UNION JACK OIL plc

Annual Report and Financial Statements

2020

UNION JACK OIL

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

Directors, Officers and Advisers

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UNION JACK OIL

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

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

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"Fully funded for all current well testing and planned development commitments, and remain debt free"

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 2020.

Union Jack's strategy remains consistent with the objective of the Board; to build a successful and sustainable, UK-focused, predominantly onshore hydrocarbon production and development business. In this respect, we have delivered demonstrable growth in asset value and 2020 has seen the continued expansion of our portfolio with what we consider to be high quality, asset value accretive project interests with substantial upside potential in our primary focus areas of the East Midlands, Humber Basin and East Yorkshire, with an expectation in 2021 of significantly increasing oil production and revenues.

The COVID-19 pandemic has meant very few, if any, companies and individuals have not felt the unwelcome consequences that have resulted from this unprecedented virus.

We continue to remain vigilant in the way we operate both technically and financially and we have tried our best to keep shareholders and our Joint Operating Agreement ("JOA") partners informed of any changes being implemented to our operations in respect of the effects of COVID-19.

Notwithstanding COVID-19, reassuringly it has been business as usual, however, I would like to add that any forward-looking statements made within this report are made with good intent, as the effects of this virus, although perhaps are now better understood, remain unclear and expected to prevail in some form for the foreseeable future.

I am pleased to report that disruption to our projects due to COVID-19 has been minimal through 2020 and up to present time although the potential for any changes in working and planning in respect of our project interests remain possible, and we will continue to be guided by the regulatory bodies and our JOA partners in respect of COVID-19 best practice.

Marked progress was made in the year under review and in the post balance sheet events period up to the signing of these financial statements, with the highlights shown on page 3.

PEDL183 WEST NEWTON (16.665%)

Union Jack completed a farm-in in late 2018, on licence PEDL183, covering 176,000 acres and containing the West Newton A-1 discovery, with Rathlin Energy (UK) Limited ("Rathlin").

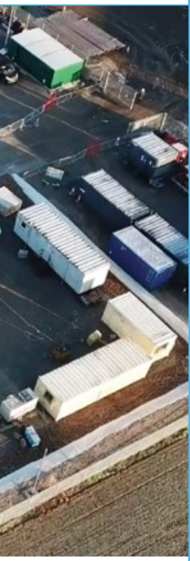
Since that time the JOA partners have seen excellent success in respect of subsequent drilling campaigns with both the WNA-2 and WNB-1Z wells being recorded as significant discoveries with both wells suspended and awaiting testing during Spring 2021.

PEDL183 is located onshore UK, north of the river Humber, also encompassing the town of Beverley, East Yorkshire. The licence area is within the western sector of the Southern Zechstein Basin. The West Newton A-1 and A-2 and the recent B-1Z discoveries are on-trend with the prolific offshore Hewett gas complex.

In the UK, the carbonates of the Permian Basin have been our principal targets and produced offshore and onshore in the Southern North Sea Gas Basin. These reservoirs have been extensively explored and produced onshore in the Netherlands, Germany and Poland, which provide several direct analogues for West Newton and the overall licence area.

The WNB-1Z side-track appraisal well commenced during November 2020 and reached a Measured Depth of 2,114 metres.

A substantial hydrocarbon column in excess of 118 metres gross has been demonstrated within this formation.



OPERATIONAL HIGHLIGHTS

- Successful drilling of the West Newton B-1Z conventional appraisal well where initial petrophysical evaluation has demonstrated a gross hydrocarbon saturated interval of at least 118 metres within the Kirkham Abbey formation
- West Newton B-1Z and A-2 well tests are imminent
- Following the successful re-perforation of the Ashover Grit formation at Wressle, oil is free flowing and the Wressle-1 well has been placed on continuous production test and is awaiting a proppant squeeze
- 12.5% interest acquired in PEDLs 180 and 182, containing the Wressle discovery, bringing Union Jack's holding to 40%
- Purchase of a 35% interest in the producing Keddington Oilfield PEDL005(R) acquired, bringing Union Jack's interest to 55%
- Completion of the purchase of a further 15% interest in PEDL253 containing the Biscathorpe Prospect bringing Union Jack's interest to 45% during January 2021
- Purchase of a 2.5% royalty interest in the North Sea Claymore Piper and Scapa oilfields

FINANCIAL HIGHLIGHTS

- Increased revenue of £158,004 (2019: £136,959)
- Operating loss of £1,883,893 (2019: £1,705,198), primarily as a result of higher administrative costs due to additional technical work in respect of West Newton, Wressle, Biscathorpe and Keddington
- Cash balance in excess of £5.7 million at 1 May 2021, not including loan receivables and royalty accruals of over £1 million
- Net assets increased by 35% to over £18 million from £13 million in 2019
- Fully funded for all current well testing and planned development commitments
- Company remains debt free

18 metres of core was successfully cut and recovered from the hydrocarbon bearing Kirkham Abbey formation. Production casing has been run in preparation for the testing of this interval.

Highlights

- Porosities of up to 14% observed on wireline logs
- Hydrocarbon-water contact has yet to be encountered at West Newton
- WNB-1Z well is approximately 2.5 kilometres south of the WNA-1 and WNA-2 appraisal wells, confirming extensive areal continuity of hydrocarbon trap and hydrocarbon reservoir
- Well results provide a further material de-risking and are a significant step forward in determining the development potential of the West Newton project
- Cased Hole Logging programmes and Vertical Seismic Profiling completed confirming the presence of a good cement bond of the production liner and good quality data retrieved which will be used in calculations towards reserve/resource quantification for the West Newton field and for the identification of future drill locations

The JOA partners believe that West Newton has the potential to assist in replacing the requirement for imported hydrocarbons locally while simultaneously developing indigenous energy sources, contributing to the economic welfare of the Humber region.

With the view of advancing this vision, Union Jack and its JOA partner Reabold Resources plc commissioned Gaffney, Cline & Associates Limited ("GaffneyCline"), an international energy consultancy to conduct a Carbon Intensity Study over the West Newton hydrocarbon project.

Chairman's Statement

> "Union Jack's mission and focus is to minimise the carbon footprint generated by its hydrocarbon developments in the most efficient way possible, whilst continuing to contribute positively to the growing demand for energy and hydrocarbon products in the supply chain"

The GaffneyCline study highlighted the following:

- The West Newton project has an AA rating for Carbon Intensity for its potential upstream crude oil production
- Carbon intensities at West Newton are significantly lower than the UK average and compared with other onshore analogues
- As the development proceeds and project knowledge increases, there is scope to even further improve the Carbon Intensity by reducing fugitive flaring and venting emissions through the use of the best available technologies

Union Jack's mission and focus is to minimise the carbon footprint generated by its hydrocarbon developments in the most efficient way possible, whilst continuing to contribute positively to the growing demand for energy and hydrocarbon products in the supply chain.

GaffneyCline have also been appointed to compile a Competent Persons Report in respect of PEDL183 and the West Newton project.

All the results to date continue to support our belief that West Newton is a large scale, conventional onshore oil and gas development asset with potential offshore-sized resources in place.

The preliminary results to date vindicate Union Jack's faith and financial commitment over the past two years to what management has always believed to be an exceptional UK onshore hydrocarbon enterprise and development opportunity.

The imminent well testing programme is the next important milestone in determining the development potential of West Newton.

PEDL180/PEDL182 WRESSLE DEVELOPMENT (40%)

Located in Lincolnshire on the Western margin of the Humber Basin, PEDL180 and PEDL182 contain the substantial Wressle oil development, with proven reserves and significant upside.

The Wressle-1 oil discovery was defined on proprietary 3-D seismic data. The structure is on-trend with the producing Crosby Warren oil field and the Broughton B-1 oil discovery, both to the immediate northwest, and the Brigg-1 discovery to the southeast. All these wells contain oil in various different sandstone reservoirs within the Upper Carboniferous succession.

The well was drilled and logged and the presence of hydrocarbon pay was noted within the Penistone Flags, Wingfield Flags and Ashover Grit intervals. Subsequent testing of these intervals demonstrated flow from all three zones.

During January 2020, the JOA partners received the welcome news that, after several years of planning setbacks in respect of the development of the Wressle discovery, the Planning Inspectorate had upheld the appeal and granted planning consent for the development of this company changing project. The Inspector also allowed the application for an award of costs against the North Lincolnshire Council ("NLC"). Subsequently, the NLC has paid costs of £403,000. Union Jack has received its proportion of this payment from the Operator.

Chairman's Statement

Excellent progress has been made at Wressle, culminating in commencement of oil-flow at the end of January 2021, following the installation of cutting-edge, purpose-built surface facilities and the successful re-perforation of the Ashover Grit, one of three reservoir intervals. The well is currently undergoing test production with oil sold and transported to the Phillips 66 Humber refinery.

The well test results to date are in line with expectations and consent for a proppant squeeze in respect of the next stage of operations is awaited. At optimum production levels Wressle-1 is projected to produce at a gross rate of a constrained 500 barrels of oil per day ("bopd"), adding a net 200 bopd to Union Jack's production profile.

Translated into 2P and 2C reserves and resources, using figures quoted from the Competent Person's report compiled by ERCE during 2016, the net volumes attributable to Union Jack are as shown below.

Gross and Net Volumes of Wressle 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	0.25	0.08	0.26
2C Penistone Flags	1.53	2.00	1.86	0.61	0.80	0.75
Broughton North Mean Unrisked Prospective Resources	0.51	0.51	0.60	0.20	0.20	0.24

Source: CPR by ERCE (2016)

The Economic Growth Plan for North Lincolnshire champions the growth and diversification of the Humber chemical and energy cluster, currently contributing some £6 billion to the economy. Industries include: petrochemicals; commodity and speciality chemicals; composite materials; pigments and paints; wind turbines and pharmaceuticals; and a raft of other associated industries employing circa 15,000 people in at least 120 companies. Petroleum remains fundamental to these locally important industries, including in the manufacture of items such as wind turbines for the renewable energy sector which rely upon composite materials involving petroleum products, as do many industrial applications.

Oil produced at Wressle is now contributing to these industries and benefiting the region as a whole, as well as further afield in the UK. Oil produced at Wressle is also helping offset international oil imports typically shipped over long distances, as the oil is refined nearby in Immingham, keeping trucking and transportation to a minimum, and consequently reducing the overall carbon footprint and greenhouse gas emissions.

In June 2020, the Company acquired a further 12.5% interest from Humber Oil & Gas Limited ("Humber") in PEDLs 180 and 182 containing the Wressle development project for an initial cash consideration of £500,000 with a deferred cash consideration element of £1,040,000 payable to Calmar LP, appointees of Celtique Energie Petroleum Limited (the original vendors in the acquisition by Humber) on commercial oil production being established. Following this transaction the Company now holds a 40% interest in PEDLs 180 and 182.

PEDL253 BISCATHORPE (45%)

PEDL253 is situated within the proven hydrocarbon fairway of the South Humber Basin and is on-trend with the Keddington oilfield, Saltfleetby gasfield and the Louth and North Somercotes Prospects.

