- a further 10% interest in the producing Keddington oilfield contained within Cairn Energy's onshore portfolio purchased during 2017 bringing our interest to 20%.

PEDL180 / PEDL182 WRESSLE DISCOVERY (15%)
BROUGHTON NORTH PROSPECT (15%)

Located in Lincolnshire, on the western margin of the Humber Basin, PEDL180 and PEDL182 contain the substantial conventional Wressle oil discovery with proven reserves and significant upside from which first commercial oil is expected to flow at a constrained rate of 500 barrels of oil per day gross. Union Jack holds a 15% interest in both licences including the Wressle-1 oil discovery awaiting development.

During testing, the Wressle-1 discovery well flowed an aggregate of 710 barrels of oil equivalent per day from the three zones tested. Subsequent to testing and the decision by the joint venture to declare commerciality status on the project, an independent Competent Persons Report was prepared by ERC Equipoise ("ERCE") that provided Reserves, Contingent and Prospective Resources associated with the Wressle-1 discovery and Broughton North Prospect. The findings of ERCE are highlighted within the Review of Operations section of this Annual Report.

In January 2018 the Planning Inspectorate denied appeals in respect of the development of the Wressle discovery.

Following this decision the operator announced its intention to submit two new applications to the North Lincolnshire Council, one to extend the existing planning consent for a further year and the second for the field development of the Wressle discovery. The first application was submitted during April 2018.

In respect of the second application, since January 2018 the operator has drilled two deeper cored groundwater boreholes in addition to the investigation boreholes previously drilled. The data from these operations are being used to support this application which will contain a revised site design and hydrological risk assessment. Once the operator has received and integrated the results of the hydraulic conductivity tests executed on the core samples, the second application will be submitted to the North Lincolnshire Council in May 2018. This new application will address the stated points raised by the Planning Inspector.

The joint venture partners remain confident that the Wressle development will be brought to production status and will continue to pursue all credible avenues to achieve this objective. An Environment Agency permit for production is already in place in respect of the development.

OPERATIONAL HIGHLIGHTS

- Expanding our portfolio with accretive asset value selective transactions with further interests in Wressle and Biscathorpe;
- Increased our proven reserves, and level of resources;
- Continue to build our oil production profile by the addition of an interest in the producing Fiskerton Airfield oilfield and the acquisition of a further interest in the Keddington oilfield; and
- Prepared for the drilling of two significant conventional prospects.

FINANCIAL HIGHLIGHTS

- Cash balance in excess of £2.0 million as at 30 April 2018;
- £1.25 million before expenses raised in March 2018 to expand further the Company's asset portfolio; and
- The Company remains debt free.

PEDL253 – BISCATHORPE (22%)

PEDL253 is within the proven hydrocarbon fairway of the South Humber Basin and is on trend with the Saltfleetby gasfield, Keddington oilfield, the Louth and North Somercotes prospects and contains the Biscathorpe Prospect.

The current Best Estimate is a gross Prospective Resource of 14 million barrels of oil with a geological Chance of Success of 40%.

The Biscathorpe Prospect is a well-defined, four-way dip closed structure mapped from recently re-processed 3D seismic. The Biscathorpe-1 well drilled by BP in 1987 encountered a thin oil filled sandstone which is expected to thicken down-dip.

The Biscathorpe-2 conventional well will be located in a direction towards a potentially thicker sand development within the structural closure of the trap.

Partner approval has been granted to drill Biscathorpe-2 around mid-year 2018.

During 2017, Union Jack commissioned an independent review of the Biscathorpe 3D conducted by geophysical consultants Sotwell Exploration Ltd ("Sotwell"). The findings were encouraging and confirmed the Biscathorpe "concept" with good evidence from seismic attributes for the sand thickening away from the current well location which in the opinion of Sotwell, the Biscathorpe-2 location to appraise the prospect appears optimal. In addition, Sotwell's belief is that the whole area is very attractive for hydrocarbon exploration and that a "mega" play trap is potentially feasible with significant stratigraphic upside potential. According to the operator, if the stratigraphic closure is proven the, gross Prospective Resources could increase to circa 35 million barrels of oil (P10).

The proposed Biscathorpe-2 well will involve conventional drilling for oil trapped in a sandstone reservoir and for clarity the operations at the site will neither now, nor in the future involve the process for hydraulic "fracking" for shale gas or shale oil.

PEDL143 – HOLMWOOD (7.5%)

Holmwood is a conventional oil prospect located in the Weald Basin and was first identified by BP in 1988 and is estimated to hold gross mean un-risked Prospective Resources of 5.6 million barrels of oil with a geological chance of success of 50%. Further upside resource potential exists from the Jurassic Kimmeridge limestones and there is believed to be the presence of multiple potential pay zones.

The proposed drill site for the Holmwood-1 exploration well is approximately 12 kilometres immediately west of, and of similar stratigraphy to the important Horse Hill discovery.

Holmwood-1 is a conventional exploration well and is currently expected to be drilled in late 2018.

EXL294 FISKERTON AIRFIELD OILFIELD (20%)

Union Jack purchased a 20% economic interest including surface infrastructure and facilities in this producing oilfield in November 2017. The oilfield has had workovers on wells FA-1 and FA-3 with a view to enhancing cash flows by increasing production via low-cost well interventions, installation of new tubing, pumps and the isolation of water producing zones.

The workovers of FA-1 and FA-3 were successfully completed in the period January to March 2018.

Production operations have resumed at Fiskerton and initial field production, prior to further optimisation and further operations during the coming period, including the increasing of the pumping rate, is approaching 30 bopd of good quality (35.2° API gravity) oil, a significant increase on the pre-workover rate of 16 bopd.

Oil production since resumption of operations to date exceeds 1,250 barrels gross and product is being sold and transported by road tanker to a refinery at Immingham, North East Lincolnshire.

Chairman's Statement

The Company believes there is upside potential in the oil resources at Fiskerton Airfield. Union Jack is funding a 3D seismic re-processing exercise on behalf of the joint venture partners to assist in re-mapping a 24 square kilometre area surrounding Fiskerton Airfield to identify further production opportunities from the reservoir. It is expected that initial interpretations from the 3D seismic processing will be available during H1 2018.

Subject to the results of the 3D seismic re-processing, the joint venture partners will investigate the potential to further increase production through in-fill drilling.

PEDL203 KIRKLINGTON OILFIELD (16.67%)
PEDL118 DUKES WOOD OILFIELD (16.67%)

Union Jack acquired these licence interests in October 2017, through the purchase of Cairn Energy plc's entire onshore UK portfolio. These licence interests contain previously producing oilfields that are currently shut-in.

PEDL203 contains the Kirklington oilfield that was originally discovered by BP in 1985 and produced oil from two Carboniferous reservoirs.

The Kirklington-3 and 3-Z sidetrack wells were drilled in 2010 and produced oil from only one of nine potential pay zones until mid 2013. The Kirklington 3-Z well is currently shut-in and production facilities have been preserved on a care and maintenance basis. Should a future production decision be taken, the existing production facilities can be made production ready once remedial work has been conducted to site equipment.

PEDL118 contains the Dukes Wood oilfield originally discovered by a predecessor company to BP in 1939. The oilfield was decommissioned in 1966 having produced approximately 6.5 million barrels of oil from a mapped 25.6 million barrels of oil in place representing a recovery factor of 24.5%.

The Dukes Wood-1 well was drilled in 2010 and encountered three hydrocarbon bearing reservoir zones, the Ashover Grit, Crawshaw sandstone and Loxley Edge Rock, all of which were flow tested.

Various studies are currently ongoing at both Kirklington and Dukes Wood to identify reservoir zones containing previously unproduced or undrained resources. These studies will evaluate completion and enhanced recovery operations, both mechanical and chemical, which could be applied to the unswept oil reservoirs that are present that could justify re-establishing production from either oilfield.

PEDL005(R) KEDDINGTON OILFIELD (20%)

Keddington is currently producing approximately 22 barrels of oil per day (gross) from Carboniferous age sandstone reservoirs from the Keddington 3-Z well. Recent mapping of the 3D seismic over the producing Keddington oilfield has indicated areas of potentially unswept oil within structural closure. Comprehensive geophysical and geological evaluation is ongoing to better define the greater Keddington area.

PEDL005(R) contains the Louth Prospect which also extends into PEDL339 (20%). Louth is defined on reprocessed 3D seismic data and is estimated to contain STOIIP of 5.5 million barrels of oil and gross mean Prospective Resources of 1.2 million barrels of oil with an attractive chance of success of 37%.

In addition, the entire North Somercotes gas prospect is within PEDL005(R) which is estimated to contain gross mean Prospective Resources of 11 billion cubic feet of gas with a chance of success of 25%.

OTHER ASSETS

Other assets held by Union Jack include interests in, North Kelsey PEDL241 (20%), Burton on the Wolds PEDL201 (10%), PEDL339 (10%) which contains an extension of the Louth Prospect and PEDL209 (10%).

A detailed review of Union Jack's asset base can be found in the Review of Operations section within this Annual Report.

CORPORATE AND FINANCIAL

Union Jack remains debt free and our cash balance as at 30 April 2018 stands in excess of £2 million, with sufficient funds to cover the cost of drilling our expanded interest in Biscathorpe-2, Holmwood-1 and surplus working capital for at least a 12 month period from the date of approving the financial statements.

During March 2017, the Company acquired a further 3.33% in PEDL180 and PEDL182 containing the Wressle oil discovery from Celtique Energie Petroleum Limited for a consideration of £600,000. As a result, the Company holds a 15% interest in these licences.

During October 2017, the Company acquired the entire on-shore portfolio of Nautical Petroleum, a subsidiary of Cairn Energy plc.

During March 2018, and as described in the Events After the Balance Sheet Date note, the Company raised £1.25 million before expenses in an oversubscribed placing. A portion of the funds raised have allowed Union Jack to increase its interest by a further 10% in PEDL253 containing the Biscathorpe-2 Prospect which is expected to be drilled around mid-year 2018. Following this transaction the Company now holds a 22% interest in PEDL253.

In addition, after the Balance Sheet Date, the Company entered into a Commercial Partnership with UK based Humber Oil & Gas Limited ("Humber").

The first collaboration was a farm-in involving Humber and Union Jack in March 2018 for a combined 20% interest in PEDL253, with each of the companies acquiring a 10% interest.

We are currently working with Humber on other investment opportunities and look forward to announcing further attractive projects as and when they come to fruition.

G.P (Jersey) Limited, an entity with connections to the management of Humber, owns 10% of the issued share capital of Union Jack.

I would customarily like to take this opportunity to thank my co-directors, Joe O'Farrell, Graham Bull and Ray Godson for their continued support and professional advice throughout the year. This same comment also applies to our advisers, all of whom assist in the efficient running of Union Jack, and of course to our shareholders.

I welcome Matt Small as Company Secretary following the sad passing of Brian Marshall who served Union Jack loyally from its incorporation as Company Secretary and Financial Controller.

SUMMARY

I remain very optimistic in respect of Union Jack's future prospects as we have:

- assembled an attractive portfolio with proven reserves, contingent resources and drill-ready prospects;
- interests in two producing oilfields;
- a 15% interest in the significant Wressle oil discovery;
- two significant potentially high-impact exploration wells planned to be drilled in 2018;
- continued to remain debt free; and
- in excess of £2 million in cash balances.

We look forward to the drilling of Biscathorpe-2 in mid 2018 and Holmwood-1 currently scheduled for late 2018. Expectations are high in respect of both these excellent prospects. A modicum of success on either would have a significant positive effect on the Company.

Again, I am confident of a resolution to obtaining a positive development decision at Wressle which, if and when positively determined (as we believe it will), would result in a material transformation to the cash flows of Union Jack.

Our asset portfolio is well balanced with the relevant components of production, development, appraisal and discovery that are all in place as is adequate funding for our commitments going forward.

The future of Union Jack remains bright.

D R Bramhill

David Bramhill

Executive Chairman

1 May 2018

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2017

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 and cash resource to acquire further licence interests in the UK 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 2017 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 £746,822 (2016: £891,709).

The directors do not recommend the payment of a dividend (2016: nil).

In February 2017, 1,032,589,694 new ordinary shares were issued for cash at 0.135 pence per share raising £1,393,997 before expenses of £140,342.

The enlarged issued share capital following the issue of new shares described in this section is 4,333,063,205 ordinary shares of 0.025 pence each and 831,680,400 deferred shares of 0.225p each.

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 for onshore oil and gas exploration and development.

KEY PERFORMANCE INDICATORS

The Company has made good progress during the year ended 31 December 2017. Traditional KPIs are not appropriate to the Company. Performance is measured by monitoring exploration costs and ensuring sufficient funds are available to meet exploration commitments.

The directors were successful in raising funds to ensure the Company is adequately funded to meet all of its current commitments in respect of licence terms and drilling commitments to the end of June 2019.

During March 2017, the Company acquired a further 3.33% in PEDL180 and PEDL182 containing the Wressle oil discovery from Celtique Energie Petroleum Limited for a consideration of £600,000. As a result, the Company holds a 15% interest in these licences.