In February 2019, the Biscathorpe-2 well was drilled and logging operations were conducted. Preliminary analysis indicated that the primary objective, the Basal Westphalian Sandstone, was not encountered at this location.

Chairman's Statement

However, this result has subsequently been turned full circle, driven by the determination of the respective technical teams and their detailed technical analysis that has demonstrated that PEDL253 is a viable hydrocarbon play. Union Jack's technical team believe that Biscathorpe remains one of the largest untested onshore prospects within the UK.

In support of this interpretation, the JOA partnership completed extensive and detailed studies of the Biscathorpe Prospect, including the re-processing and re-mapping of 264 square kilometres of 3-D seismic. This exercise has significantly enhanced the understanding of the prospectivity over the licence area.

Accessible targets have also been identified where evidence for a thickened Westphalian sandstone reservoir exists. These targets can be drilled using a side-track from the existing Biscathorpe-2 well which was suspended once site operations were concluded in 2019.

The Gross Mean Prospective Resources associated within the Westphalian target area are estimated by the Operator, in accordance with 2018 PRMS Standard, to be 3.95 mmbbls of oil, with an upside case of 6.69 mmbbls. Preliminary economic modelling demonstrates that the Westphalian target is economically robust in the current oil price environment with a full cycle economic valuation of £55.6 million gross (NPV10%) and a US$18.07 per bbl breakeven oil price.

While drilling the B-2 well, there were hydrocarbon shows indicated by elevated gas readings and sample fluorescence, observed over the entire interval from the top of the Dinantian to the Total Depth ("TD") of the well (an interval of over 157 metres), with a total of 68 metres interpreted as being oil-bearing in the petrophysical analysis.

A geochemical analysis of the gas data and hydrocarbons extracted from drill cuttings was originally commissioned by Union Jack and carried out by Applied Petroleum Technology (UK) Limited ("APT"). The results of this analysis indicate a hydrocarbon column of 33°-34° API gravity oil in the Dinantian Carbonate and a proven likely live oil column, comparable with that produced at the nearby Keddington oilfield.

Following the results of the APT exercise, an assessment of the Dinantian oil volumes was modelled with volumetric assumptions as being "filled to spill" with resulting Mean Stock Tank Oil Initially in Place ("STOIIP") within the Dinantian calculated to be 24.3 mmbbls with an upside case of 36 mmbbls.

The JOA partnership now proposes to drill the Biscathorpe B-2Z conventional side-track well targeting the Westphalian and the oil column logged in the underlying Dinantian Carbonate.

In February 2021, a Planning Application was submitted to the Lincolnshire County Council for a proposed side-track drilling operation, associated testing and, in a success case, the long-term production of hydrocarbons at the Biscathorpe well site.

In June 2020, Union Jack were advised that a legally binding and confidential settlement agreement between Egdon Resources and the JOA parties in respect of PEDL253 resolving a dispute with Humber, had been signed.

In January 2021 and subsequent to the year end, Union Jack purchased a further 15% of PEDL253 for an initial cash consideration of £500,000 from Humber, bringing the Company's interest to 45%. Following receipt of various planning approvals, a further contingent cash payment of £500,000 will become payable to Humber.

PEDL241 NORTH KELSEY (50%)

North Kelsey is a conventional oil prospect along trend from and analogous to the Wressle oil development, which lies approximately 15 kilometres to the northwest. The prospect has been mapped from 3-D seismic data and has the potential for oil in four stacked Carboniferous reservoir targets. The Operator estimates that the Gross Prospective Resources range from 4.66 million barrels up to 8.47 million barrels of oil, with a Mean Resource volume of 6.47 million barrels.

During September 2020, the existing planning consent was extended by the Lincolnshire County Council. Requisite permits for drilling have also been received from the Environment Agency.

In October 2020, the Company announced a further acquisition of 30% of PEDL241 and the alignment of equity interests in that licence with the Operator, Egdon Resources U.K. Limited, and to jointly pursue a farm-out for the drilling of the North Kelsey-1 exploration well.

Chairman’s Statement

Under the terms of the agreement, Union Jack acquired a 30% interest in the licence for a cash consideration of £100,000 that was paid on completion, subsequent to the year end. The Company’s previous farm-in obligations in respect of the 20% the Company held lapsed and all future financial obligations will be executed on an equal basis with the Operator.

PRODUCTION ASSETS

Union Jack’s portfolio includes licence interests in two production assets, PEDL005(R) (55%) and EXL294 (20%) containing the Keddington and Fiskerton Airfield oilfields, respectively.

Combined production of high-quality oil from these two assets is averaging 50 barrels of oil per day gross from Carboniferous age sandstone reservoirs.

A further production asset, the Wressle-1 discovery well, within PEDL180 and PEDL182, currently under test production and awaiting further process, was added to Union Jack’s production portfolio in early 2021. An operational update in respect of Wressle can be found earlier within this statement.

Keddington is located along the very prospective East Barkwith Ridge, an east-west structural high on the southern margin of the Humber Basin.

A detailed, subsurface review of the Keddington field and the surrounding licence area was conducted by Egdon and Union Jack during 2019, resulting in a fully audited and consistent data set that supports updated resource estimates generated by the Operator.

These geological and geophysical studies indicate that potentially significant resources remain unswept at Keddington, highlighting an excellent opportunity to increase production volumes multi-fold by the drilling of a relatively inexpensive development well from the existing production site. The gross remaining Mean Contingent Resource at Keddington is 567,000 bbls of oil (311,000 bbls net to Union Jack).

The Operator is finalising the assessment of potential in-fill drilling locations at Keddington with a view to targeting a side-track drilling location.

The Keddington site lease has been extended until 2029, and planning consent expires in 2058, with approval in place for the drilling of a further two wells.

In addition to the unswept resources at Keddington, a near-field exploration opportunity exists at Keddington South, which has a gross Mean Prospective Resource Volume of 635,000 bbls of oil (349,250 bbls net to Union Jack).

During March 2020, Union Jack acquired a further 35% economic interest in PEDL005(R) from Terrain Energy Limited, increasing its holding to 55%. The consideration in respect of the acquisition was £200,000, financed from existing cash resources. This transaction provided an immediate uplift in oil production which had a beneficial effect when consolidated into the production revenues from Fiskerton Airfield.

Production at Fiskerton Airfield remains consistent and the focus will continue to be the maximising of oil output from the existing wells.

OTHER LICENCE INTERESTS

Union Jack holds licence interests in a number of other non-core projects outlined below.

An interest is held in PEDL118 Dukes Wood (16.67%) and PEDL203 Kirklington (16.67%). The JOA partners are examining the geothermal potential of these licences. These licence interests were fully impaired during the 2020 financial year.

PEDL201 Widmerpool Gulf (26.25%), formerly known as Burton-on the-Wolds, contains significant unconventional Bowland Hodder potential. This asset was fully impaired during 2019.

PEDL181 Humber Basin (12.5%) is located within the Humber Basin and holds unconventional upside. This licence was fully impaired during 2019.

An interest is held in PEDL209 Laughton (10%). The Company is currently in the process of withdrawing from this licence interest.

> “Excellent progress has been made at Wressle, where a cutting-edge, purpose-built production site has been constructed”

Chairman's Statement

NORTH SEA ROYALTIES

Post period end, during March 2021, the Company purchased a 2.5% royalty interest over the Claymore, Piper and Scapa oilfields located in the Central North Sea from Cambridge Petroleum Royalties Limited for a total consideration of £93,730 including working capital adjustments.

Management view this purchase as an attractive, cash generating and high yielding investment, consistent with Union Jack's wider strategy and objectives to invest in the UK oil and gas sector.

This particular transaction generates a compelling estimated Internal Rate of Return of approximately 129% and payback, including accrued royalty payments of the original investment is anticipated to be less than 12 months.

The Company benefits from an indirect contractual exposure to North Sea oil and gas production revenues without any ongoing capital investment, decommissioning or joint venture operating costs.

This acquisition within this area represents our first investment in the Claymore Piper Complex and the Board has the objective of pursuing further interests in this asset.

COVID-19 STATEMENT

Following the outbreak of Coronavirus (COVID-19) during 2020, the priority of the Company has been on the health and safety of its employees and technical staff. Like many organisations, plans have been implemented and active measures have been taken to mitigate risk, such as no one-to-one contact and numerous telephone and video meetings. The Board is also in frequent contact with the Company's JOA partners and our external technical team to assess any potential impact on the assets in which the Company has invested.

We continue to follow the most up-to-date Government advice and engage with the regulatory bodies and stakeholders.

To date, the exploration, development and production activities of the Company have continued in line with plans and with minimal impact from COVID-19.

However, the Company recognises COVID-19 and associated geo-political factors have created uncertainty around the price and demand for oil.

The Board does not currently plan to make changes going forward. However, the Board continues to monitor the situation closely and will, with its JOA partners, make adjustments if and when appropriate.

I would like to bring to the attention of shareholders the Notice of Annual General Meeting ("AGM") within this Annual Report. We will be holding the AGM on Thursday 24 June 2021. The Company wishes to advise that in order to limit the risk of infection and to protect the health and safety of shareholders and employees, shareholders are strongly recommended not to attend the AGM.

I would like to reassure shareholders that their engagement in the AGM process is welcomed. The Board has proposed that a remote pre-AGM question and answer event is made available. Please email your questions to info@unionjackoil.com. All questions will be answered before the time of the AGM via our Company website: www.unionjackoil.com.

The Company encourages shareholders to appoint the Chairman as their proxy with their voting instructions. Forms of Proxy must be received by no later than 48 hours before the commencement of the meeting.

The Company will continue to monitor the pandemic and if Government advice dictates that further changes to the arrangements for the AGM are necessary, details will be published on the website and via a Regulatory Information Service.

Chairman's Statement

CORPORATE AND FINANCIAL

The September 2020 oversubscribed placing and subscription for £7 million before expenses, has enhanced the financial well-being of the Company and strengthened our Balance Sheet. With the resulting cash injection, the Company currently has more than adequate monies in place to fund our share of testing the West Newton A-2 and West Newton B-1Z wells and the ongoing development of the Wressle production site.

Union Jack remains debt free and had a cash balance at 1 May 2021, in excess of £5.7 million, not including loan receivables and royalty accruals of over £1 million due during 2021 and 2022.

The 2020 oil price crash and COVID-19 pandemic were the catalyst for falling activity within the industry sector, however, Union Jack used these circumstances to purchase additional assets at attractive prices to further expand the Company's portfolio interests. Encouragingly, during the period under review, our net assets increased significantly from circa £13 million in 2019, to in excess of £18 million, demonstrating a material increase of over 35% during the year.

We continue to identify and add value-accretive asset interests to our portfolio and execute a very rigid technical and financial regime, thus adding value to the Company and its shareholders.

Post period end, during March 2021, the Board made the decision to consolidate the ordinary shares of the Company on a 200 for 1 basis. The directors unanimously believed that the previous share capital structure was no longer acceptable and that it was an appropriate time to consolidate the shares in issue as the Company was, and remains, in an excellent financial and operating position, given the progress made in recent years on its key projects, namely, West Newton, Wressle and Biscathorpe.

In April 2021, Union Jack launched a new state-of-the-art corporate website. The Board hopes that this new website will turn web searchers into visitors and those visitors into new shareholders.

I would like to thank our shareholders for their continued support, as well as my colleagues and co-directors, who provide invaluable advice and continue to champion the development of the UK onshore hydrocarbon industry for the benefit of both Union Jack and the wider economy.

I would also like to thank our wider suite of professional advisers, who have contributed to the efficient running of Union Jack, and have enabled us to engage with investors to source essential funding which enables our core projects to move forward and create additional value.

OUTLOOK

My confidence in respect of Union Jack's future remains highly positive.

During 2020 and to date, the Company has advanced its key projects, executed drilling, development and appraisal activity, supported by technical evaluation and analysis provided by our own highly competent technical team. This has resulted in an accretion in the Company's asset value, delivered demonstrable progress and provided greater clarity on the next steps towards commerciality of its projects.

I have no doubt, even in these unprecedented times that we will achieve our goal of increasing production materially and so continue to make meaningful progress towards becoming a significant, principally onshore mid-tier UK producer in due course. In the meantime, I am confident that the news stream arising from the ongoing progress in our many attractive ventures will vindicate our optimism.

Union Jack's wider asset portfolio continues to be well balanced with the relevant components of production, development, appraisal and discovery.

The Company remains in sound financial health, with a robust balance sheet, continues to be debt free with ample cash reserves to fund its well testing and planned development commitments, offering shareholders ongoing and significant scope for growth.

The future of Union Jack remains bright.

David Bramhill

Executive Chairman

17 May 2021

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

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 resources 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 2020 and subsequent to the date of this report is contained in the Chairman's Statement and this Strategic Report.

The loss for the year amounted to £1,865,515 (2019: £1,692,383).

The loss for the year includes impairments to Property, Plant and Equipment of which total costs are £106,714 (2019: nil). These impairments are in relation to PEDL118, £59,627 (2019: nil) and PEDL203, £47,087 (2019: £nil).

No impairment costs were applied to the Intangible Assets (2019: £393,697).

Administrative expenses amounted to £1,590,576 (2019: £1,343,362). The increase in this cost was due to additional technical work in respect of West Newton, Wressle, Biscathorpe, and Keddington, undertaken by the Company's external consultants.

Cash and cash equivalents at year end amounted to £7,269,014 (2019: £6,626,322).

Total assets at year end amounted to £21,340,804 (2019: £14,234,850).

Non-current assets at year end amounted to £13,725,734 (2019: £7,428,331).

Intangible Assets totalled £6,134,717 (2019: £6,726,743).

Tangible assets totalled £6,452,287 (2019: £581,300).

The Company's Income Statement reports revenues of £158,004 (2019: £136,959) in respect of production income from the Keddington oilfield and the Fiskerton Airfield oilfield.

The directors do not recommend the payment of a dividend (2019: £nil).

In January 2020, the Planning Inspectorate informed the Operator that the appeal in respect of obtaining planning consent for the development of the Wressle oilfield, situated on licences PEDL180 and PEDL182 located in North Lincolnshire, was successful. The Inspector also allowed the application for an award of costs against the North Lincolnshire Council ("NLC"). Subsequently, the NLC paid costs of £403,000. Union Jack has received its pro-rata proportion of this payment from the Operator.

In September 2020, 4,375,000,000 new ordinary shares were issued for cash at a price of 0.16 pence per ordinary share, raising £7,000,000 before expenses of £588,871 by way of a placing and subscription.

The enlarged issued share capital following the issue of the new ordinary shares described above is 19,815,906,325 ordinary shares of 0.025 pence each and 831,680,400 deferred shares of 0.225 pence each.

FUTURE DEVELOPMENTS

The directors intend to continue with the Company's stated strategy, reviewing the licence interests held in respect of future viability, any potential impairment triggers that may arise during the year and adjusting immediately to any changes that may be required in the operation of the licence interests held.

The Company holds a number of key, quality project interests, namely, Wressle, West Newton and Biscathorpe, Keddington and North Kelsey, where development, appraisal and exploration plans are in place for the future benefit of stakeholders and the Company.

The directors will continue to investigate further acquisition opportunities as and when they arise.

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

KEY PERFORMANCE INDICATORS

The Company has made good progress during the year ended 31 December 2020. Traditional KPIs are not appropriate to the Company. Performance is measured by monitoring exploration costs and ensuring sufficient funds are available to meet project commitments.

The directors were successful in raising funds to ensure the Company is adequately funded to meet all of its current commitments.

In March 2020, the Company acquired a 35% interest in PEDL005(R) containing the producing Keddington oilfield and a 15% interest in PEDL339 containing a portion of the Louth Prospect, from Terrain Energy Limited for a cash consideration of £200,000.

In April 2020, the Company purchased 5,000,000 new ordinary shares in Egdon Resources plc via means of a subscription at a price of 2 pence per Subscription Share for a total subscription amount of £100,000.

In June 2020, the Company acquired a further 12.5% interest from Humber Oil & Gas Limited ("Humber") in PEDLs 180 and 182 containing the Wressle development project for an initial cash consideration of £500,000 with a deferred cash consideration element of £1,040,000 payable to Calmar LP, appointees of Celtique Energie Petroleum Limited (the original vendors in the acquisition by Humber) on commercial oil production being established. Following this transaction the Company now holds a 40% interest in PEDLs 180 and 182.

In June 2020, the Company published a positive report in respect of a Carbon Intensity Study on the West Newton hydrocarbon project, compiled by international energy consultants GaffneyCline.

The GaffneyCline report highlighted that the West Newton project has an AA rating for Carbon Intensity for its potential upstream crude oil production and that the rating is significantly lower than the UK average and compared to other onshore analogues.

In June 2020, Union Jack were advised that a legally binding and confidential settlement agreement between Egdon Resources and the JOA parties in respect of PEDL253 resolving a dispute with Humber, had been signed.

In June 2020, the Company entered into a Sale and Purchase Agreement with Montrose Industries Limited to purchase a further 3% interest in PEDL253 for a cash consideration of £115,000.

In November 2020, Union Jack agreed to provide Egdon Resources plc with a £1,000,000 loan facility. The main terms were that the loan would cover an 18 month term, interest would accrue daily at a rate of 11% and that the loan is secured against an unencumbered 25% interest in PEDL180 and PEDL182, including the Wressle development project and associated infrastructure.

In December 2020, the Company announced positive preliminary results from the West Newton B-1Z appraisal well located within PEDL182. A substantial hydrocarbon column with a gross 62 metre interval was encountered in the Kirkham Abbey formation. Porosities of up to 14% were observed on wireline logs. The West Newton B-Z1 well is located approximately 2.5 kilometres from the West Newton A1 discovery and the A2 appraisal wells, confirming extensive areal continuity.

Since the outbreak of Coronavirus (COVID-19) in early 2020, the priority of the Company has been on the health and safety of its employees and technical staff. Like many organisations, plans have been implemented and active measures have been taken to mitigate risk, such as no one-to-one contact and numerous telephone meetings.

The Board is also in frequent contact with the Company's JOA partners and our external technical team to assess any potential impact on the assets in which the Company has invested. We continue to follow the most up-to-date Government advice and engage with the regulatory bodies and stakeholders.

To date, the exploration, development and production activities of the Company's assets have continued in line with plans and with minimal impact from COVID-19.

However, the Company recognises COVID-19 and associated geo-political factors have created uncertainty around the price and demand for oil.

Further events which took place after the Balance Sheet date are described in the Directors' Report and note 23.

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

SECTION 172 STATEMENT

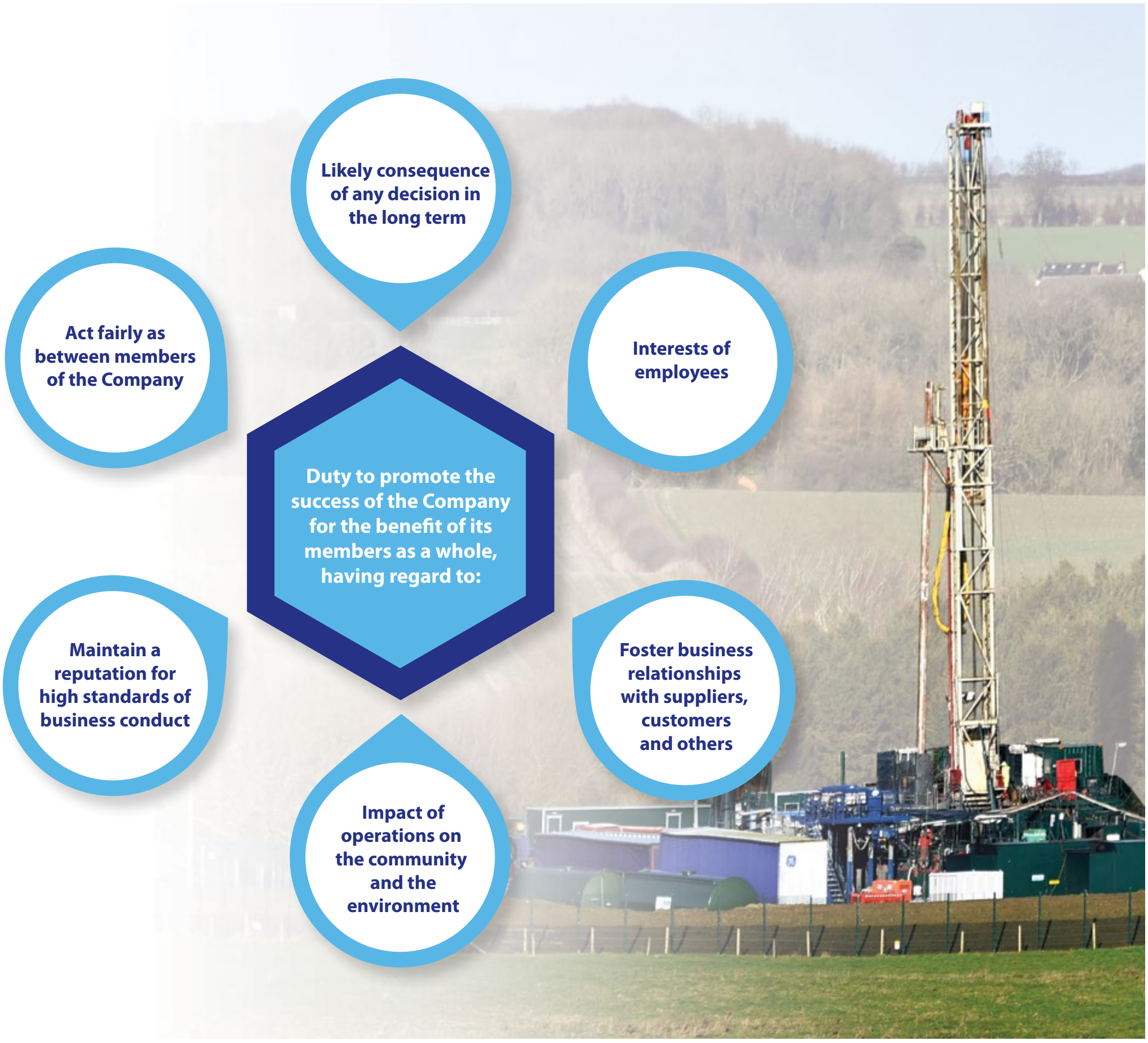
All large companies must include a separate statement within their Strategic Report that explains how the directors have had regard to broader stakeholder interests when performing their duty under section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole.