During October 2017, the Company acquired the entire on-shore portfolio of Nautical Petroleum, a subsidiary of Cairn Energy plc, for a consideration of £25,000.

During March 2018, and as described in the Events After the Balance Sheet Date note, the Company raised £1.25 million before expenses in an oversubscribed placing.

A portion of the funds raised have allowed Union Jack to increase its interest by a further 10% in PEDL253 containing the Biscathorpe-2 Prospect which is expected to be drilled around mid-year 2018. Following this transaction the Company now holds a 22% interest in PEDL253.

Intangible Assets totalled £2,806,278 (2016: £2,079,340).

Tangible assets totalled £496,859 (2016: nil).

The Company's Income Statement reports revenues of £46,203 (2016: £22,119) in respect of production income from the Keddington oilfield.

PRINCIPAL RISKS AND UNCERTAINTIES

As with the majority of companies within the energy sector the business of oil and gas exploration and development includes varying degrees of risk. These risks broadly include operating reliance on third parties, the ability to monetise 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.

Commodity prices will have an impact on potential revenues and forward investment decisions by the operator on the projects invested in, as the economics may adversely be affected. However, onshore development costs are lower than for offshore developments. The Company does not use hedging facilities. The Company holds adequate Directors' Insurance cover and the Company is covered by the operator's insurance during drilling and other operational situations. The Board, in its opinion, has mitigated risks as far as reasonably practicable.

The principal risks to the Company as well as the mitigation actions are set out below:

Strategic: A weak or poorly executed development process fails to create shareholder value

This can be effected by poor selection of exploration projects where hydrocarbons are not located.

This risk is mitigated through performing a detailed technical review, both internally by management and externally by advisers before an investment decision is taken, for each investment which includes a valuation exercise on the potential return on monies spent. All but one of the Company's current project investments are at a stage where drilling and potential development can be executed within a relatively short lead time. The amount of interest acquired in each project is dependent upon the Company's financial capability to fulfil its obligation. The Company's technical management team is highly skilled with many years' industry experience.

No commercially viable hydrocarbons were identified at Burton on the Wolds-1 drilled in October 2014. However, source rock analysis completed in 2015 indicates the presence of unconventional potential in the licence area. The potential revenues identified from this analysis would exceed costs and accordingly, the directors continue to actively evaluate the licence with a view to possible future explorative drilling.

Operational: Operational events can have an adverse effect

The main risk is the potential failure to obtain planning permission in respect of the Company's licence interests.

This risk is mitigated by the appointment of specialist professional entities who work together to compile planning applications designed to achieve a positive result.

A further potential risk is the reliance upon the operators Egdon Resources plc and Europa Oil & Gas Limited and their ability to determine timetables and priorities which are beyond the control of Union Jack.

External Risk: Lack of growth caused by political, industry or market factors

The Company operates exclusively within the United Kingdom ("UK") and the Board considers that the UK onshore hydrocarbon arena offers excellent value under a regime with a very clearly spelt out protocol giving the opportunity to develop assets unhindered.

As mentioned in this review, oil and gas price volatility can cause concern. However, onshore developments can continue as planned in most cases as development costs are lower than for offshore. Lack of control over key assets is mitigated by the fact that our operators of choice, Egdon Resources plc and Europa Oil & Gas Limited have a very transparent operating protocol and all partners are involved, both formally and informally, with offering input to the ongoing development of the projects in which they are involved. The Company's in-house technical team is involved at all times and regular technical meetings are held in which opportunity is given to comment.

Financial Risk: The lack of ability to meet financial obligations

The main risk is the lack of funds being available to pay for our future drilling commitments.

All drilling expenditure associated with exploration assets is forecast and budgeted at least 12 months in advance. The Company raises its funds through the financial market by share issues and does not become involved in derivatives and borrowing to fund its financial obligations. Further comment in respect of Financial Risk Management Objectives and Policies, Cash Flow Risk, Credit Risk, and Liquidity Risk are also covered within this Strategic Report.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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.

OIL PRICE RISK

The Company is exposed to oil price risk associated with sales of oil from production. The Company does not currently consider it necessary to use hedging instruments to manage its exposure to this risk.

CREDIT RISK

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

CASH FLOW RISK

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

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 (being at least 12 months from the date the financial statements were approved) from the cash held on deposit on 31 December 2017 and funds raised subsequent to the year end. 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. Taking account of these risks, sensitised forecasts show that the Company should be able to operate within the level of funds currently held at the date of approval of these financial statements. 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

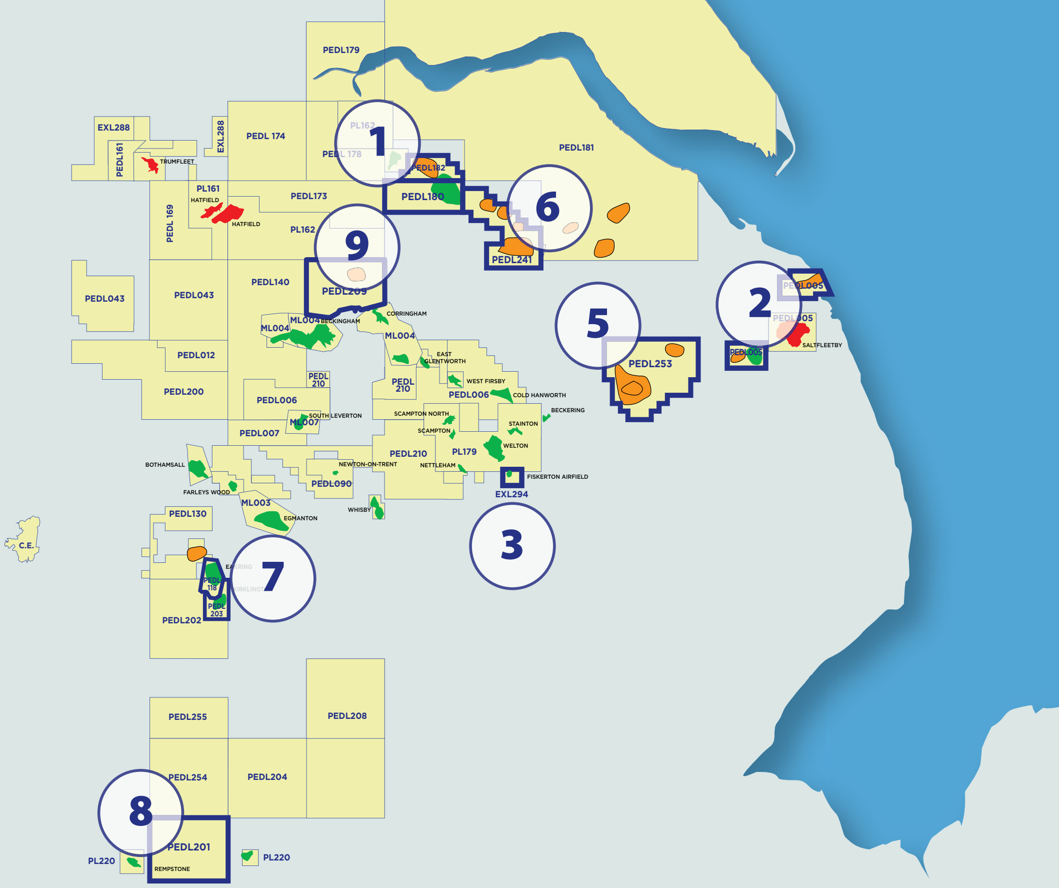
This Strategic Report contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. While the directors believe the expectation reflected within the Annual Report to be reasonable in light 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
Executive Chairman

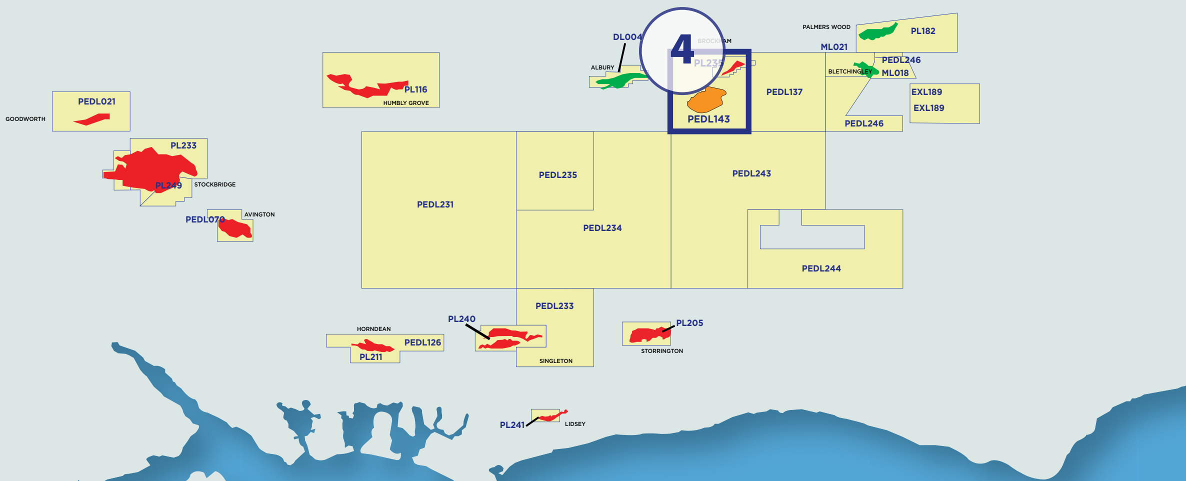
1 May 2018



REVIEW OF OPERATIONS

Union Jack's asset portfolio is well balanced, combining production, discovery, appraisal and exploration.

1	PEDL180 PEDL182	WRESSLE DISCOVERY BROUGHTON NORTH	15%
2	PEDL005(R) PEDL339	KEDDINGTON OILFIELD LOUTH NORTH SOMERCOTES LOUTH EXTENSION	20%
3	EXL294	FISKERTON AIRFIELD OILFIELD	20%
4	PEDL143	HOLMWOOD PROSPECT	7.5%
5	PEDL253	BISCATHORPE	22%
6	PEDL241	NORTH KELSEY	20%
7	PEDL118 PEDL203	DUKES WOOD KIRKLINGTON	16.67%
8	PEDL201	BURTON ON THE WOLDS	10%
9	PEDL209	LAUGHTON	10%



- Oilfield/Discovery
- Gas Field
- Prospect

PEDL180
PEDL182

WRESSLE DISCOVERY

PEDL182

BROUGHTON NORTH

INTEREST HELD BY
UNION JACK OIL PLC
15%

Further acquisitions have raised Union Jack's interest in PEDL180 and PEDL182 containing the Wressle hydrocarbon discovery to 15%.

Oil and gas Reserves and Contingent Resources identified by the Competent Person in aggregate exceed the Operator's original pre-drill estimates.

Following two further acquisitions of interests in PEDL180 and PEDL182 during 2016 and 2017 respectively, Union Jack now holds a 15% interest in these licences.

These licences contain the Wressle-1 conventional discovery well from which first commercial oil is expected to flow at an initial constrained rate of approximately 500 barrels a day following receipt of planning approval.

Located in Lincolnshire, on the western margin of the Humber Basin, the above licences contain the Wressle-1 oil discovery and are on trend with the nearby discoveries at Crosby Warren, Brigg and Broughton.

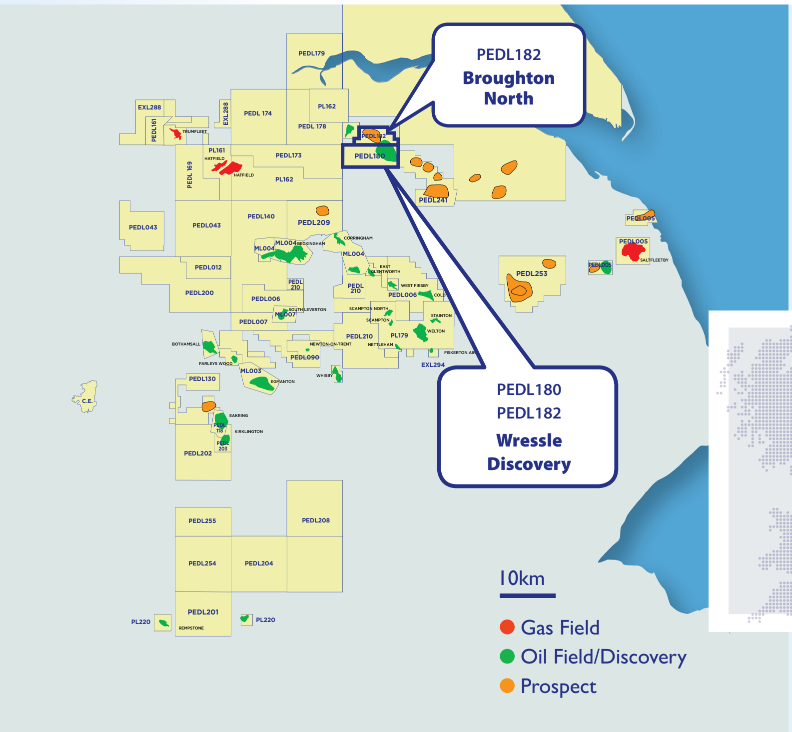
Subsequent to the initial acquisition of the 8.33% interest, the Wressle discovery was mapped as extending into PEDL182 and as a result the Company acquired, from Egdon, at no extra cost, an 8.33% interest in the entire Wressle-1 discovery mapped over PEDL180 and PEDL182.