The past few years have seen intense focus and debate on UK corporate governance. A decline in public trust in business has been caused in part by high-profile business failures, accusations of excessive executive pay, unethical tax avoidance by multinational businesses and deteriorating relationships with employees over pay and contractual terms. These factors have led to Prime Ministerial statements, select committee inquiries, public consultations, a Government green paper and, ultimately, to changes in legislation, stock exchange rules and governance codes.

Many of the matters noted have resulted from decisions made in the board room and their effects have been felt by the employees, pension scheme members, customers, suppliers and other stakeholders, as well as shareholders, the interests of all of whom the directors have a statutory duty to consider when making a decision.

It is in this context that the widest-ranging of the new reporting requirements has been introduced for large companies: The Section 172 Statement, which must be included in the Annual Report of all large companies (as defined in the Companies Act 2006).

Under section 172, directors have a duty to promote the success of the Company for the benefit of the members as a whole and, in doing so, they should have regard to (amongst other matters) six specified areas that relate, by-and-large, to wider stakeholder interests.



Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

Likely consequences of any decision in the long-term

The Company has a clear aim which is to build a safe, sustainable and successful conventional onshore hydrocarbon exploration, development and production business.

The Company's activities of investment in licence interests to explore and/or produce oil and/or gas are in general focused on the longer term. This is particularly the case given that the Company itself is not an operator of any of the oil or gas fields in which it has an interest, which means that the Board is able to focus on longer term strategic decisions rather than day-to-day operating decisions. The Company undertakes its strategic acquisitions in conjunction with three JOA partners, Egdon Resources plc, Rathlin Energy (UK) Limited and Europa Oil & Gas Limited (the "JOA Partners").

Through its financing activities, the Board has ensured that the Company is well capitalised and has cash resources for all of its current and anticipated capital requirements, to ensure that the Company has a viable operating plan for the long-term.

Stakeholder identification and engagement

The Company recognises the importance of fostering strong relationships with its stakeholders in order to create sustainable long-term value, and the Board encourages active dialogue and transparency with all its stakeholder groups.

Business decisions are made with the needs of the Company's key stakeholders in mind, the Company has identified external and internal stakeholder groups which are principally relevant to the proper discharge of the duty of the directors under section 172(1) to promote the success of the Company.

Customers and Suppliers

The Company does not deal directly with customers or suppliers in relation to the oil and gas fields, save for its relationship with the JOA Partners who operate the relevant fields.

The Company's strategy in respect of its customers and suppliers is to ensure a sustainable relationship with its JOA Partners.

The Company has implemented this strategy in the following ways:

- The Board ensures that there is a direct relationship at Board level with the Company's partners
- The Board is careful to select JOA and other partners with experience, resources and similar values to the Company
- The Board only invests in interests in licences where the Company has a degree of influence over the manner in which the operations of that block are operated
- The Board is mindful in its decisions of the indirect impact that the Company's decisions may have through the activities of its operators and other partners on suppliers, customers and others
- The Board maintains good relations with its suppliers by adhering to a strict policy of settling all invoices in a timely manner

Regulators

The Company is subject to a variety of laws and regulations that involve matters central to the business.

In particular, site operations are also subject to scrutiny by the Oil and Gas Authority, the Environment Agency and the Health and Safety Executive before commencement. In response to regulation in this area, the Board ensures that the Company is partnered with JOA partners that adhere diligently to all requirements for a safe working environment via the Operators. For example, the JOA Partners ensure that all site personnel are subject to all health and safety measures which include induction courses before admission to site and the mandatory wearing of safety equipment in order to ensure the wellbeing of site staff and visitors.

As an AIM quoted company, the Company is subject to various governance regimes. Please see "The need to act fairly as between members of the Company" section within this Strategic Report for further information.

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

Shareholders

The Company recognises the importance of active shareholder engagement, to enable the views of the Company's wider shareholder base to be considered as part of the Board's decision making process.

The Board has implemented this strategy in the following ways:

- The Board is very active in encouraging and participating in direct dialogue with shareholders in order to ensure the Company's shareholders are kept regularly updated and are able to discuss strategy and performance directly with the Board (subject always to compliance with legal and regulatory requirements, including the Market Abuse Regulations ("MAR")). This also allows the Board to obtain a clear understanding of shareholders' motivations and concerns

- The Board facilitates direct communication with shareholders through the timely release of regulatory news, via a regulatory information service, which can be accessed through various channels, including the London Stock Exchange website www.londonstockexchange.com and the Company's website www.unionjackoil.com

- The Board also seeks to keep its shareholders informed of current developments and performance via interviews and speaking events at various conferences

- As a result of the ongoing COVID-19 pandemic, the Board has adopted a number of changes to the traditional running of the AGM, however, the Company wishes to advise that in order to limit the risk of infection and to protect the health and safety of shareholders and employees, shareholders are strongly recommended not to attend the AGM

- The Executive Chairman and the Company's Nominated Adviser and Public Relations consultants manage investor communications. For example, there has been recent investor speculation around junior hydrocarbon companies and the Board recognises the particular importance of regular, clear and timely communications with shareholders, to ensure that they are kept updated of major developments and potential risks in respect of the Company and the Industry in a timely manner

The Board also believes that shareholders are seeking a return on their investment primarily through capital appreciation as a result of exploration and appraisal success. As a result, the Company ensures that work programmes are fully funded and utilises the Board's technical expertise to reduce or mitigate the risk of exploration.

Employees

The Company directly employs four people. Given the nature of the Company's business, it has very few employees and the majority are themselves directors. As part of its strategy, the Board recognises that the Company's employees are, nevertheless, critical to the success of the Company and takes steps to ensure that the interests of employees are protected, for example:

- The Company ensures that the employees possess a variety of complementary experiences and skillsets, including experience of industry-specific technical, financial and public capital markets sectors

- The Company has a Remuneration Committee to review the executive directors' remuneration package

- The Board determine the non-executive directors' remuneration package

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

Impact on the environment and the community

Environment, communities and supply chains

The Company is committed to the highest standards of health, safety and environmental protection. These aspects command equal prominence with other business considerations and the Board is committed to operating the Company in a sustainable way. In particular, the Board is keenly aware of the local environment and the inhabitants in which the Company's licence interests are situated.

For example, the Company chooses to produce oil and gas in the UK, instead of importing from overseas. This has resulted in local employment, a stream of tax revenues and direct investment into the surrounding communities.

The onshore oil and gas industry has an excellent record in relation to health, safety and the protection of the environment.

The industry is also regulated by a number of statutory bodies including the Environment Agency in England and is recognised as being robust. Please refer to "Regulators" within this strategic report for further details.

The desirability of the Company maintaining a reputation for high standards of business conduct

The Company has adopted various strategies and governance structures. The Board believes that its reputation for high standards of business conduct will follow from ensuring that appropriate governance structures are in place and from taking the right decisions, as noted within this Strategic Report. These strategies also ensure the continued success of the Company's business model and response to specific risks.

The need to act fairly as between members of the Company

As an AIM quoted company, Union Jack is subject to governance requirements and rules (including the AIM Rules for Companies and MAR) which are intended to ensure that shareholders are treated fairly. The Board takes its obligations to comply with these requirements seriously and has regular contact with its experienced professional advisers to ensure that these requirements are satisfied.

The directors all hold shares in the Company and their interests are therefore aligned to those of the other shareholders.

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

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 be adversely 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 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. 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.

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 U.K. Limited, Rathlin Energy (UK) Limited and Europa Oil & Gas Limited and their ability to determine timetables and priorities which are beyond the control of the Company.

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.

The oil price environment is always being monitored, however, the Company's key assets are cashflow positive at a breakeven oil price of approximately US$18. Lack of control over key assets is mitigated by the fact that our Operators of choice, Egdon Resources U.K. Limited, Europa Oil & Gas Limited and Rathlin Energy (UK) 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 capabilities are further supported by external consultants involved at all times and whom together participate in regular technical meetings.

The outbreak of COVID-19 in early 2020 presented a possible risk for delay in implementing drilling and development. However, the Company's projects have not been subjected to material delays. The Company continues to follow the most up-to-date Government advice.

The future ramifications of Brexit remain unknown, however, the directors are of the opinion that there is no reason to believe there will be any effect in respect of the Company's going concern status for the foreseeable future.

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2020

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 project commitments.

All expenditure associated with exploration and development 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 its cash balances. 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 and this Strategic Report. The directors' forecasts demonstrate that the Company will meet its day-to-day working capital and share of estimated project costs over the forecast period being at least 12 months from the sign-off of these financial statements. 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 is 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.

The effect of COVID-19 continues to be actively assessed by the directors. To date, the exploration, development and production activities of the Company have continued in line with plans and with minimal impact from COVID-19. The directors are of the opinion that there is no reason to believe there will be any effect in respect of the Company's going concern status for the foreseeable future.

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.