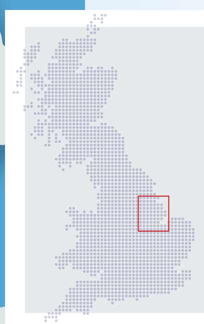
In September 2016 the Company acquired a 3.34% interest in PEDL180 and PEDL182 from Europa Oil & Gas Limited for a consideration of £600,000. In addition, during February 2017 a further 3.33% interest was acquired from Celtique Energie Petroleum Limited for the same consideration.

The results of a Competent Person's Report prepared by ERCE were published in September 2016. ERCE made independent estimates of the Reserves, Contingent and Prospective Resources associated with the Wressle-1 discovery and the Broughton North Prospect.

There were several highlights considered within this report which included:

- Oil and gas reserves and Contingent Resources identified by the Competent Person in aggregate exceed the Operator's original pre-drill estimates





- Gross P Mean Original Oil in Place ("**OOIP**") is 14.8 million stock tank barrels in aggregate across three reservoir sands, the Ashover Grit, Wingfield Flags and Penistone Flags, of which 2.15 million stock tank barrels are potentially recoverable
- Gross 2P oil Reserves of 0.62 million stock tank barrels identified across two reservoir sands, the Ashover Grit and Wingfield Flags that form the basis of the initial development plan which currently excludes development of the material Penistone Flags reservoir sands.

In respect of the Broughton North Prospect ERCE commented;

- The Broughton North Prospect has OOIP of 3.43 million stock tank barrels, gross unrisked Mean Prospective Resources of 0.51 million stock tank barrels and 0.51 bcf of gas in aggregate across two reservoir sands, the Ashover Grit and Penistone Flags
- Broughton North is a drill-ready prospect, subject to obtaining planning permission
- The Broughton North Prospect benefits from the results of the Wressle-1 oil and gas discovery and the Broughton-B1 exploration well that significantly reduces the geological risk over PEDL180 and PEDL182. Consequently ERCE attributes a high geological COS with a range of 40% to 49% for the prospect
- Mapping of the Broughton North Prospect also benefits from the same high quality 3D seismic data as was used to identify the Wressle-1 oil and gas discovery. The Wressle-1 well was spudded in July 2014. The Wressle-1 Prospect was defined on proprietary 3D seismic data acquired in 2012, and the well was drilled as a deviated well to a total depth ("**TD**") of 2,240 metres and was designed to intersect a number of prospective Upper Carboniferous age sandstone reservoirs in a structurally favourable position near the crest of the Wressle structure.

During August 2014, TD was reached and elevated mud gas readings were observed over large parts of the interval from the top of the Penistone Flags reservoir target (1,831.5 metres MD- measured depth) to TD.

The well was logged using measurement whilst drilling (MWD) logging tools run on the drill string. Petrophysical evaluation of the log data indicated the presence of hydrocarbon pay in three intervals.

- Penistone Flags – up to 19.8 metres measured thickness (15.9 metres vertical thickness)
- Wingfield Flags – up to 5.64 metres measured thickness (5.1 metres vertical thickness)
- Ashover Grit – up to 6.1 metres measured thickness (5.8 metres vertical thickness)

In February 2015, shareholders were updated on the initial successful Ashover Grit flow test which recorded 80 bopd and 47,000 cubic feet of gas per day during a 16 hour main flow period.

No appreciable volumes of water were observed. The oil is of good quality with a gravity of 39-40° API.

Following the Ashover Grit test, shareholders were updated on the initial successful Wingfield Flags flow test which recorded up to 182 bopd of good quality oil with a gravity of 39-40° API along with up to 456,000 cubic feet of gas per day.

The next horizon to be flow tested was the Penistone Flags, the last of three hydrocarbon bearing zones identified in the well. The Penistone Flags test produced gas at restricted flow rates of up to 1.7 million cubic feet of gas per day with associated oil of up to 12 bopd and no free water from a 9 metre perforated zone at the top of the formation. Gas flow rates were constrained by the equipment and flaring limits imposed by the environmental permit. The gas and oil are of good quality with the oil having a gravity of 35° API.

A further test was carried out to evaluate the gas-oil and oil-water contacts in the Penistone Flags by perforating the formation deeper in the section. Zone 3a was perforated over a 7.5 metre interval and produced good quality oil with a gravity of 33° API. A total of 98.5 barrels of oil were recovered during the test, of which flow induced by swabbing operations produced 34.3 barrels of oil. This equates to approximately 77 bopd.

The table below show the net volumes of hydrocarbons attributable to Union Jack

	GROSS VOLUMES			NET VOLUMES ATTRIBUTABLE TO UNION JACK		
	OIL MMSTB	GAS BCF	OIL EQUIV MMBOE	OIL MMSTB	GAS BCF	OIL EQUIV MMBOE
2P Ashover Grit and Wingfield Flags	0.62	0.20	0.65	0.09	0.03	0.10
2C Penistone Flags	1.53	2.00	1.86	0.23	0.30	0.28
Broughton North Mean Unrisked Prospective Resources	0.51	0.51	0.60	0.08	0.08	0.09

“”

OIL AND GAS RESERVES AND CONTINGENT RESOURCES IDENTIFIED BY THE COMPETENT PERSON IN AGGREGATE EXCEED THE OPERATOR’S ORIGINAL PRE-DRILL ESTIMATES.

The Penistone Flags Zone 3a interval was pumped for a period of time and achieved average rates over a three day period of 131 bopd and 222,000 cubic feet of gas per day, together totalling 168 barrels of oil equivalent per day (“**boepd**”) with an average producing gas oil ratio of approximately 1,700 cubic feet of gas per barrel of oil.

Due to increasing gas rates, the pump was then stopped and the well allowed to naturally flow to surface with a series of decreasing choke sizes from 12/64” down to 8/64” (being the smallest available). Average rates over a two day period on the 8/64” choke were 105 bopd with 465,000 cubic feet of gas per day, together totalling 182 boepd.

Following the Extended Well Test on Zone 3a, it was noted that both oil and gas had flowed without evidence of any water. Encouragingly, the well test data together with the log data indicate that the elevation of the oil water contact is deeper than originally considered for the Penistone Flags reservoir.

In January 2018 an appeal against the refusal of planning permission for the development of Wressle was declined. After the joint venture partners had taken appropriate planning, legal, commercial and technical advice and having fully considered information previously provided by the Planning Inspector the operator has submitted a new planning application for the extension of planning for a further year.

A second application will be submitted for the development of the Wressle oil discovery to the North Lincolnshire Council during May 2018.

The joint venture partners remain fully committed to the future development of Wressle and the new application will address points previously raised by Planning Inspector.

Confidence remains that the Wressle development will be brought to production status and all credible avenues to achieve this objective will be pursued. An Environment Agency permit for production is in place.

On this basis the licence costs are not impaired in these financial statements.

THE INTERESTS IN PEDL180 AND PEDL182 ARE HELD BY:	
Egdon Resources U.K. Limited (operator)	25.0%
Celtique Energie Petroleum Limited	30.0%
Europa Oil & Gas Limited	30.0%
Union Jack Oil plc	15.0%

REVIEW OF OPERATIONS

PEDL005(R)

KEDDINGTON

PEDL339

LOUTH EXTENSION

INTEREST HELD BY
UNION JACK OIL PLC

20%

Producing oilfield with increased production potential from two additional prospects.

Louth Prospect extends into PEDL339.

In July 2015, Union Jack agreed to acquire a 10% interest from Egdon in PEDL005(R) located in Lincolnshire and incorporating the Keddington oilfield, the Louth oil prospect and the North Somercotes gas prospect.

Under the terms of the acquisition agreement Union Jack agreed to pay 20% of the costs of the Keddington-5 sidetrack development well drilled in January 2016 and the proposed Louth exploration well. The Company has not paid any upfront cash to earn the 10% economic interest in PEDL005(R).

Under the terms of the agreement Union Jack has also earned a 10% interest from Egdon in PEDL339, which contains the mapped extension to the Louth Prospect. This licence was awarded to the existing Joint Venture group in the UK 14th Landward Oil and Gas Licensing Round.

In October 2017, the Company acquired a further 10% in PEDL005(R) via the purchase of the entire onshore portfoio of Cairn Energy plc.

KEDDINGTON OILFIELD

Union Jack owns a 20% interest in Keddington and the associated infrastructure and production facilities. Union Jack receives 20% of all production revenues. The partners in Keddington are seeking to maximise the value of the "Greater Keddington" area through two additional prospects located within PEDL005(R), namely the Louth oil and the North Somercotes gas prospects. As part of the acquisition, Union Jack also holds a 20% interest in both of these prospects.

Keddington has produced in excess of 300,000 barrels of oil to date and is currently producing approximately 30 bopd from the Keddington-3Z well. Testing of the Keddington-5 sidetrack well, drilled in 2016, saw production dominated by formation water and plans are being considered to target undrained reservoir sequences.

LOUTH PROSPECT

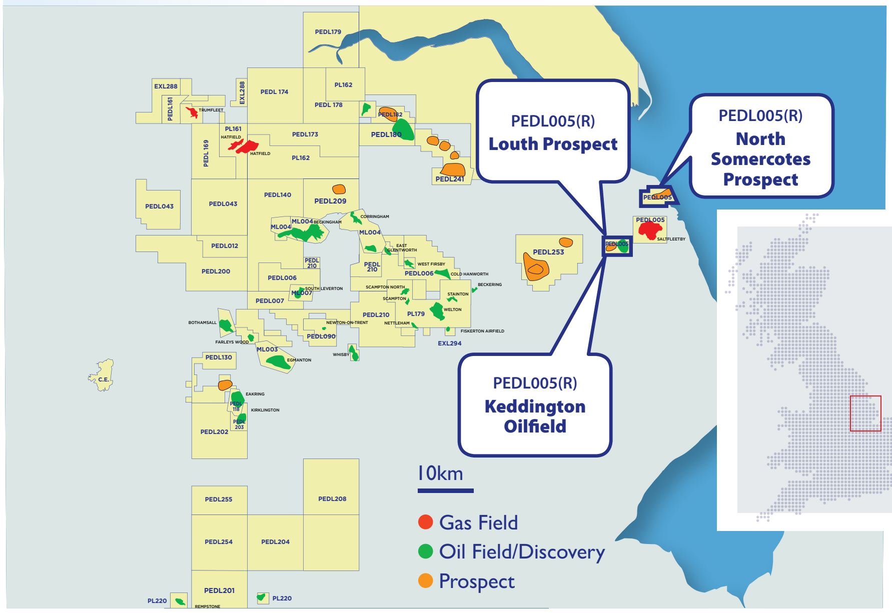
The Louth oil prospect is located mostly within PEDL005(R) and extends into PEDL339. Located on the margins of the Humber Basin, the prospect is defined on reprocessed 3D seismic data and is estimated by the operator to contain a STOIIP of 5.5 million barrels and gross mean Prospective Resources of 1.2 million barrels with an attractive COS of 37%.

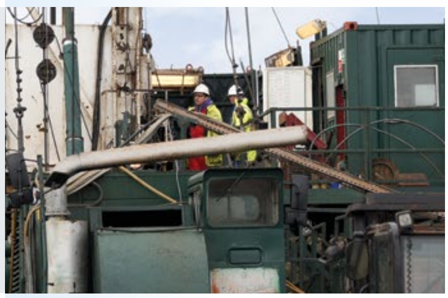
NORTH SOMERCOTES

Located on the margins of the Humber Basin, the North Somercotes gas prospect is within PEDL005(R) to the north of the Saltfleetby gasfield and is estimated by the operator to contain gross mean Prospective Resources of 11.0 billion cubic feet of gas and to have a COS of 25%.

THE INTERESTS IN PEDL005(R) ARE HELD BY:

	KEDDINGTON OILFIELD	PEDL005(R) EXCLUDING KEDDINGTON
Egdon Resources U.K. Limited (operator)	45.0%	65.0%
Terrain Energy Limited	35.0%	15.0%
Union Jack Oil plc	20.0%	20.0%





EXL294

FISKERTON AIRFIELD OILFIELD

INTEREST HELD BY
UNION JACK OIL PLC
20%

Workovers underway on two production wells.

3D seismic processing ongoing.

In November 2017, Union Jack acquired a 20% economic interest in EXL294 containing the producing Fiskerton Airfield oilfield.

EXL294 is located approximately seven miles East of the City of Lincoln. Fiskerton was discovered in 1997 and cumulative production has totalled approximately 440,000 barrels of oil from the most likely mapped Oil in Place of 2.2 million barrels.

Fiskerton was producing approximately 16 barrels of oil per day from one of two production wells (FA-3). The second production well (FA-1) had been shut in for several months. Workovers of FA-1 and FA-3 were successfully completed in the period January to March 2018.

Production operations have resumed at Fiskerton and initial field production, prior to further optimisation and further operations during the coming period, including the increasing of the pumping rate, is approaching 30 bopd of good quality (35.2° API gravity) oil, a significant increase on the pre-workover rate of 16 bopd.

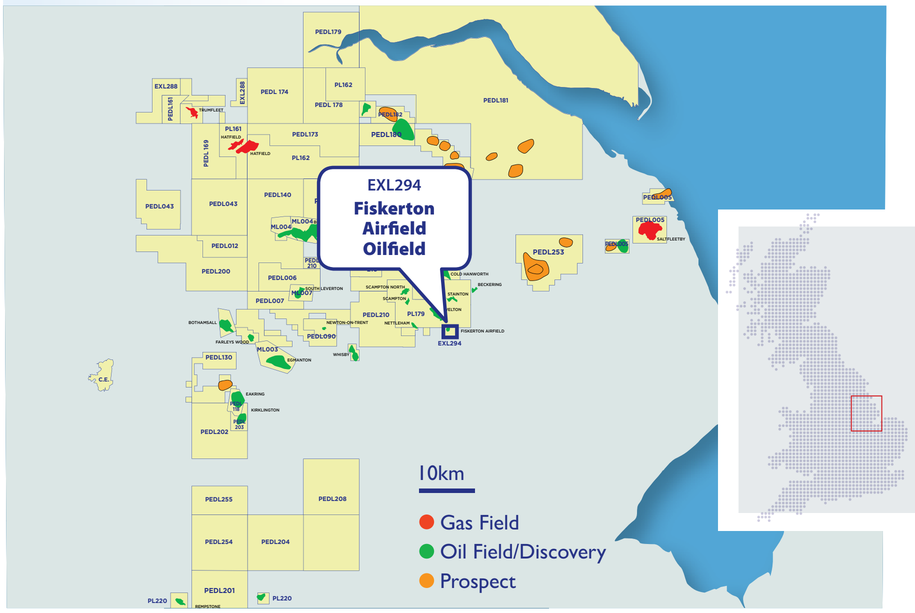
Oil production since resumption of operations to date exceeds 1,250 barrels gross and product is being sold and transported by road tanker to a refinery at Immingham, North East Lincolnshire.

There is also a dedicated water disposal well (FA-2) to re-inject any produced water into the reservoir for pressure support.

Fiskerton has suffered from a marked lack of investment by its previous owners over the past few years.

The Company's initial review of historic 3D seismic suggests there is upside potential in the oil resources at Fiskerton. Union Jack are funding a 3D re-processing exercise over an area surrounding Fiskerton to identify further production opportunities from the reservoir. Results from this exercise will be available during H1 2018. Subject to the results of the 3D seismic re-processing , the joint venture partners will investigate the potential to increase further production through infill drilling.

THE INTERESTS IN EXL294 ARE HELD BY:	
Egdon Resources UK Limited (operator)	80%
Union Jack Oil plc	20%



REVIEW OF OPERATIONS

PEDL143

HOLMWOOD PROSPECT

INTEREST HELD BY
UNION JACK OIL PLC
7.5%

The first Weald Basin licence interest to Union Jack's expanding UK onshore portfolio.

Unrisked gross mean prospective resources of 5.6 million barrels from the shallower sandstone reservoirs only.

In May 2016, Union Jack entered into an agreement with the Operator, Europa to acquire a 7.5% economic interest in PEDL143 located within the Weald Basin in southern England and containing the drill-ready Holmwood Prospect.

During 2015 planning permission was obtained for both the surface well location and underground wellpath for the Holmwood-1 exploration well currently expected to be drilled in late 2018.

The Holmwood Prospect is a conventional oil prospect first identified by BP in 1988, and is estimated by the Operator to hold gross mean unrisked prospective resources of 5.6 million barrels of oil in the Portlandian and Corallian sandstones with a geological COS of 50%. The P90 – P10 range of prospective resources is 1 to 11 million barrels of oil which is the typical range for the Weald Basin, based on the 14 oil and gas fields that have been discovered and produced in the Weald Basin to date.

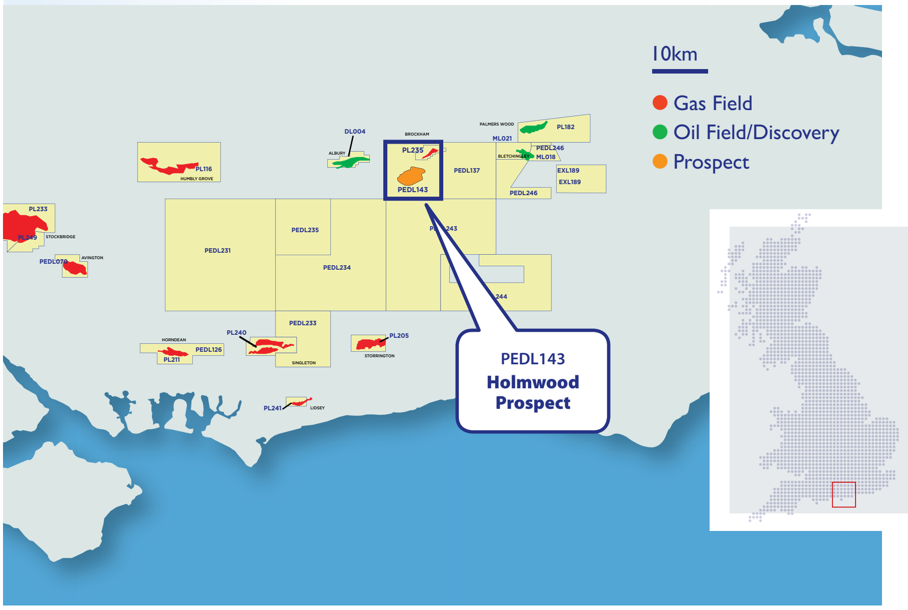
The Holmwood Prospect lies 12 kilometres immediately to the west of, and on trend with, the Horse Hill-1 discovery well in PEDL137 where earlier in 2016 UK Oil & Gas Investments PLC and its partners reported excellent flow rates from test production from the Upper Portland sandstone reservoir and the Upper and Lower Kimmeridge limestone reservoirs. The Holmwood Prospect also lies approximately five kilometres south of the Brockham oilfield that produces from the Portland sandstone reservoir.

The Holmwood-1 exploration well will penetrate similar stratigraphy to the Horse Hill-1 discovery, including the possibility that oil may be encountered in the Jurassic Upper and Lower Kimmeridge Micrites, in addition to its principal targets in the Corallian and Portlandian sandstone. Possible resources within the Jurassic limestones, equivalent to those at the Horse Hill-1 discovery have not been estimated in the Operator's mean unrisked prospective resources forecast of 5.6 million barrels of oil and so offer further upside potential.

A two year extension was granted by the Oil and Gas Authority ("**OGA**") to 1 October 2018 in respect of this licence.

An application will be made in due course to the OGA for a further licence extension.

THE INTERESTS IN PEDL143 ARE HELD BY:	
Europa Oil and Gas Limited (operator)	20.0%
UK Oil & Gas Investments PLC	40.0%
Egdon Resources UK Limited	18.4%
Angus Energy plc	12.5%
Union Jack Oil plc	7.5%
Altwood Petroleum Limited	1.6%



PEDL253

BISCATHORPE

INTEREST HELD BY
UNION JACK OIL PLC
22%

Drill-ready prospect expected to be drilled around mid-year 2018 adding considerable risk adjusted value.

In March 2013, Union Jack entered into an agreement with Egdon, the licence operator, and Montrose Industries Limited ("Montrose") to acquire a 10% interest in PEDL253 containing the Biscathorpe Prospect. During June 2015, Union Jack subsequently acquired an additional 2% interest pro-rata from Egdon and Montrose bringing the Company's interest to 12%.

In March 2018 the Company acquired a further 10% economic interest pro-rata from Egdon and Montrose bringing the interest held to 22%.

PEDL253 is located in Lincolnshire, within the proven hydrocarbon fairway of the Humber Basin, on trend with the Saltfleetby gasfield and the Keddington oilfield 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 and adds considerable risk adjusted value that also offers lower geological risk than a pure exploration well given that a prior well, Biscathorpe-1, encountering oil bearing sands, has already been drilled.

The Biscathorpe structure was initially 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 located in a direction towards a potentially thicker sand development within the structural closure of the trap.

The sand unit is predicted to thicken away from the crest of the structure and the operator's Best Estimate is a gross Prospective Resource of 14 million barrels of oil, with a COS of 40%, within the mapped structural closure. There is also the potential for stratigraphic trapping to the west which, if present, could increase the expected gross Prospective Resources to circa 35 million barrels of oil. The same sand unit is the producing reservoir in the Keddington oilfield in which Union Jack has acquired a 20% interest.

A subsurface target location to evaluate the exploration potential of the Biscathorpe Prospect and a surface drilling location have been identified from which a vertical well to a depth of 2,100 metres can be drilled.

In March 2015, planning consent was granted for the drilling and any subsequent testing of the Biscathorpe-2 exploration well.

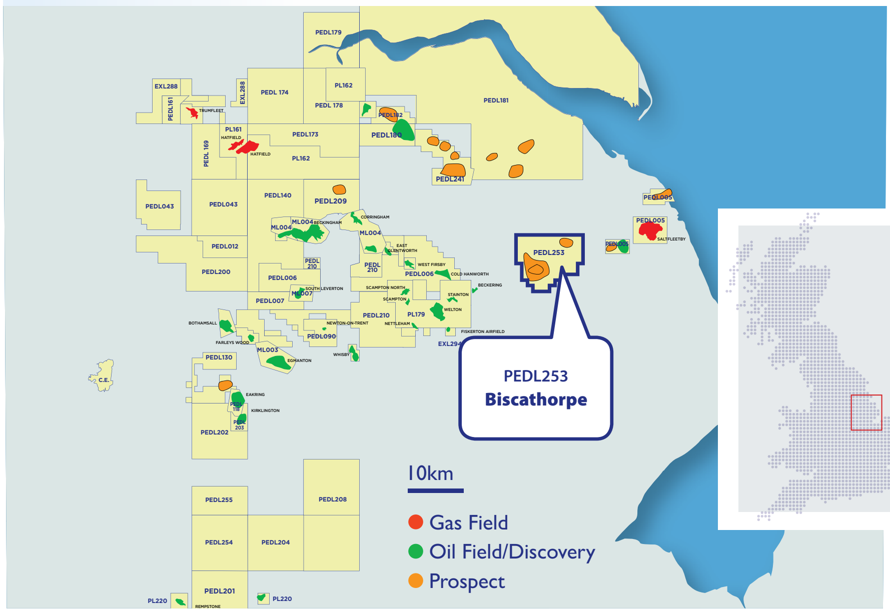
Drilling of the Biscathorpe-2 conventional exploration well was sanctioned in February 2018 by the joint venture partners and is planned to be drilled around mid-year 2018.

The date of expiry of the licence is 30 June 2018.

An extension to the licence term has been requested from the OGA by the operator.

THE INTERESTS IN PEDL253 ARE HELD BY:

Egdon Resources U.K. Limited (operator)	35.8%
Montrose Industries Limited	22.2%
Union Jack Oil plc	22.0%
Humber Oil & Gas Limited	20.0%



REVIEW OF OPERATIONS

PEDL241

NORTH KELSEY

INTEREST HELD BY
UNION JACK OIL PLC

20%

Drill-ready multi-target prospect.

Union Jack holds a 20% interest in PEDL241 containing the North Kelsey Prospect. The initial holding was 10% which was acquired from Egdon, the operator, during 2013 on a two for one promote agreement whereby Union Jack earned its interest by bearing an increased share of certain costs.

In June 2015 Celtique Energie Petroleum Limited relinquished its interest in PEDL241 and the Company acquired pro-rata a further 10% interest for a nominal consideration and without promote.

PEDL241 is located within the proven hydrocarbon fairway of the Humberside platform. The North Kelsey Prospect is located approximately 10 kilometres to the south of the Wressle-1 discovery in PEDL180.

The prospect is defined on 3D seismic data and has the potential for up to four stacked sandstone reservoirs in the Chatsworth, Beacon Hill, Raventhorpe and Santon sandstones. The nearby Crosby Warren oilfield and the Brigg oil discovery are productive from the Upper Carboniferous Namurian aged reservoirs.

The gross mean combined Prospective Resources for these multiple objectives, as calculated by Egdon, are estimated to be 6.7 million barrels of oil.