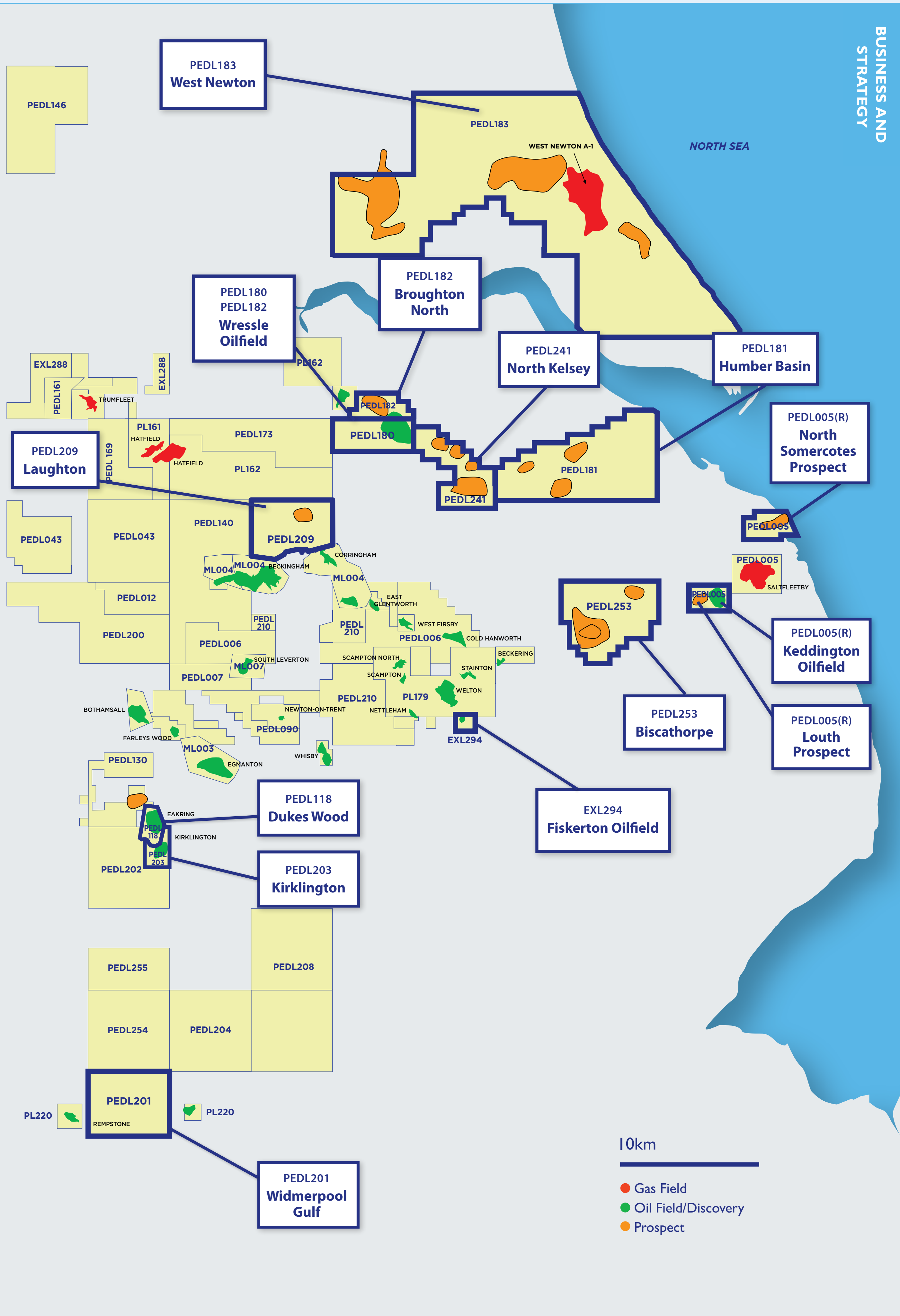
On behalf of the Board

David Bramhill
Executive Chairman

17 May 2021

Union Jack's Current Licence Interests

1	PEDL183	West Newton	16.665%
2	PEDL180 PEDL182	Wressle Discovery Broughton North	40%
3	PEDL253	Biscathorpe	45%
4	PEDL005(R)	Keddington Oilfield Louth North Somercotes	55%
	PEDL339	Louth Extension	35%
5	EXL294	Fiskerton Airfield Oilfield	20%
6	PEDL241	North Kelsey	50%
7	PEDL118 PEDL203	Dukes Wood Kirklington	16.67%
8	PEDL201	Widmerpool Gulf	26.25%
9	PEDL181	Humber Basin	12.5%
10	PEDL209	Laughton	10%


PEDL183
West Newton
PEDL146
PEDL183
WEST NEWTON A-1
NORTH SEA
PEDL182
Broughton North
PEDL180
PEDL182
Wressle Oilfield
PEDL241
North Kelsey
PEDL181
Humber Basin
PEDL005(R)
North Somercotes Prospect
EXL288
PEDL161
EXL288
TRUMFLEET
PL162
PEDL182
PEDL180
PL161
HATFIELD
HATFIELD
PEDL173
PL162
PEDL209
Laughton
PEDL 169
PEDL241
PEDL181
PEDL005
PEDL043
PEDL043
PEDL140
PEDL209
CORRINGHAM
ML004
ML004
BECKINGHAM
ML004
PEDL005
SALTFLEETBY
PEDL012
PEDL253
PEDL005
EAST GLENTWORTH
PEDL 210
PEDL 210
WEST FIRSBY
PEDL200
PEDL006
PEDL006
COLD HANWORTH
PEDL005(R)
Keddington Oilfield
SOUTH LEVERTON
SCAMPTON NORTH
BECKERING
ML007
PEDL007
SCAMPTON
STAINTON
PEDL210
PL179
WELTON
BOTHAMSALL
NEWTON-ON-TRENT
NETTLEHAM
PEDL253
Biscathorpe
PEDL005(R)
Louth Prospect
PEDL090
EXL294
FARLEYS WOOD
ML003
WHISBY
PEDL130
EGMANTON
PEDL118
Dukes Wood
EXL294
Fiskerton Oilfield
EAKRING
PEDL 118
KIRKLINGTON
PEDL 203
PEDL202
PEDL203
Kirklington
PEDL255
PEDL208
PEDL254
PEDL204
PEDL201
PL220
PL220
REMPSTONE
10km
PEDL201
Widmerpool Gulf
Gas Field
Oil Field/Discovery
Prospect

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their report together with the financial statements for the year ended 31 December 2020.

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 2020 and 31 December 2020, were as shown in the table below:

	ORDINARY SHARES	
	31 December 2020	1 January 2020
D Bramhill	83,329,285	63,929,285
J O'Farrell	337,382,806	275,732,806
R Godson	48,411,764	48,411,764
G Bull	4,000,000	4,000,000

In July 2020, Joseph O'Farrell purchased 11,100,000 new ordinary shares at a price of 0.225 pence each.

In September 2020, Joseph O'Farrell purchased 31,250,000 new ordinary shares at a price of 0.16 pence each.

In November 2020, Joseph O'Farrell purchased a further 19,300,000 ordinary shares at a price of 0.13 pence each, following which he now holds a beneficial interest in 337,382,806 ordinary shares representing approximately 1.70% of the total issued share capital of the Company.

In November 2020, David Bramhill purchased 19,400,000 ordinary shares at a price of 0.129 pence each, following which he now holds a beneficial interest in 83,329,285 ordinary shares representing 0.42% of the total issued share capital of the Company.

Directors who served during the year are as follows:

David Bramhill (Executive Chairman)

Joseph O'Farrell (Executive Director)

Raymond Godson (Non-executive Director)

Graham Bull (Non-executive Director)

DIRECTORS' REMUNERATION

The remuneration of the directors in office at the year end 31 December 2020 was as follows:

	SALARIES AND FEES	
	2020 £	2019 £
D Bramhill	215,000	160,000
J O'Farrell	85,000	70,000
R Godson	37,500	30,000
G Bull	37,500	30,000

	OPTIONS	
	2020	2019
D Bramhill	240,000,000	240,000,000
J O'Farrell	140,000,000	140,000,000
R Godson	60,000,000	60,000,000
G Bull	110,000,000	110,000,000

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

No options were granted to directors or officers during 2020.

Further information in respect of options can be found in note 14(c) within the Notes to the Financial Statements section.

Copies of the Service Agreements in respect of David Bramhill and Joseph O'Farrell are available for inspection at the Company's Registered Office. Copies of the Letters of Appointment in respect of Graham Bull and Raymond Godson are available for inspection at the Company's Registered Office.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2020

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the Annual Report and 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) in conformity with the requirements of the Companies Act 2006. 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 in conformity with the requirements of the Companies Act 2006, 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 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.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on 24 June 2021, in accordance with the Notice of Annual General Meeting on page 71. Details of the resolutions to be passed are included in this notice.

I would like to bring to the attention of shareholders the Notice of Annual General Meeting ("AGM") on page 71 of this Annual Report and associated notes. We have no statutory requirement to delay the publishing or production of the Company's accounts and financial statements for the year ended 31 December 2020, and COVID-19 arrangements have been implemented to allow the AGM to take place as planned within the guidelines and advice of our legal team.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2020

EVENTS AFTER THE BALANCE SHEET DATE

The following events have taken place after the year end:

In January 2021, the Company acquired a further 15% economic interest in PEDL253 containing the Biscathorpe Prospect from Humber Oil & Gas Limited for a cash consideration of £500,000. In addition, a contingent cash payment of £500,000 will be made to Humber Oil & Gas Limited following receipt of planning consents from Lincolnshire County Council for drilling the Biscathorpe-2Z side-track, testing and subsequent production in the event of drilling success. The Company, following this transaction, now holds a 45% interest in PEDL253.

In February 2021, the Company concluded a transaction to acquire a further 30% interest in PEDL241 containing the North Kelsey Prospect with Egdon Resources U.K. Limited. The cash consideration was £100,000 and all previous arrangements in respect of the previous farm-in for a 10% interest from Egdon Resources U.K. Limited during March 2013, were nullified. Following this transaction the Company and Egdon hold a 50% interest each in the licence.

In February 2021, the Company announced that following re-perforation of the Wressle-1 conventional oil well, communication was made with the Ashover Grit reservoir interval and free-flow of good quality oil had commenced. The well has been placed on continuous test production and is awaiting a proppant squeeze.

During March 2021, the Company consolidated its ordinary shares on a 200 for one basis and the new issued share capital is now 99,079,532, each with a nominal value, post-consolidation of 5 pence.

The reasoning behind this decision was that the Board believed that the Company was in an excellent financial and operating position given the significant progress made in recent years on its three key projects at West Newton, Wressle and Biscathorpe and that it was an appropriate time to implement the share consolidation.

In order for the issued share capital to be exactly divisible by 200, new ordinary shares totalling 75 were issued to the Executive Chairman, David Bramhill.

At the same time the Articles of Association were amended to allow the Company to hold in future physical, virtual or hybrid general meetings, as appropriate.

During March 2021, the Company acquired a 2.5% cash generating royalty in the offshore Claymore, Piper and Scapa oilfields from Cambridge Petroleum Royalties Limited for a cash consideration of £93,730 (US$130,000).

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 14(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

17 May 2021

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

CORPORATE GOVERNANCE REPORT

The Company's securities are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange.

The London Stock Exchange has recently introduced changes to the AIM rules requiring all AIM listed companies to adopt and comply with a recognised corporate governance code.

The Corporate Governance Report has been prepared by David Bramhill, the Executive Chairman of the Company, and has been approved by the Company's Board of directors (the "Board") in accordance with the recommendations of the QCA Corporate Governance Code 2018 (the "Code"), which the Company has adopted as its code of governance.

This statement explains how the 10 principles of the Code are applied by the Company, and where the Company departs from the Code, an explanation of the reasons for doing so is provided.