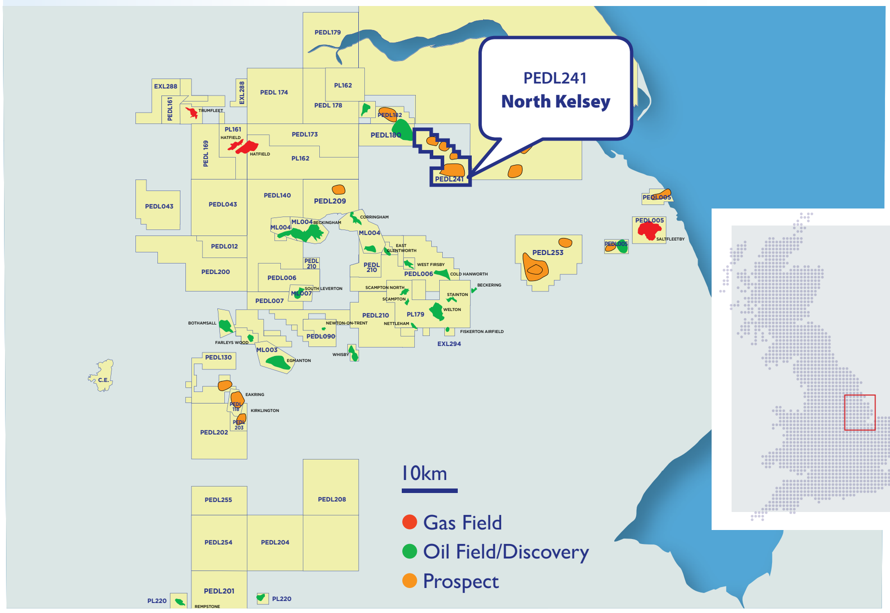
The subsurface target location to evaluate the exploration of the North Kelsey Prospect has been defined and a surface drilling location has been identified from which a vertical well can be drilled.

In December 2014, the Planning and Regulation Committee of Lincolnshire County Council granted planning consent for the drilling of, and any subsequent testing of, the North Kelsey-1 well.

The date of expiry of the licence is 30 June 2018.

An extension to the licence term has been requested from the OGA by the operator.

THE INTERESTS IN PEDL241 ARE HELD BY:	
Egdon Resources U.K. Limited (operator)	80.0%
Union Jack Oil plc	20.0%



PEDL118

DUKES WOOD

PEDL203

KIRKLINGTON

INTEREST HELD BY
UNION JACK OIL PLC

16.67%

Various studies are ongoing on both licences to identify reservoir zones containing previously undrained resources.

These licence interests contain previously producing oilfields that are currently shut-in and Union Jack acquired them in October 2017 when it purchased Cairn Energy plc's entire onshore UK portfolio for a consideration of £25,000.

PEDL118 DUKES WOOD OILFIELD (16.67%)

PEDL118 contains the Dukes Wood oilfield originally discovered by a predecessor company to BP in 1939. The oilfield was decommissioned in 1966 having produced approximately 6.5 million barrels of oil from a mapped 25.6 million barrels of oil in place representing a recovery factor of 24.5%.

The Dukes Wood-1 well was drilled in 2010 and encountered three reservoir zones, the Ashover Grit, Crawshaw sandstone and Loxley Edge Rock, all of which were flow tested.

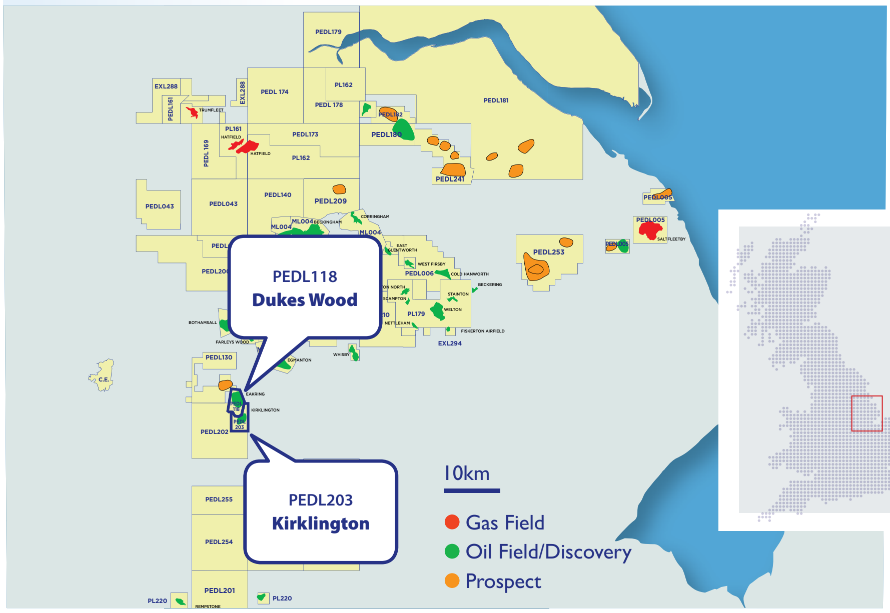
PEDL203 KIRKLINGTON OILFIELD (16.67%)

PEDL203 contains the Kirklington oilfield that was originally discovered by BP in 1985 and produced oil from two Carboniferous reservoirs.

The Kirklington-3 and 3-Z sidetrack wells were drilled in 2010 and produced oil from only one of nine potential pay zones until mid 2013. The Kirklington 3-Z well is currently shut in and production facilities have been preserved on a care and maintenance basis. Should a future production decision be taken, the existing production facilities can be made production ready once remedial work has been conducted to site equipment.

Various studies are currently ongoing at both Kirklington and Dukes Wood to identify reservoir zones containing previously unproduced or undrained resources, and also to evaluate completion and enhanced recovery operations, both mechanical and chemical, which could be applied to the unswept oil reservoirs that are present that could justify re-establishing production from either oilfield.

THE INTERESTS IN PEDL118 AND PEDL203 ARE HELD BY:	
Egdon Resources UK Limited (operator)	55.55%
Terrain Energy Limited	27.78%
Union Jack Oil plc	16.67%



PEDL201

BURTON ON THE WOLDS

INTEREST HELD BY UNION JACK OIL PLC

10%

Significant Bowland-Hodder Shale potential.

Drilling operations were completed in October 2014 on the Burton on the Wolds-1 well located on PEDL201 in Leicestershire which was drilled on a geological feature known as the Hathern Shelf, a stable platform area, evaluating a conventional oil prospect in the Rempstone sand, productive at the Rempstone oilfield to the west of PEDL201.

The well encountered the Rempstone sand in the primary reservoir which was water wet and as a result the well was plugged and abandoned.

However, a thickness of Bowland Shale was encountered during drilling, which according to studies undertaken by the British Geological Survey, has potential for unconventional resources of shale oil or gas if buried to greater depths.

Drill cutting samples of the Bowland Shale source rock collected at the well were sent for analysis to Houston based Weatherford Laboratories to determine source rock quality. Weatherford are recognised experts in source rock evaluation.

Following analysis, Weatherford concluded that the Upper Bowland-Hodder Shale interval in the Burton on the Wolds well from the East Midlands region of the UK is a very good source rock containing dominantly oil prone Type 11 organic matter.

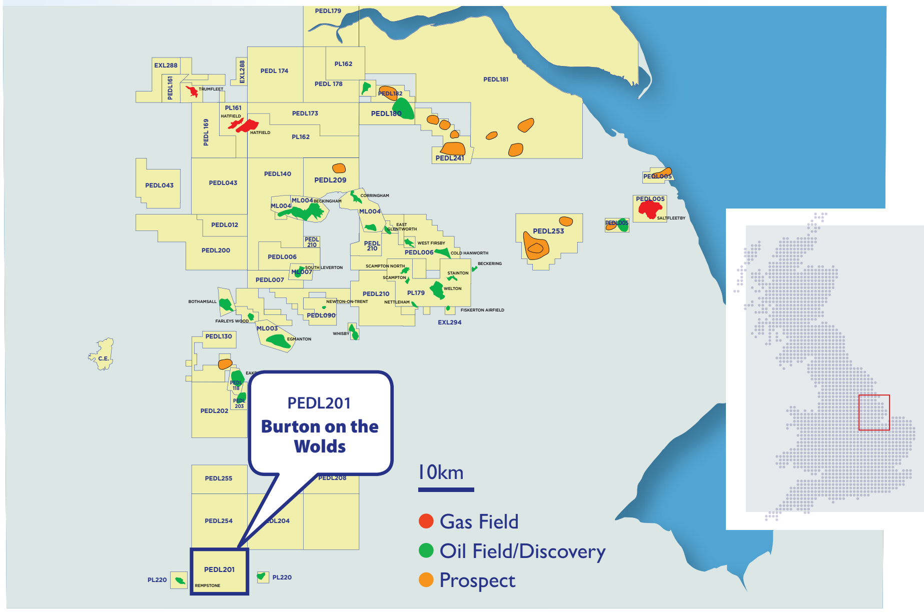
The Bowland Shale at the site of the Burton on the Wolds-1 well is deemed, not unsurprisingly, to be thermally immature owing to its shallow depth. Source rock maturity is a function of heat flow, burial depth and time. To the north of the well location is the Hoton Fault which forms the southern boundary of the Widmerpool Trough. Regional well correlations show the Bowland Shale to be buried at a much greater depth and is believed to be thermally mature for hydrocarbon generation.

The results of the Weatherford analysis and the BGS studies suggest an unconventional shale play is present under the retained part of PEDL201.

Awards of licences adjacent to PEDL201 to other parties under the 14th Round, offer encouragement regarding the unconventional play within the area under licence.

The directors are considering their options to generate cash inflows from this development. As unconventional potential has been highlighted in the licence area, of which the potential revenues would exceed costs, no impairment is considered appropriate at this time whilst further evaluation is planned and budgeted.

THE INTERESTS IN PEDL201 ARE HELD BY:	
Egdon Resources UK Limited (operator)	45.0%
Celtique Energie Petroleum Limited	32.5%
Terrain Energy Limited	12.5%
Union Jack Oil plc	10.0%



PEDL209

LAUGHTON

INTEREST HELD BY
UNION JACK OIL PLC
10%

Two additional conventional prospects and hydrocarbon potential to be further evaluated.

In January 2016, Union Jack acquired from Egdon Resources plc a 10% interest in PEDL209 in respect of the conventional prospects only within the licence area for no upfront consideration.

PEDL209 is located along the eastern side of the Gainsborough Trough, a proven hydrocarbon province within the East Midlands and contained the Laughton Prospect.

The Laughton Prospect had multiple conventional Carboniferous sandstone targets with the primary objective being the Silkstone Rock, a sandstone interval which is productive in the analogous Corringham oilfield located five kilometres to the south east.

Two other potential reservoirs, the Kilburn Sandstone and the Wingfield Flags, were also targeted by the Laughton-1 well.

In February 2016, the Laughton-1 well was spudded, targeting a structural trap at a depth of over 1,500 metres below ground level defined on re-processed 2D seismic data.

The Laughton-1 well reached a total depth of 1,700 metres in line with the pre-drill prognosis. During drilling, the well recorded hydrocarbon shows from a number of potential reservoir sequences including the Kilburn Sandstone, Chatsworth Grit, Ashover Grit and Kinderscout Grit. The Silkstone Rock primary objective was poorly developed in the well. Analysis of the wireline log data indicated that the hydrocarbon saturations associated with the shows were not sufficiently encouraging to warrant testing.

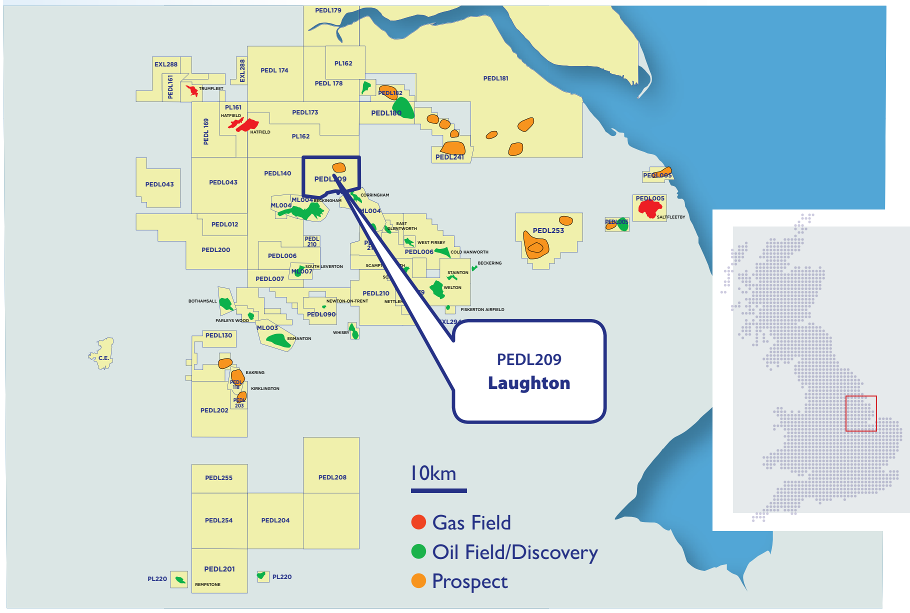
The rig was released from contract and the wellsite has been fully restored to its original condition.

Total costs of £303,789 have been impaired with regard to PEDL209 over the life of the holding.

The drilling of the Laughton-1 well completed the farm-in deal between Egdon and Union Jack and also the work commitment for the licence's first term which allowed it to proceed into its second term.

Two further conventional prospects within PEDL209 and the remaining hydrocarbon potential are to be further evaluated.

THE CONVENTIONAL INTERESTS IN PEDL209 ARE HELD BY:	
Egdon Resources UK Limited (operator)	38.0%
Blackland Park Exploration Limited	28.0%
Stelinmatvic Industries Limited	24.0%
Union Jack Oil plc	10.0%



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report together with the financial statements for the year ended 31 December 2017.

The directors have chosen, in accordance with section 414C(11) of the Companies Act 2006, to set out in the Company's Strategic Report information required by Schedule 7 to the Accounting Regulations to be contained in the Directors' Report. This information includes future developments of the Company and the risks associated with the use of financial instruments.

DIRECTORS

The directors in office at the end of the year, and their interests in the shares of the Company as at 1 January 2017 and 31 December 2017, were as shown in the table below.

	ORDINARY SHARES	
	31 December 2017	**1 January 2017**
D Bramhill	52,164,580	52,164,580
J O'Farrell	118,870,063	118,870,063
R Godson	30,764,706	30,764,706
G Bull	4,000,000	4,000,000

In March 2018, Joe O'Farrell purchased 58,823,529 new ordinary shares, following which he now holds a beneficial interest in 177,693,592 ordinary shares representing approximately 3.06% of the share capital of the Company.

In March 2018, David Bramhill purchased 11,764,705 new ordinary shares, following which he now holds a beneficial interest in 63,929,285 ordinary shares representing approximately 1.1% of the share capital of the Company.

These shares have not been included in the above table of interests.

Directors who served during the year are as follows:

David Bramhill (Executive Director);

Joseph O'Farrell (Executive Director);

Raymond Godson (Non-executive Director);

Graham Bull (Non-executive Director).

DIRECTORS' REMUNERATION

The remuneration of the directors for the year ended 31 December 2017 and the year ended 31 December 2016 was as follows:

	SALARIES AND FEES	
	2017	**2016**
	£	**£**
D Bramhill	86,667	80,000
J O'Farrell	50,000	50,000
R Godson	25,000	25,000
G Bull	25,000	25,000

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 G Bull 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 31 May 2018 in accordance with the Notice of Annual General Meeting on page 51. Details of the resolutions to be passed are included in this notice.

EVENTS AFTER THE BALANCE SHEET DATE

The following events have taken place after the year end:

In March 2018, 1,470,588,226 new ordinary shares were issued for cash at 0.085 pence per share raising approximately £1,250,000 before expenses of £100,588.

The enlarged issued share capital following the issue of new shares described in this section is 5,803,651,431 ordinary shares of 0.025 pence each.

In March 2018 the Company entered into a Commercial Partnership with UK based Humber Oil & Gas Limited and a Memorandum of Understanding was signed by both parties whereby the two companies have agreed to co-invest in selective UK upstream projects.

In March 2018 the Company entered into a Farm-in Agreement with Egdon Resources U.K. Limited and Montrose Industries Limited to acquire a further 10% interest in PEDL253 containing the drill-ready Biscathorpe-2 Prospect. Following this the Company now holds a 22% economic interest in the licence.

In March 2018, Joe O'Farrell purchased 58,823,529 new ordinary shares, following which he now holds a beneficial interest in 177,693,592 ordinary shares representing approximately 3.06% of the share capital of the Company.

In March 2018, David Bramhill purchased 11,764,705 new ordinary shares, following which he now holds a beneficial interest in 63,929,285 ordinary shares representing approximately 1.1% of the share capital of the Company.

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 13(a).

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves 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 BDO 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
Executive Chairman

1 May 2018

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

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 but due to the size and nature of its current business has not adopted the UK Corporate Governance Code in its entirety.

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, three times during the year. In addition, the Board held numerous project appraisal and strategy discussions 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 Graham Bull, who acts as its Chairman, and Raymond Godson.

The current executive director remuneration package comprises basic salary only. Directors' remuneration for the year is noted in the Directors' Report and shown in note 3 on page 38.

Those disclosures form part of this report.

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

AUDIT COMMITTEE

The Audit Committee comprises Raymond Godson, who acts as its Chairman, and Graham Bull. The Committee is responsible for considering a wide range of financial matters.

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 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 2017

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 have elected 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. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. In preparing these financial statements the directors are required to:

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

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 ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

TO THE MEMBERS OF UNION JACK OIL PLC

OPINION

We have audited the financial statements of Union Jack Oil plc (the 'Company') for the year ended 31 December 2017 which comprise the Company statement of comprehensive income, the Company statement of financial position, the Company statement of changes in equity, the Company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2017;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

USE OF OUR REPORT

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.

CONCLUSIONS RELATING TO GOING CONCERN

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

- 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 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) we identified, 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 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.

CARRYING VALUE OF OIL AND GAS ASSETS

The Company's oil and gas assets are classified as intangible assets where the Company has exploration and evaluation interests ("E&E") and as property, plant and equipment where the Company has development and producing interests ("D&P"). The Company's oil and gas assets are considered to represent the most significant assets on its balance sheet and total £3.3m as at 31 December 2017.

In respect of both the Company's E&E assets and the D&P assets Management and the Directors are required to assess for any indicators of impairment of the assets.

Given the significance of the assets on the Company's balance sheet and the significant management judgement involved in the assessment of the carrying values of the assets there is an increased risk of material misstatement.

OUR RESPONSE

In respect of both the E&E assets and D&P assets we evaluated Management's and the Board's impairment review for each of the assets held. We critically challenged the considerations made of whether or not there were any indicators of impairment identified in accordance with relevant accounting standards.

Our specific audit testing for the E&E assets included:

- the verification of licence status in order to confirm legal title and validity of each of the licences;
- reviewing activity to assess whether there was evidence from technical work undertaken to date by Management and third parties which would indicate a potential impairment trigger;
- reviewing approved budget forecasts and minutes of Management and Board meetings to confirm the Company's intention to continue exploration work on the licences, and
- in order to obtain an understanding of Management's expectation of commercial viability, we reviewed available technical documentation and discussed results and operations with Management.

Our specific audit testing for the D&P assets included:

- the verification of licence status in order to confirm legal title and validity of each of the licences;
- reviewing the external and internal sources of information, such as third party reports and reporting provided by operators in order to assess whether any potential impairment triggers were present;
- reviewing third party reports and Management estimates relating to the assessment of the potential recoverable value of the assets. As part of this work we sensitised inputs used in models and benchmarked data to external sources of information, and
- made an assessment of the competence of the expert management relied upon.

OUR APPLICATION OF MATERIALITY

Company materiality as at 31 December 2017	Basis for materiality
£75,000 (2016: £71,000)	1.5% of total assets

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We consider total assets to be the most relevant consideration of the Company's financial performance as the Company continues to focus on building its oil and gas asset portfolio.

In performing the audit we applied a lower level of performance materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds financial statement materiality. Performance materiality for the financial statements was set at £56,000 (2016: £53,000), being 75% of financial statement materiality.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of £3,000 (2016: £3,550). There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a full scope audit on the financial statements of the Company.

All audit work was undertaken by BDO LLP.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- 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
- the Company financial statements 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S 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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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.

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 auditor's 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Anne Sayers, Senior Statutory Auditor

for and on behalf of BDO LLP, Statutory Auditor, London, United Kingdom

1 May 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31.12.17 £	31.12.16 £
Revenue		46,203	22,119
Cost of sales		(65,949)	(22,696)
Gross loss		(19,746)	(577)
Administrative expenses (excluding impairment charge)		(722,502)	(598,075)
Impairment	2	(5,078)	(298,711)
Total adminstrative expenses		(744,902)	(896,786)
Operating loss	2	(747,326)	(897,363)
Finance income	4	504	5,654
Loss before taxation		(746,822)	(891,709)
Taxation	5	–	(885)
Loss for the financial year		(746,822)	(892,594)
Attributable to:			
Equity shareholders of the Company		(746,822)	(892,594)
Loss per share			
Basic and diluted loss per share (pence)	6	(0.02)	(0.03)

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	31.12.17 £	31.12.16 £
Loss for the financial year	(746,822)	(892,594)
Other comprehensive income	–	–
Total comprehensive loss for the financial year	(746,822)	(892,594)

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

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	31.12.17 £	31.12.16 £
Assets			
Non-current assets			
Exploration and evaluation assets	7	2,806,278	2,079,340
Property, plant and equipment	8	496,859	–
Investments	10	40,000	40,000
		3,343,137	2,119,340
Current assets			
Trade and other receivables	11	65,872	62,700
Cash and cash equivalents	12	1,578,514	1,861,964
		1,644,386	1,924,664
Total assets		4,987,523	4,044,004
Liabilities			
Current liabilities			
Trade and other payables	19	310,079	85,312
Non-current liabilities			
Provisions	20	229,918	18,000
Total liabilities		539,997	103,312
Net assets		4,447,526	3,940,692
Capital and reserves attributable to the Company's equity shareholders			
Share capital	13(a)	2,954,547	2,696,399
Share premium	14	5,379,670	4,566,072
Share-based payments reserve	14	61,438	167,924
Accumulated deficit	14	(3,948,129)	(3,489,703)
Total equity		4,447,526	3,940,692

The financial statements of Union Jack Oil plc, registered number 07497220, were approved and authorised for issue by the Board of Directors on 1 May 2018 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 2017

	Share capital £	Accumulated deficit £	Share premium £	Share-based payment reserve £	Total £
Balance at 1 January 2017	2,696,399	(3,489,703)	4,566,072	167,924	3,940,692
Total comprehensive loss	**–**	**(746,822)**	**–**	**–**	**(746,822)**
Contributions by and distributions to owners					
Issue of share capital	258,148	–	1,135,849	–	1,393,997
Share issue costs	–	–	(140,342)	–	(140,342)
Prior period exercised and expired warrants	–	215,366	(114,074)	(101,292)	–
Current year expired share warrants	–	–	5,194	(5,194)	–
Total contributions by and distributions to owners	**258,148**	**288,395**	**813,598**	**(106,486)**	**1,253,675**
Balance at 31 December 2017	**2,954,547**	**(3,948,129)**	**5,379,670**	**61,438**	**4,447,526**
Balance at 1 January 2016	2,593,458	(2,597,109)	4,042,698	167,924	4,206,971
Total comprehensive loss	**–**	**(892,594)**	**–**	**–**	**(892,594)**
Contributions by and distributions to owners					
Issue of share capital	102,941	–	597,059	–	700,000
Share issue costs	–	–	(73,685)	–	(73,685)
Total contributions by and distributions to owners	**102,941**	**–**	**523,374**	**–**	**626,315**
Balance at 31 December 2016	**2,696,399**	**(3,489,703)**	**4,566,072**	**167,924**	**3,940,692**

During 2015, 280,600,000 warrants expired however no transfer was made to from the Share-Based Payment reserve to the Accumulated Deficit account.

£114,074 in respect of warrants that expired in 2015 were incorrectly credited to the Share Premium account instead of the Accumulated Deficit account, where the share issue costs had initially been recognised.

As this correction constitutes a reclassification within equity reserves, there is no impact of the total equity balance as at 31 December 2017.

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31.12.17 £	31.12.16 £
Cash flow from operating activities	15	(503,331)	(694,601)
Cash flow from investing activities			
Purchase of intangible assets	7	(872,482)	(1,153,715)
Purchase of property, plant and equipment	8	(161,797)	–
Interest received		504	5,654
Net cash used in investing activities		(1,033,775)	(1,148,061)
Cash flow from financing activities			
Proceeds on issue of new shares	13(a)	1,393,997	700,000
Cost of issuing new shares	13(a)	(140,342)	(73,685)
Net cash generated from financing activities		1,253,655	626,315
Net decrease in cash and cash equivalents		(283,450)	(1,216,347)
Cash and cash equivalents at beginning of financial year		1,861,964	3,078,311
Cash and cash equivalents at end of financial year	12	1,578,514	1,861,964

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 ongoing 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 2017.

The financial statements have been prepared under the historical cost convention except for the valuation of certain warrants for shares. The principal accounting policies set out below have been consistently applied to all periods presented.

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 (being at least 12 months from the date the financial statements were approved) from the cash held on deposit on 31 December 2017 and funds raised subsequent to the year end. 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. 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.

REVENUES

Revenues represent amounts receivable for the sale of crude oil, net of taxes, and are recognised on delivery to a third party storage facility on behalf of a customer.

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.

INTANGIBLE ASSETS - EXPLORATION AND EVALUATION ASSETS

Costs (including research costs) incurred prior to obtaining the legal rights to explore an area will be expensed immediately to the Income Statement, as these are classified as pre-licence costs.