	QCA Code Recommendation	Application by the Company
1.	**Principle 1** **Establish a strategy and business model which promotes long-term value for shareholders.** The Board must be able to express a shared view of the Company's purpose, business model and strategy. It should go beyond the simple description of products and corporate structures and set out how the Company intends to deliver shareholder value in the medium to long-term. It should demonstrate that the delivery of long-term growth is underpinned by a clear set of values aimed at protecting the Company from unnecessary risk and securing its long-term future.	The primary objective of the Company is to build a safe, sustainable and successful conventional onshore hydrocarbon exploration, development and production business, which the Board seeks to deliver through the acquisition of, and subsequent investment in, carefully selected licence interests. The Company undertakes this in conjunction with three JOA partners, Egdon Resources plc, Rathlin Energy (UK) Limited and Europa Oil & Gas Limited. The Company's strategy is the appraisal and exploitation of the assets currently owned. Simultaneous with this process, the Board expects to continue to use its expertise and cash resources to acquire further licence interests and production in the UK. The Board is optimistic about the prospect of delivering shareholder value in the medium to long-term via the acquisition and increased interest in various high impact licence areas with proven reserves, contingent resources and drill-ready prospects. The Board is acutely aware of the risks associated with hydrocarbon exploration, development and production and seeks to mitigate the risk of exploration by having interests in a portfolio of petroleum licences thereby not being overly exposed to any single asset. The Company's strategy is underpinned by a well-balanced and diverse onshore UK asset portfolio, ensuring the relevant components of production, development, appraisal and discovery are all in place, as is adequate and prudently sourced funding for the Company's commitments going forward.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
2.	**Principle 2** **Seek to understand and meet shareholders' needs and expectations.** Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base. The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.	Since the Company's incorporation in January 2011, members of the Board have been very active in encouraging and participating in direct dialogue with shareholders in order to ensure the Company's shareholders are kept regularly updated and are able to discuss strategy and performance directly with the Board (subject always to compliance with legal and regulatory requirements, including the Market Abuse Regulations ("MAR")). This also allows the Board to obtain a clear understanding of shareholders' motivations and concerns. Direct communication with shareholders is achieved primarily through the timely release of regulatory news, via a regulatory information service, which can be accessed through various channels, including the London Stock Exchange website www.londonstockexchange.com and the Company's website www.unionjackoil.com. In addition to the dissemination of regulatory news, the Company also seeks to keep its shareholders informed of current developments and performance via interviews and speaking events at various conferences. All shareholders are encouraged to attend the Company's Annual General Meeting ("AGM"), where the directors are available to answer questions. Investors also have access to current information on the Company through its website and via genuine enquiries sent to: info@unionjackoil.com. Due to the COVID-19 pandemic, it is recommended that shareholders do not attend in person this year's AGM. Investor communications are managed by the Executive Chairman, in conjunction with the Company's Nominated Adviser and Public Relations consultants. Due to investor speculation around junior hydrocarbon companies, the Board recognises the particular importance of regular, clear and timely communications with shareholders, to ensure that they are kept abreast of major developments and potential risks in respect of the Company and the industry without delay. Management believes that shareholders are seeking a return on their investment primarily through capital appreciation as a result of exploration and appraisal success. Management prudently manages the Company to ensure that work programmes are fully funded and uses the Board's technical expertise to reduce or mitigate the risk of exploration.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
3.	**Principle 3** **Take into account wider stakeholder and social responsibilities and their implications for long-term success.** Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The Board needs to identify the Company's stakeholders and understand their needs, interests and expectations. Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.	The Board is keenly aware of the local environment and the inhabitants in which the Company's licence interests are situated. While the Company does not manage these relationships directly on a day-to-day basis, the Board works with the Company's JOA partners to ensure that any queries or concerns any community members may have are swiftly addressed and, at the same time, all community members are treated with the respect and attention they deserve. The JOA partnerships act, via the Operators, to the highest standards and operate in a safe and conscientious manner in respect of site safety and environmental policies. Site operations are subject to scrutiny by the Oil and Gas Authority, Environment Agency and the Health and Safety Executive before commencement. The Operator adheres diligently to all requirements for a safe working environment. All site personnel are subject to all Health and Safety measures which include induction courses before admission to site and the mandatory wearing of safety equipment in order to ensure the wellbeing of site staff and visitors. As set out above, due to the specific nature of the Company's business, the Company currently relies on three key JOA partners, Egdon Resources U.K. Limited, Rathlin Energy (UK) Limited and Europa Oil & Gas Limited, who manage and operate the Company's licence interests on its behalf. The Company takes its relationship with its JOA partners and its third party professional advisers (both of whom it sees as its key stakeholders) very seriously and the Board continues to discuss any issues and queries the Company's JOA partners may have in an open, direct and constructive manner. The Company also acknowledges the importance of maintaining good relations with its suppliers and creditors and it adheres to a strict policy of settling all invoices in a timely manner.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
4.	**Principle 4** **Embed effective risk management, considering both opportunities and threats, throughout the organisation.** The Board needs to ensure that the Company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy. Setting strategy includes determining the extent of exposure to the identified risks that the Company is able to bear and willing to take (risk tolerance and risk appetite).	The management of the business and the execution of the Company's strategy are subject to a number of risks. The Board ensures risks are mitigated as far as reasonably practicable by performing a detailed review of the issues pertaining to each significant decision. Significant decisions are reviewed by the Board having consulted the Company's professional third party advisers (be they legal, financial or technical). The Board convenes on a regular basis, either by telephone or in person on a formal basis to discuss risk management as explained in Principle 5. 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 include operating reliance on third parties, the ability to monetise discoveries, the price of products and the costs of exploration and/or production. The principal risks to the Company as well as the mitigation actions by the Board are set out below: **Strategic risk:** a weak or poorly executed acquisition and development process fails to create shareholder value. This risk is mitigated through performing a detailed technical review, both internally by management and externally by advisers, for each investment which includes valuation exercises on the potential return on capital invested. **Operational risk:** 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. On-site operational risks are managed by the site Operators, Egdon Resources U.K. Limited, Rathlin Energy (UK) Limited and Europa Oil & Gas Limited, who have, to date, safety records of the highest standard. **External Risk:** lack of growth caused by political, industry or market factors. The Company operates exclusively within the UK and the Board considers that the UK onshore hydrocarbon arena offers political security and excellent value under a regime with a very clearly spelt out protocol giving the opportunity to develop assets unhindered. The future ramifications of Brexit remain unknown, however, the directors are of the opinion that there is no reason to believe there will be any effect in respect of the Company's going concern status for the foreseeable future. **Financial Risk:** the lack of ability to meet financial obligations. The Company has historically raised its funds through equity capital markets by share issues and has not been involved in derivative instruments and debt financing to meet its financial obligations. **Product Price Risk:** due to the nature of the periodic fluctuation of oil prices, any such adverse fluctuation could potentially have an impact on the Company's resulting return to its shareholders. The Company also holds Directors' and Officers' Liability Insurance cover and the Company is covered by the Operators' insurance policies during drilling and other operational situations for specific projects.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