Expenditure incurred on the acquisition of a licence interest will initially be capitalised on a licence-by-licence basis. Costs will be held 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 whilst exploration and evaluation activities are continuing, and until the success or otherwise has been established. The success or failure of each exploration/evaluation effort will be judged generally on a licence-by-licence basis. Capitalised costs will be written off on completion of exploration and evaluation activities unless the results indicate that hydrocarbon reserves exist and that these reserves are commercially viable.

All such costs will be subject to regular technical, commercial and management review for indicators of impairment 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 cash generating units 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.

PROPERTY, PLANT AND EQUIPMENT - DEVELOPMENT AND PRODUCTION ASSETS

Development and production ("D&P") assets are accumulated into cash generating units ("CGU") and represent the cost of developing the commercial reserves and bringing them into production together with the E&E expenditures previously transferred from E&E assets as outlined in the policy above.

PRINCIPAL ACCOUNTING POLICIES

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.

On acquisition of a D&P asset from a third party, the asset will be recognised in the financial statements on signature of the sale and purchase agreement, subject to satisfaction of any substantive conditions within the agreement.

Costs relating to each CGU are depleted on a unit of production method based on the commercial Proven and Probable Reserves for that CGU. Development assets are not depreciated until production commences. The depreciation calculation takes account of the residual value of site equipment and the estimated future costs of development of recognised Proven and Probable Reserves, based on current price levels. Changes in reserve quantities and cost estimates are recognised prospectively.

DECOMMISSIONING AND SITE RESTORATION PROVISIONS

Licensees have an obligation to restore fields to a condition acceptable to the relevant authorities at the end of their commercial lives.

Provision for decommissioning and reinstatement is recognised in full as a liability and an asset when the obligation arises.

The asset is included within exploration and evaluation assets or property, plant and equipment as is appropriate. The liability is included within provisions.

The amount recognised is the estimated cost of decommissioning and reinstatement, discounted where appropriate to its net present value, and is reassessed each year in accordance with local conditions and requirements.

Revisions to the estimated costs of decommissioning and reinstatement which alter the level of the provisions required are also reflected in adjustments to the decommissioning and reinstatement asset.

The increase in the net present value of the future cost arising from the unwinding of the discount is included within finance costs.

CONTINGENT LIABILITIES

Contingent consideration payable in respect of the Company's interest in certain licences is considered to be a contingent liability, which is not recognised due to the lack of estimation certainty of both the timing and amount payable.

IMPAIRMENT

The carrying amounts of non-current assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If there are indicators of impairment, such as a well not encountering commercial quantities of oil or a site being shut-in, an exercise is undertaken to determine whether the carrying values are in excess of their recoverable amount. Such review is undertaken on an asset by asset basis, except where such assets do not generate cash flows independent of other assets, in which case the review is undertaken at the cash generating unit level on a field-by-field basis. For intangible exploration and evaluation assets potential impairment triggers may include the short term expiry of a licence, lack of budgeted spend, or the lack of potential for commercial development of the asset. The potential recoverable value of such assets is assessed by the directors based on their knowledge of the assets and available information. The Company's cash-generating units are the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the profit and loss account and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior years.

The recoverable amount of assets is the greater of their value in use and fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairments are recognised in the income statement to the extent that the carrying amount exceeds the assets' carrying amount. The revised carrying amounts are amortised in line with the Company's accounting policies.

FARM-INS AND PROFIT-SHARING AGREEMENTS

The Company accounts for its own assets, liabilities and cash flows measured in accordance with the terms of the production sharing agreement and the accounting treatment reflects the agreement's commercial effect. The Company's turnover and cost of sales include revenues and operating costs associated with the Company's interest.

JOINT ARRANGEMENTS

The Company is party to a joint arrangement when there is a contractual agreement that sets out the terms of the relationship over the relevant activities of the Company and at least one other party.

The Company classifies its interests in joint arrangements as joint operations: where the Company has both the rights to assets and obligations for the liabilities of the joint arrangement.

The Company accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

PRINCIPAL ACCOUNTING POLICIES

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.

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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 13(b). 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 the number 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. When a warrant expires, the cumulative expense recognised In the share based payment reserve is reversed to the relevant component of equity In line with the original recognition of the expense.

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.

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Other than minor changes to standards arising from annual improvements, there have been no new or revised standards adopted in the preparation of the financial statements for the current financial year that have had any material impact on the financial statements of the Company.

The following EU-adopted revised or new standards have yet to be adopted by the Company. These standards will be adopted for the years ended 31 December 2018 and 31 December 2019 as shown below:

- IFRS 9 Financial Instruments (2018)
- IFRS 15 Revenue from contracts with customers (2018)
- IFRS 16 Leases (2019)

IFRS 9 'Financial Instruments' will supersede IAS 39 'Financial Instruments: Recognition and Measurement' and is effective for annual periods beginning on or after 1 January 2018. IFRS 9 covers classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

IFRS 15 'Revenue from Contracts with Customers' provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations, and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 will supersede IAS 18 'Revenue'.

The Company adopted IFRS 9 and IFRS 15 on 1 January 2018. The Company's evaluation of the effect of adoption of the standard is ongoing but it is not currently expected that it will have a material effect on the Company's financial statements, as the basis on which revenue is recognised is not considered complex and the Company does not currently have financial instruments which would be materially affected by the accounting amendments brought in by IFRS 9.

PRINCIPAL ACCOUNTING POLICIES

The Company has decided to classify all of its equity investments as being at fair value through other comprehensive income under IFRS 9, which are currently measured at cost in the Balance Sheet. This will mean that all changes in the fair value of such assets up to the point of disposal will be recorded in other comprehensive income. Therefore, in contrast to the current accounting treatment, significant or prolonged declines in value below cost will not be recognised in the income statement, and the income statement will not reflect gains or losses on disposal because gains and losses recognised in other comprehensive income will not be recycled to profit or loss on any such disposal.

IFRS 16 'Leases' provides a new model for lessee accounting in which all leases, other than short-term and small-ticket-item leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset over the lease term. IFRS 16 will be effective for annual periods beginning on or after 1 January 2019.

The Company expects to adopt IFRS 16 on 1 January 2019. The Company's evaluation of the effect of adoption of the standard is ongoing but it is not currently expected that it will have a material effect on the Company's financial statements, as the Company does not hold any leases at the date of sign off of these financial statements.

There are no other standards and interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets 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 regarding the choice and application of accounting policies, as well as 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 judgements 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:

Critical Estimates - 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. See note 13(b).

Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty - Impairment

Management is required to assess the exploration and evaluation assets for indicators of impairment. Note 7 discloses the carrying value of the exploration and evaluation assets.

Impairment is considered on a licence-by-licence basis.

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. Due diligence is performed at the outset of the investment before an investment is made. At an early stage of exploration of each investment the need for impairment is determined through monitoring market and industry conditions, competent person reports on each prospect and information from each licence's main operator.

In the case of those licences where drilling has commenced and management is committed to further exploration and evaluation with sufficient financial resources available to do so, impairment is not recognised unless technical analysis confirms that commercially viable hydrocarbons are insufficient to recover costs incurred.

In respect of PEDL201, the Burton on the Wolds-1 well was drilled and no conventional commercial hydrocarbons were discovered.

However, unconventional potential has been highlighted within the licence area, of which the potential revenues would exceed costs as at 31 December 2017.

The directors are considering their options to generate cash inflows from this development and accordingly the directors continue to actively evaluate the licence with a view to possible future explorative drilling. As unconventional potential has been highlighted in the licence area, of which the potential revenues would exceed costs, no impairment is considered appropriate at this time.

In February 2016, the Laughton-1 well within PEDL209 was spudded. The primary objective was poorly developed in the well and hydrocarbon saturations associated with the shows were not sufficiently encouraging to warrant testing.

The rig was released from contract and the wellsite has been fully restored to its original condition.

The directors have considered their options in respect of PEDL209 and believe that although the licence interest currently remains in the Union Jack Oil portfolio it is appropriate to further impair the costs of £5,078 (2016: £298,711) spent to date on this licence.

In respect of Wressle PEDL180/182, re-application for planning is ongoing and management have made amendments to the plan which they believe will satisfy the planning committee and therefore the directors do not consider these licences as requiring impairment.

In respect of licences, which are due to expire during the current year, the operator has applied to the OGA to obtain extensions for further exploration.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1 BUSINESS AND OPERATING SEGMENTS

The Company is considered to have two operating segments, being the exploration and development of, and the production of hydrocarbon discoveries onshore United Kingdom.

The value attributed to exploration and development assets as at 31 December 2017 was £2,846,278.

The value attributed to the production assets as at 31 December 2017 was £496,859.

All of the revenue reported for the year of £46, 203) is attributed to the producing/ production segment (2016: £22,119 attributed to the exploration and development segment).

2 OPERATING LOSS

	31.12.17 £	31.12.16 £
Operating loss is stated after charging:		
Impairment charge	5,078	298,711
Depletion of producing assets	17,322	–
Staff costs (see note 3)	204,920	197,399
Fees payable to the Company's auditor for:		
– The audit of these financial statements	25,500	18,000
– Tax compliance services	16,400	6,000

The impairment charge of £5,078 (2016: £298,711) is in respect of Laughton (PEDL209).

3 STAFF COSTS

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

	31.12.17 £	31.12.16 £
Salaries	186,667	180,000
Social security costs	18,253	17,399
	204,920	197,399

The average number of persons employed by the Company during the year was 4 (2016: 4).

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

Highest paid director

The highest paid director received remuneration of £86,667 (2016: £80,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

4 FINANCE INCOME

	31.12.17 £	31.12.16 £
Bank interest	504	5,654

5 TAXATION

	31.12.17 £	31.12.16 £
Current tax		
UK corporation tax	–	–
Adjustment in respect of prior periods	–	885
Total UK corporation tax charge	–	885

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 40% (2016: 40%) to the loss before tax is as follows:

	£	£
Loss on ordinary activities before tax	(746,822)	(891,709)
Tax on Company loss on ordinary activities at standard UK corporation tax rate of 40% (2016: 40%)	298,729	356,684
Effects of:		
Impairment of intangible assets not deductible for tax purposes	(2,031)	(119,484)
Finance income	–	2,262
Losses carried forward	(296,698)	(239,462)
Adjustment in respect of prior periods	–	885
Current tax charge for year	–	885

A deferred tax asset of £1,811,666 (2016: £1,514,968 - restated) 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.

The restatement of the deferred tax asset was the consequence of a full review of the tax position of the Company.

6 LOSS PER SHARE

The Company has issued warrants over ordinary shares which could potentially dilute the basic loss per share in the future. Further details are given in note 13(b).

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 13(b). At 31 December 2017 the Company had 51,407,842 (2016: 55,052,548) warrants in issue. 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	2017 Pence	2016 Pence
Loss per share from continuing operations	(0.02)	(0.03)

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

	2017 £	2016 £
Loss used in the calculation of total basic and diluted earnings per share	(746,822)	(892,594)

Number of shares	2017	2016
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	4,149,180,372	2,994,752,318

As detailed in note 13, the Company has 831,680,400 (2016: 831,680,400) deferred shares. These have not been included within the calculations of basic 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 currently, on liquidation, go to the deferred shareholders, hence they are not currently considered subordinate. These deferred shares have not been taken into account when calculating the diluted loss per share as their impact was anti-dilutive.

The Company issued 1,032,589,694 new ordinary shares during the year (2016: 411,764,706).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

7 INTANGIBLE ASSETS

	31.12.17 £	31.12.16 £
At 1 January	2,079,340	1,165,077
Costs incurred during the year	977,340	1,212,974
Transfer to development and production assets	(245,324)	–
Costs impaired	(5,078)	(298,711)
At 31 December	2,806,278	2,079,340

Additions to exploration and evaluation costs represent exploration and appraisal costs incurred in the year in respect of unproven properties and provisions recognised for decommissioning and restoration liabilities.

Including the current year impairment of £5,078, total costs of £303,789 have been impaired with regard to PEDL209.

A formal impairment review has been carried out and the directors have considered and reviewed the potential value of all projects and licences. The directors have also considered the likely opportunities for realising the value of licences and have concluded that the likely value of each exploration area is individually in excess of its carrying amount with the exception of PEDL209 as noted above.

In respect of PEDL180 and PEDL182 confidence remains that the Wressle development will be brought to production status and all credible avenues to achieve this objective will be pursued. An Environment Agency permit for production is in place.

On this basis the licence costs are not impaired in these financial statements.

In respect of PEDL201 the directors are considering their options to generate cash inflows from this development. As unconventional potential has been highlighted in the licence area, of which the potential revenues would exceed costs, no impairment is considered appropriate at this time whilst further evaluation is planned and budgeted.

Included in the above intangible asset additions during the year are amounts arising in relation to increases in decommissioning and restoration provisions (note 20).

At the beginning of the 2017 financial year management determined that the production levels at Keddington are commercially viable, and as such the intangible exploration asset has been transferred to development and production assets.