<table>
<tr><th></th><th>QCA Code Recommendation</th><th>Application by the Company</th></tr>
<tr><td>5.</td><td> Principle 5
Maintain the Board as a well-functioning, balanced team led by the Chairman.
The Board members have a collective responsibility and legal obligation to promote the interests of the Company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the Board.
The Board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.
The Board should have an appropriate balance between executive and non-executive directors and should have at least two independent non-executive directors. Independence is a Board judgement.
The Board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.
Directors must commit the time necessary to fulfil their roles. </td>
<td> The Board consists of two executive directors, David Bramhill and Joseph O'Farrell, and two non-executive directors, Graham Bull and Raymond Godson, who are responsible for the management of the Company.
Raymond Godson and Graham Bull are classified as independent directors. Although Ray Godson and Graham Bull hold shares and options in the Company, these are considered to be de minimus and are not deemed to affect their independent thought and judgement.
No members of the Board have other commitments that would prevent them from spending as much time as required to ensure the aims and best interests of the Company are met. Any changes to directors' commitments and interests will be reported to and, where appropriate, agreed with the rest of the Board.
The Board meets formally in person and by telephone multiple times throughout the year, attendance of which has always been 100% since the Company's incorporation. The Board also holds regular informal project appraisal and strategy discussions, and meets every quarter, on a formal basis, to review trading performance, budgets, ensure adequate funding, set and monitor strategy, examine acquisition opportunities and assess risks on an ongoing basis in respect of operational projects.
The directors encourage a collaborative Board culture to ensure that each decision reached is always in the Company's and its shareholders' best interests and that any one individual opinion never dominates the decision making process. The Board seeks, so far as possible, to achieve decisions by consensus and all directors are encouraged to use their independent judgement and to challenge all matters whether strategic or operational. To date all decisions have been unanimous.
The Company's two non-executive directors hold shares and options in the Company. The Board is satisfied that these shareholdings and options are not "significant". Therefore, such shareholdings do not contravene the provisions of the Code.
During 2020, the Board held eight meetings, either by telephone or in person.
<table>
<tr><th>Board Member</th><th>Board Meetings Attended
(8 held in the period)</th><th>Audit Committee
(2 held in the period)</th><th>Remuneration Committee
(2 held in the period)</th></tr>
<tr><td>D Bramhill</td><td>8</td><td>–</td><td>–</td></tr>
<tr><td>J O'Farrell</td><td>8</td><td>–</td><td>–</td></tr>
<tr><td>G Bull</td><td>8</td><td>2</td><td>2</td></tr>
<tr><td>R Godson</td><td>8</td><td>2</td><td>2</td></tr>
</table>
There are no mandatory hours for directors to be available for Company business. The executive directors and non-executive directors are available for any Company business when it may arise.
The Board delegates certain decisions to an Audit Committee and a Remuneration Committee. The Audit Committee has joint responsibility for reviewing the year end accounts with the Auditor. The Remuneration Committee reviews the remuneration of the executive directors on an annual basis. Both committees are dedicated to establish and maintain robust internal financial control systems for the Company. </td></tr>
</table>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
6.	**Principle 6** **Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.** The Board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The Board should understand and challenge its own diversity, including gender balance, as part of its composition. The Board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board. As companies evolve, the mix of skills and experience required on the Board will change, and Board composition will need to evolve to reflect this change.	The current Board composition of the Company and each director's experience is set out in this report. The Board's view is that the directors have a variety of complementary experiences and skillsets, including experience of industry-specific technical, financial and public capital markets sectors. An overview of the directors are as follows: **David Bramhill, Executive Chairman, 70** Mr Bramhill has over 40 years' experience in the natural resources industry. Mr Bramhill has directed and managed several energy companies and was the former managing director of OilQuest Resources plc, subsequently acquired by EnCore Oil plc. Mr Bramhill was an executive director at the time of Nighthawk Energy plc's AIM flotation in March 2007 and a non-executive Chairman of Wessex Exploration plc when that company floated on AIM in March 2011. He resigned from these companies in 2010 and 2012 respectively. Mr Bramhill had previously consulted in an engineering capacity for over 20 years on projects for Shell, ExxonMobil, Petrofina, BP and numerous other international energy companies. **Joseph O'Farrell, Executive Director, 69** Mr O'Farrell has over 30 years' corporate experience in the hydrocarbon and mining industry. He has managed several energy companies and is a former director of OilQuest Resources plc and Nighthawk Energy plc, having been a director of these two companies at the time of their respective flotations on AIM. He has assisted a number of companies working in conjunction with corporate advisers in pre-IPO fundraising and project acquisition. **Graham Bull, Non-Executive Director, 75** Mr Bull is a geologist with 51 years' of international oil and gas industry exploration experience. Following graduation from the University of Leicester in 1968 with a BSc Hons Geology he worked in Canada and held positions with Chevron, Dome Petroleum, Siebens Oil and Gas and Poco Petroleum and also provided exploration expertise to a Canadian drilling fund. He returned to the UK in 1982 taking the position as Chief Geologist to Sovereign Oil and Gas plc. In addition, Mr Bull has operated as a geological adviser for EnCore Oil plc (formerly OilQuest Resources plc), Premier Oil plc, Cirque Energy and DSM Energy. He is currently an exploration geological consultant working on Northwest Europe offshore and onshore United Kingdom and other international areas. Mr Bull is a member of the Petroleum Exploration Society of Great Britain, the American Association of Petroleum Geologists and a Fellow of the Geological Society of London. Mr Bull is the Chairman of the Remuneration Committee and a member of the Audit Committee.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
6.	**Principle 6 *(continued)***	**Raymond Godson, Non-Executive Director, 77** Mr Godson is a chartered accountant with 43 years' experience in the provision of oil and gas related services to energy companies. Mr Godson joined the Rio Tinto group in 1973 where he spent 16 years rising to become the financial and commercial director of the oil and gas subsidiary RTZ Oil & Gas Limited. In 1988 he joined Teredo Petroleum PLC ("Teredo") where he became the managing director in 1992. Following the takeover of Teredo in 1993, he became a full time accountant in general practice, where the majority of his business has been oil and gas related. Mr Godson acted as Company Secretary for Fusion Oil & Gas plc from IPO to its takeover by Sterling Energy Plc. He was subsequently company secretary for both Ophir Energy Plc and Aurelian Oil & Gas Plc. He is currently an executive director of Montrose Industries Limited. Mr Godson is the Chairman of the Audit Committee and a member of the Remuneration Committee. The directors are mindful of the need to ensure the Company has in place a diverse Board that encompasses the right skills required to ensure the Company's continued success, including creating an atmosphere of constructive challenge and consensus for any decision reached. As such, and given the current size of the Company, the Board is of the opinion its composition and skillset is sufficient to maintain and drive the long-term success for the Company's shareholders. Each director takes his continued professional and technical development seriously, so in order to ensure the Board keeps abreast of the current challenges faced by the industry the Company operates in, the directors attend both trade shows and technical sessions during the course of any given year. The Board ensures it is well advised and supported by utilising a range of external experts in various fields, and employs accountants, legal counsel, a Company Secretary and a Nominated Adviser, in accordance with the AIM rules. On the industry specific front, it also employs three technical consultancies: Sotwell Exploration Ltd, Calderdale Geoscience Limited and Oil & Gas Advisers Limited. Sotwell Exploration Ltd and Calderdale Geoscience Limited are responsible for supplying technical advice on specific projects. Both companies work closely with non-executive director, Graham Bull and are responsible, on a permanent basis, for updating and reviewing independently all technical information provided to the Company on its key projects. Oil & Gas Advisers Limited provides a financial overview in respect of due diligence on potential project acquisitions and ongoing economics of our key projects. Matthew Small is Company Secretary and, via an established accounting entity, Berkeley Hall Marshall Limited, represents the Company as *de facto* financial controller, working closely with the Executive Chairman and the Audit and Remuneration Committees.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
7.	**Principle 7** **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.** The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors. The Board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team. It is healthy for membership of the Board to be periodically refreshed. Succession planning is a vital task for the board. No member of the Board should become indispensable.	While the Board is very much aware of the needs of the Company in ensuring effectiveness of Board performance and the periodic refreshment of the composition of the Board, the Board believes that due to the Company's current size and its current corporate culture of constructive challenge and consensus on each decision reached, the procedures already in place are sufficient for monitoring Board performance and no external performance reviews are required at this time. This will be kept under review. The Board is also of the opinion that the Company has appropriate measures in place to ensure any refreshment of the Board occurs in a timely manner, and always with the best interests of the shareholders in mind.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
8.	**Principle 8** **Promote a corporate culture that is based on ethical values and behaviours.** The Board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage. The policy set by the Board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the Company. The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the Company. The corporate culture should be recognisable throughout the disclosures in the Annual Report, website and any other statements issued by the Company.	The directors recognise that their decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board seeks to embody and promote a corporate culture that is based on sound ethical values as it believes the tone and culture set by the Board impacts all aspects of the Company, including the way that employees and other stakeholders behave. The Company has adopted a share dealing code which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of MAR. The Board believes that, as evidenced through the disclosures made throughout this statement, its corporate governance regime and culture are at the core of its operations and are appropriate given the current size of the Company. Furthermore, through its interaction with its stakeholders and in the communities in which it operates (described above), it maintains a collaborative and constructive dialogue that embodies a dynamic, accessible, open door and vibrant corporate culture. The Company's corporate culture is monitored/assessed regularly, taking on board immediately any changes made by AIM Rule 26 and where advisers may advise. All financial transactions are reviewed independently by Berkeley Hall Marshall Limited. An anti-bribery policy is in place. As such, and taking into account the Board interaction with each of its professional advisers described above, the Board is satisfied that its governance regime is more than adequate given the size of the Company, its shareholder base and business pipeline.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
9.	**Principle 9** **Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.** The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its: • size and complexity; and • capacity, appetite and tolerance for risk. The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.	As disclosed throughout this statement, the Company maintains and employs robust corporate governance practices to support an effective and collaborative Board, always working in the best interests of its shareholders. The roles of the individual Board members are as follows: • **The Executive Chairman**, David Bramhill, is responsible for running the business of the Board, ensuring strategic focus and direction and for managing investor communications • **The Executive Director**, Joseph O'Farrell, is responsible for assisting the Executive Chairman to execute the Board's strategy and coordinating corporate finance activities • **The Non-Executive Director**, Graham Bull, is a petroleum geologist and is responsible for identifying and evaluating potential projects and to provide technical oversight of the Company's existing projects. Mr Bull chairs the Remuneration Committee • **The Non-Executive Director**, Raymond Godson, is a Chartered Accountant who has abundant experience in the oil & gas industry. Mr Godson chairs the Audit Committee Two Board committees are in place to ensure control over the Company's financial reporting processes and directors' remuneration. Details of the two Board committees are as follows: **The Audit Committee** The Audit Committee comprises Raymond Godson, who acts as its Chairman, and Graham Bull. The Audit Committee is responsible for considering a wide range of financial matters which include the reviewing of Half Yearly and Annual Reports, discussions with the Auditor, share placing agreements and the oversight of internal controls and new accounting standards relevant to the Company. This Committee also provides a forum for reporting by the Company's auditor. The executive directors may attend meetings by invitation.

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
9.	**Principle 9 *(continued)***	**The 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 and share options. Directors' remuneration for the year is noted in the Directors' Report in the Company's Annual Report. The remuneration of non-executive directors is determined by the Board. Due to the size of the Company, it is not considered necessary to have a separate Nominations Committee at this time. Instead this role is fulfilled by the Board as a whole. The Board also reserves to itself the process by which a new director is appointed. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The Board intends that the Company's governance structures will evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.

Corporate Governance Report
FOR THE YEAR ENDED 31 DECEMBER 2020

	QCA Code Recommendation	Application by the Company
10.	**Principle 10** **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.** A healthy dialogue should exist between the Board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the Company. In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base. This will assist: • the communication of shareholders' views to the Board; and • the shareholders' understanding of the unique circumstances and constraints faced by the Company. It should be clear where these communication practices are described (Annual Report or website).	As set out above, the Company ensures: • a printed Annual and Half Year Report is delivered to each shareholder, and also made available on the Company's website • all RNS announcements are released in a timely manner, while also ensuring all announcements are drafted in a clear and concise fashion In addition, all shareholders are encouraged to attend the Company's Annual General Meeting. The outcome of all shareholder votes are disclosed in a clear and transparent manner via a RNS. The Company includes historical Annual Reports, Notices of General Meetings and RNS announcements over the last five years on its website. The Company also lists contact details on its website, should shareholders wish to communicate with the Board. The Company intends to include, where relevant, in its Annual Report, any matters of note arising from the Audit or Remuneration Committees. A Remuneration or Audit Committee report is not included separately within these financial statements. All relevant information has been included where required. Shareholders are actively encouraged to both attend the Company's Annual General Meeting and throughout the year to contact the Chairman to discuss any queries or concerns they may have. Given the size of the Company, the Board is of the opinion that no formal communication structures are required at this time. The Company does however: • ensure continued disclosure of all items in conjunction with AIM Rule 26 on its website • disclose the results of all shareholder votes once held, in conjunction with the Company's Annual General Meeting • keep in constant communication and dialogue with its key stakeholders and JOA partners through an accessible and open-door policy, with the Executive Chairman acting as the key conduit. For avoidance of doubt, it is important to note that any conversations shareholders and the Executive Chairman may have are always conducted in accordance of what is permissible under MAR The Company's communication practices are set out on its website at: www.unionjackoil.com/aim-rule-26/

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2020

THE BOARD

During the year the Board 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, eight 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 and share options. Directors' remuneration for the year is noted in the Directors' Report and shown in note 3 on page 56.

Those disclosures form part of this report and are disclosed within the Directors' Report, and note 3 within the Notes to the Financial Statements section of this Annual 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 Audit Committee is responsible for considering a wide range of financial matters, which include the reviewing of Half Yearly and Annual Reports, discussions with the Auditor, share placing agreements and the oversight of internal controls and new accounting standards relevant to the Company.

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

Independent Auditor's Report on the Financial Statements

TO THE MEMBERS OF UNION JACK OIL PLC

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements of Union Jack Oil plc (the 'Company') for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the 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 their preparation is applicable law and international accounting standards in conformity 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We remain 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.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the Company's cash flow forecasts for the period to 30 June 2022 and considering the completeness and accuracy of the future cash flows by assessment against historical spend and known contractual arrangements. We reviewed the Company's project commitments and verified that these were included in the cash flow forecast
- Considering the reasonableness of assumptions used by the directors in the preparation of the cash flow forecast which included comparing the 2020 actual results to the 2020 forecast
- Performing sensitivity analysis on the base case scenario prepared by the directors including considering oil price sensitivities, production sensitivities and assumptions around investing activities
- Reviewing the adequacy of disclosures made within the financial statements on the going concern basis of preparation and the COVID-19 impact on the Company

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OVERVIEW

Key audit matters	Carrying value of the oil and gas assets	2020 ✓	2019 ✓
Materiality	Company financial statements as a whole £136,000 (2019: £100,000) based on 1% of three years average total assets (2019: 1% of total assets).		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

The Company audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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) that 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.

Independent Auditor's Report on the Financial Statements

TO THE MEMBERS OF UNION JACK OIL PLC

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of the oil and gas assets

Refer to the Accounting Policies and notes 7 and 8.</td>
<td>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").

In respect of both the Company's E&E and D&P assets, management and the directors are required to assess annually for any indicators of impairment of the assets. If an indicator of impairment is identified the directors are require to perform an assessment of the carrying value of the assets.

The directors identified that the Duke's Wood and Kirklington assets were considered to be impaired in the year due to the uncertainty in respect of the future oil production from the licences.

Given the significance of the assets on the Company's Balance Sheet and the significant management judgement involved in the assessment of potential triggers for impairment and any carrying value assessment required, we determined that there is an increased risk of material misstatement, and therefore we consider this to be a key audit matter.</td>
<td>Our response to the risk
In respect of both the E&E assets and the D&P assets we evaluated management's and the Board's impairment review for each of the assets held. We challenged the considerations made as to whether or not there were any indicators of impairment identified in accordance with the requirements of the relevant accounting standards.