Intangible assets (less provision for impairment) comprise amounts capitalised as follows:

		31.12.17 £	31.12.16 £
Wressle	PEDL180	2,097,870	1,378,156
Burton on the Wolds	PEDL201	355,087	345,655
Keddington	PEDL005(R)	–	245,324
Biscathorpe	PEDL253	86,737	62,163
North Kelsey	PEDL241	51,232	33,252
Holmwood	PEDL143	121,895	14,260
Louth Extension	PEDL339	881	265
Broughton North	PEDL182	8,304	265
Dukes Wood	PEDL118	49,279	–
Kirklington	PEDL203	34,993	–
		2,806,278	2,079,340

8 PROPERTY, PLANT AND EQUIPMENT

	31.12.17 £	31.12.16 £
Cost		
At 1 January	–	–
Transfer from exploration and evaluation assets	245,324	–
Additions	268,857	–
	514,181	–
At 31 December		
Depreciation	–	–
At 1 January	–	–
Charge for the year	17,322	–
At 31 December	17,322	–
Net book value	496,859	–

Development and Production assets comprise amounts capitalised as follows:

		31.12.17 £	31.12.16 £
Fiskerton Airfield	EXL298	193,206	–
Keddington	PEDL005(R)	303,653	–

The Board has assessed the development and production assets as at 31 December 2017 and have not identified any indicators of impairment as set out in IAS 36 *Impairment of assets*.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

9 JOINT OPERATIONS

The Company is party to eleven joint arrangements which carry out exploration and development of hydrocarbons in the United Kingdom. The parties to the arrangements and the Company's percentage interest for the respective operations are described in the Review of Operations. The joint operations in which the Company held an interest as at 31 December 2017 are as below:

Licence	Name	Proportion of ownership interest	Principal place of business
PEDL180	Wressle	15%	England
PEDL201	Burton on the Wolds	10%	England
PEDL005R	Keddington	20%	England
PEDL253	Biscathorpe	12%	England
PEDL241	North Kelsey	20%	England
PEDL143	Holmwood	7.5%	England
PEDL339	Louth Extension	20%	England
PEDL182	Broughton North	15%	England
PEDL118	Dukes Wood	16.67%	England
PEDL203	Kirklington	16.67%	England
EXL294	Fiskerton	20%	England

10 INVESTMENTS

The Company is the beneficial owner of 169,959 (2016: 169,959) ordinary shares in Elephant Oil Limited, a company registered in England and Wales, for which it has paid £40,000 (2016: £40,000). Elephant Oil Limited has 23,218,183 (2016: 23,218,183) ordinary shares in issue. Union Jack Oil plc has a 0.73% (2016: 0.74%) interest in that company. The principal activity of Elephant Oil Limited is the exploration and evaluation of hydrocarbon assets.

11 TRADE AND OTHER RECEIVABLES

	31.12.17 £	31.12.16 £
Trade receivables	19,048	16,902
VAT	29,677	16,343
Prepayments	17,147	29,455
	65,872	62,700

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.

12 CASH AND CASH EQUIVALENTS

	31.12.17 £	31.12.16 £
Cash at bank	1 ,578,514	1,861,964

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.

13(a) SHARE CAPITAL

Allotted and issued: Number	Class	Nominal value	31.12.17 £	31.12.16 £
4,333,063,205 (31 December 2016: 3,300,473,511)	Ordinary	0.025p	1,083,266	825,118
831,680,400 (31 December 2016: 831,680,400)	Deferred	0.225p	1,871,281	1,871,281
Total			2,954,547	2,696,399

Ordinary shares hold voting rights and are entitled to any distributions made on winding up. Deferred shares do not hold voting rights and are not entitled to distributions made on winding up.

Allotments during the year

In February 2017, 1,032,589,694 new ordinary shares with a par value of 0.025 pence were issued at 0.135 pence per share and are fully paid.

Total consideration received was £1,393,997, of which £1,135,849 has arisen in share premium.

Issue costs of £140,342 have been charged to the share premium account.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

13(b) SHARE-BASED PAYMENTS – WARRANTS

Details of the number of warrants and the weighted average exercise price (WAEP) outstanding during the year are as follows:

Year ended December 2017	Number of warrants	WAEP £
Outstanding and exercisable at the beginning of the year	55,052,548	0.003
Expired in the year	(3,644,706)	0.003
Outstanding and exercisable at the end of the year	51,407,842	0.003

Year ended December 2016	Number of warrants	WAEP £
Outstanding and exercisable at the beginning of the year	55,052,548	0.003
Expired in the year	–	0.003
Outstanding and exercisable at the end of the year	55,052,548	0.003

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

Date of grant	04.12.12	17.03.14	26.09.14
Number in issue at 31 December 2017	6,074,510	5,333,333	39,999,999
Share price at date of grant	0.3p	0.23p	0.38p
Exercise price	0.25p	0.225p	0.225p
Expected volatility	69%	77%	77%
Expected life (years)	5.0	2.5	2.5
Risk-free rate	0.8464%	0.26%	0.26%
Expected dividend yield	0%	0%	0%
Fair value at date of grant	£11,099	£22,000	£43,570
Earliest vesting date	20.12.12	17.03.14	26.09.14
Expiry date	20.12.22	17.03.19	26.09.19

During the year 3,644,706 warrants expired. The fair value of those warrants was transferred from the share-based payment reserve to accumulated deficit, where the expense was initially recognised.

An adjustment has additionally been made to the share-based payment reserve during the year to transfer out the fair value of previously expired and exercised warrants. These have been adjusted against share premium and accumulated deficit in accordance with the previous recognition of the warrants.

14 RESERVES

The nature and purpose of each reserve within equity is as follows:

Share capital – represents the nominal value of shares issued.

Share premium – represents the amount subscribed for share capital in excess of nominal value, less related share issue costs.

Share-based payment reserve – represents the cumulative cost of warrants issued in return for professional services.

Accumulated deficit – represents cumulative profits or losses, and all other net gains and losses and transactions with owners not recognised elsewhere.

15 RECONCILIATION OF LOSS TO CASH GENERATED FROM OPERATIONS

	31.12.17 £	31.12.16 £
Loss before taxation	(746,822)	(891,709)
Depletion of producing assets	17,322	–
Impairment of intangibles	5,078	298,711
Finance income	(504)	(5,654)
Income taxes paid	–	(885)
	(724,926)	(599,537)
(Increase) /decrease in trade and other receivables	(3,172)	(35,468)
Increase / (decrease) in trade and other payables	224,767	(59,596)
Cash used in operations	(503,331)	(694,601)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

16 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 cost	£
At 31 December 2017	
Investments: available-for-sale	40,000
At 31 December 2016	
Investments: available-for-sale	40,000

Financial assets measured at amortised cost	£
At 31 December 2017	
Trade receivables	19,048
Cash and cash equivalents	1,578,514
Total carrying value	1,597,562
At 31 December 2016	
Trade receivables	16,902
Cash and cash equivalents	1,861,964
Total carrying value	1,878,866

All of the above financial assets' carrying values approximate to their fair values at 31 December 2017 and 31 December 2016 given their nature and short times to maturity.

Financial liabilities measured at amortised cost	£
At 31 December 2017	
Trade payables	250,225
Accruals	59,854
Total carrying value	310,079
At 31 December 2016	
Trade payables	59,145
Accruals	24,000
Other creditors	2,167
Total carrying value	85,312

All of the above financial liabilities' carrying values approximate to their fair values at 31 December 2017 and 31 December 2016 given their nature and short times to maturity.

17 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT

The principal financial risks to which the Company is exposed are: liquidity risk, oil price 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.

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 £1,597,562 (2016: £1,878,866).

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 2017 and 31 December 2016 on the basis of their earliest possible contractual maturity.

Oil price risk

The Company is exposed to oil price risk associated with sales of oil from production. The Company does not currently consider it necessary to use hedging instruments to manage its exposure to this risk.

At 31 December 2017	Total £	Within 2 months £	Within 2-6 months £	Greater than 6 months £
Trade payables	250,225	250,225	–	–
Other creditors	–	–	–	–
Accruals	59,854	28,354	31,500	–
	310,079	278,579	31,500	–
At 31 December 2016				
Trade payables	59,145	59,145	–	–
Other creditors	2,167	2,167	–	–
Accruals	24,000	–	24,000	–
	85,312	61,312	24,000	–

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.

18 FINANCIAL COMMITMENTS

The Company had no financial commitments as at 31 December 2017 or 31 December 2016, other than those recognised in the Balance Sheet.

19 TRADE AND OTHER PAYABLES

	31.12.17 £	31.12.16 £
Trade payables	250,225	59,145
Accruals	59,854	24,000
Other creditors	–	2,167
	310,079	85,312

Trade payables in respect of 2017 were increased due to late delivery of invoices from suppliers.

20 PROVISIONS

	Decommissioning and Restatement Provision £
As at 1 January 2016	18,000
Provision created during the year	11,605
Provision utilised during the year	(11,605)
At 31 December 2016	18,000
Provision created during the year	211,918
At 31 December 2017	229,918

Provision has been made for decommissioning costs on productive fields. Provision has also been made for reinstatement costs relating to exploration and evaluation assets where work performed to date gives rise to an obligation, principally for site restoration. Assumptions, based on the current economic environment, have been made which the directors believe are a reasonable basis upon which to estimate the future liability. This estimate will be reviewed regularly to take into account any material changes to assumptions. Actual costs will depend on a number of factors, including future market prices and any variation in the extent of decommissioning and reinstatement to be performed.

Decommissioning and reinstatement costs are currently expected to be utilised between 2018 and 2038.

Provisions created during the year, based on information provided by the operator, relate to obligations in respect of Keddington, Fiskerton Airfield, Dukes Wood and Kirklington assets. Additional provision has been made in relation to Wressle, based on information provided by the operator (2016: Laughton (PEDL209)). No provisions have been utilised during the year. (2016: Laughton (PEDL209)).

21 RELATED PARTY TRANSACTIONS

Details of key management personnel remuneration are disclosed in note 3. Key management comprises only the directors.

Charnia Resources (UK), an entity owned by Graham Bull, non-executive director, was paid £59,446 (2016: £38,400) in respect of consulting fees. No amounts were outstanding at the year end (2016:nil).

Jayne Bramhill, spouse of David Bramhill, received the sum of £6,000 (2016: £6,000) from the Company in respect of IT maintenance and administration costs. No amounts were outstanding at the year end.

22 CONTINGENT LIABILITIES

In the event of a discovery of oil within the PEDL143 Holmwood licence area, a balance of £159,375 would become payable to one of the other parties to the licence. The liability is not provided for in these financial statements since at this stage the payment is not probable due to the well timing and test schedules which remain unknown.

There were no contingent liabilities at 31 December 2016.

23 EVENTS AFTER THE BALANCE SHEET DATE

The following events have taken place after the year end:

In March 2018, 1,470,588,226 new ordinary shares were issued for cash at 0.085 pence per share raising approximately £1,250,000 before expenses of £100,588.

The enlarged issued share capital following the issue of new shares described in this section is 5,803,651,431 ordinary shares of 0.025 pence each.

In March 2018 the Company entered into a Commercial Partnership with UK based Humber Oil & Gas Limited and a Memorandum of Understanding was signed by both parties whereby the two companies have agreed to co-invest in selective UK upstream projects.

In March 2018 the Company entered into a Farm-in Agreement with Egdon Resources U.K. Limited and Montrose Industries Limited to acquire a further 10% interest in PEDL253 containing the drill-ready Biscathorpe-2 Prospect. Following this the Company now holds a 22% economic interest in the licence.

In March 2018, Joe O'Farrell purchased 58,823,529 new ordinary shares, following which he now holds a beneficial interest in 177,693,592 ordinary shares representing approximately 3.06% of the share capital of the Company.

In March 2018, David Bramhill purchased 11,764,705 new ordinary shares, following which he now holds a beneficial interest in 63,929,285 ordinary shares representing approximately 1.1% of the share capital of the Company.

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 31 May 2018 at 11.00 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions numbered 1 to 5 will be proposed as ordinary resolutions and resolution number 6 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1 Report and accounts

To receive the audited annual accounts of the Company for the year ended 31 December 2017, together with the Directors' Report and the Auditor's Report on those annual accounts.

2 Re-election of director retiring by rotation

To re-elect Joseph O'Farrell as a director, who retires by rotation in accordance with the Company's Articles of Association.

3 Re-appointment of auditor

To re-appoint BDO 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.

4 Auditor's remuneration

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

5 Directors' authority to allot shares

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 £725,456.43 (representing approximately 50% 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

6 Directors' power to issue shares for cash

That, conditional upon the passing of resolution number 5, 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 5 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 £725,456.43 (representing approximately 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

Matthew Small
Company Secretary

Dated: 1 May 2018

Registered Office:
6 Charlotte Street
Bath BA1 2NE

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 6.00 p.m. on 29 May 2018 (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 29 May 2018.

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.

UNION JACK OIL

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