Our specific audit procedures for the E&E assets included:
• verification of the licence status to publicly available information in order to confirm legal title and validity of each of the licences
• reviewing work on the assets in order to assess whether there was evidence from technical work undertaken to date by management and third parties which would indicate a potential impairment trigger
• review of approved budget forecasts and minutes of management and Board meetings to confirm the Company's intention to continue exploration work on the licences
• review of available technical documentation and discussion of results and operations with management in order to obtain an understanding of management's expectation of commercial viability
• checking management's proposed impairment write off against the underlying nominal ledger transactions to ensure the correct impairment provision was made
• confirming the disclosure of the impairment in the period was presented in the financial statements in accordance with the requirements of the accounting standard

Our specific audit testing for the D&P assets included:
• the assessment of the appropriateness of the cash generating unit classification for impairment considerations against the provisions of the relevant accounting standard
• the verification of licence status to publicly available information in order to confirm legal title and validity of each of the licences
• assessing available market data on oil prices and the impact on the Company's assets to assess whether there are indicators of impairment
• undertaking an assessment of whether there were further internal potential impairment triggers identified (i.e. obsolescence from internal reporting such as minutes of meetings) or external potential triggers for impairment (i.e. the market capitalisation of the Company, economic trends in interest rates etc.)
• reviewing the external and internal sources of information, such as third party reports assessing the value in use of each asset, and reports provided by operators in order to assess whether any impairment triggers were identified

Key observations:
Based on our procedures performed we consider the assumptions made in determining the carrying value of the oil and gas assets to be appropriate.</td></tr>
</table>

Independent Auditor's Report on the Financial Statements

TO THE MEMBERS OF UNION JACK OIL PLC

OUR APPLICATION OF MATERIALITY

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.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. 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.

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

	Company financial statements	
	2020 £	2019 £
Materiality	136,000	100,000
Basis for determining materiality	1% of total assets averaged over the last three reporting periods	1% of total assets
Rationale for the benchmark applied	The majority of the Company's activities are in the exploration and development phase and total assets are likely to be the primary focus for the users of the financial statements. As the Company's cash balance has increased significantly as a result of a fund raising, an average of the last three years total asset balances is the most appropriate benchmark.	We consider total assets to be the relevant benchmark as the Company generates minimal revenue and total assets are likely to be the primary focus for the users of the financial statements given the majority of the Company's activities are in exploration and development phase.
Performance materiality	102,000	75,000
Basis for determining performance materiality	75% of materiality. The level of performance materiality was set after considering a number of factors including the expected value of known and likely misstatements and management's attitude towards proposed misstatements.	

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £2,700 (2019: £2,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Independent Auditor's Report on the Financial Statements

TO THE MEMBERS OF UNION JACK OIL PLC

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

OTHER COMPANIES ACT 2006 REPORTING

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report	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. 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.
Matters on which we are required to report by exception	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, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns; 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, 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report on the Financial Statements

TO THE MEMBERS OF UNION JACK OIL PLC

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.

EXTENT TO WHICH THE AUDIT WAS CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and the industry in which it operates, and considered the risk of acts by the Company that were contrary to applicable laws and regulations, including fraud. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including but not limited to, the Companies Act 2006, tax legislation and Oil & Gas Regulation

- Based on our understanding we designed our audit procedures to identify non-compliance with such laws and regulations impacting the Company. Our procedures involved making enquiries of management and those charged with governance to understand their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees of the Company, inquiring about the Company's methods of enforcing and monitoring compliance with such policies and reviewing board minutes to identify any instances of non-compliance

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by obtaining an understanding of the controls that the Company has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud

- We addressed the risk of management override of internal controls, including testing a risk based selections of journals and evaluating whether there was evidence of bias in management's estimates that represented a material misstatement due to fraud

- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

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.

Anne Sayers (Senior Statutory Auditor)

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

17 May 2021

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

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31.12.20 £	31.12.19 £
Revenue		158,004	136,959
Cost of sales - operating costs		(286,892)	(185,169)
Cost of sales - depreciation		(57,715)	(32,429)
Gross loss		(186,603)	(80,639)
Administrative expenses (excluding impairment charge)		(1,590,576)	(1,343,362)
Impairment	2	(106,714)	(393,697)
Exploration write-back	2	–	112,500
Total administrative expenses		(1,697,290)	(1,624,559)
Operating loss	2	(1,883,893)	(1,705,198)
Finance income	4	18,378	12,815
Loss before taxation		(1,865,515)	(1,692,383)
Taxation	5	–	–
Loss for the financial year		(1,865,515)	(1,692,383)
Attributable to:			
Equity shareholders of the Company		(1,865,515)	(1,692,383)
Loss per share			
Basic and diluted loss per share (pence)	6	(2.23)	(3.04)

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

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31.12.20 £	31.12.19 £
Loss for the financial year		(1,865,515)	(1,692,383)
Items which will not be reclassified subsequently to profit or loss			
Other comprehensive loss	10	(83,190)	(32,212)
Total comprehensive loss for the financial year		(1,948,705)	(1,724,595)

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

Balance Sheet

AS AT 31 DECEMBER 2020

	Notes	31.12.20 £	31.12.19 £
Assets			
Non-current assets			
Exploration and evaluation assets	7	6,134,717	6,726,743
Property, plant and equipment	8	6,452,287	581,300
Investments	10	137,098	120,288
Loan receivables	11	1,001,632	–
		13,725,734	7,428,331
Current assets			
Loan receivables	11	8,993	–
Trade and other receivables	12	337,063	180,197
Cash and cash equivalents	13	7,269,014	6,626,322
		7,615,070	6,806,519
Total assets		21,340,804	14,234,850
Liabilities			
Current liabilities			
Trade and other payables	20	2,447,727	231,284
Non-current liabilities			
Provisions	21	803,772	620,686
Total liabilities		3,251,499	851,970
Net assets		18,089,305	13,382,880
Capital and reserves attributable to the Company's equity shareholders			
Share capital	14(a)	6,825,258	5,731,508
Share premium	15	19,522,379	14,205,000
Share-based payments reserve	15	411,467	167,466
Accumulated deficit	15	(8,669,799)	(6,721,094)
Total equity		18,089,305	13,382,880

The financial statements of Union Jack Oil plc, registered number 07497220, were approved and authorised for issue by the Board of Directors on 17 May 2021 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 2020

	Share capital £	Share premium £	Share-based payment reserve £	Accumulated deficit £	Total £
Balance at 1 January 2020	5,731,508	14,205,000	167,466	(6,721,094)	13,382,880
Loss for the financial year	–	–	–	(1,865,515)	(1,865,515)
Other comprehensive loss	–	–	–	(83,190)	(83,190)
Total comprehensive loss	**–**	**–**	**–**	**(1,948,705)**	**(1,948,705)**
Contributions by and distributions to owners					
Issue of share capital	1,093,750	5,906,250	–	–	7,000,000
Share issue costs	–	(588,871)	–	–	(588,871)
Share-based payments	–	–	244,001	–	244,001
Total contributions by and distributions to owners	**1,093,750**	**5,317,379**	**244,001**	**(1,948,705)**	**4,706,425**
Balance at 31 December 2020	**6,825,258**	**19,522,379**	**411,467**	**(8,669,799)**	**18,089,305**
Balance at 1 January 2019	3,983,958	7,593,146	78,319	(5,046,835)	6,608,588
Loss for the financial year	–	–	–	(1,692,383)	(1,692,383)
Other comprehensive loss	–	–	–	(32,212)	(32,212)
Total comprehensive loss	**–**	**–**	**–**	**(1,724,595)**	**(1,724,595)**
Contributions by and distributions to owners					
Issue of share capital	1,747,550	7,252,450	–	–	9,000,000
Share issue costs	–	(640,596)	–	–	(640,596)
Share-based payments	–	–	139,483	–	139,483
Expired warrants	–	–	(50,336)	50,336	–
Total contributions by and distributions to owners	**1,747,550**	**6,611,854**	**89,147**	**(1,674,259)**	**6,774,292**
Balance at 31 December 2019	**5,731,508**	**14,205,000**	**167,466**	**(6,721,094)**	**13,382,880**

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

Statement of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	31.12.20 £	31.12.19 £
Cash flow from operating activities	16	(1,412,801)	(1,473,164)
Cash flow from investing activities			
Purchase of intangible assets	7	(2,874,060)	(3,319,108)
Purchase of property, plant and equipment	8	(389,330)	(5,947)
Sale of licence interest	2	–	112,500
Loan advanced	11	(1,000,000)	–
Purchase of investments	10	(100,000)	(112,500)
Interest received	4	7,754	6,850
Net cash used in investing activities		(4,355,636)	(3,318,205)
Cash flow from financing activities			
Proceeds on issue of new shares	14(a)	7,000,000	8,935,000
Cost of issuing new shares	14(a)	(588,871)	(640,596)
Net cash generated from financing activities		6,411,129	8,294,404
Net increase in cash and cash equivalents		642,692	3,503,035
Cash and cash equivalents at beginning of financial year		6,626,322	3,123,287
Cash and cash equivalents at end of financial year	13	7,269,014	6,626,322

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 Chairman's Statement, Strategic Report and the Directors' Report. 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") 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. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2020.

The financial statements have been prepared under the historical cost convention except for the valuation of investments that have been measured at fair value through other comprehensive income. 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 and this Strategic Report. The directors' forecasts demonstrate that the Company will meet its day-to-day working capital and share of estimated project costs over the forecast period being at least 12 months from the sign-off of these financial statements.

There are a number of risks to the Company's working capital position, which have been identified by the directors and its independent advisor, OGA, namely: (i) timing of incurred costs; (iii) scope of work programmes undertaken; and (iii) realised oil price.

The impact of those risks on the Company's working capital position has been assessed under a range of differing scenarios, with the most adverse, given the current operating environment and stage of development that the Company's assets are at, being identified as being the basis for evaluating the impact for the Going Concern assessment using the worst case "stress test."

The Company has sufficient funding to meet planned expenditures and a level of contingency. Taking account of the risks, the stress test shows that the Company is 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.

The effect of COVID-19 continues to be actively monitored by the directors. To date, the exploration, development and production activities of the Company have continued in line with plans and with minimal impact from COVID-19. The directors are of the opinion that there is no reason to believe there will be any effect in respect of the Company's going concern status for the foreseeable future.

REVENUES

The Company's revenue is derived from selling goods, and revenue is recognised at the point in time when the performance obligation to supply oil has been satisfied, i.e. when control of goods has passed to the customer. This is when oil sold is delivered to a third-party storage on behalf of the customer.

Transaction prices are agreed in writing in advance of sales and do not include any variable elements, including the oil price. As the product sold is clearly identifiable, there is a single performance obligation in each case to which the transaction price is allocated. There are no volume rebates offered and nor are there any payments in the nature of financing arrangements.

CASH AND CASH EQUIVALENTS

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

Principal Accounting Policies

FINANCIAL INSTRUMENTS

Recognition and Derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Initial Measurement of Financial Assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 9, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (“FVTPL”)
- fair value through other comprehensive income (“FVOCI”)

In the periods presented the Company does not have any financial assets categorised as FVTPL.

The classification is determined by both:

- the entity’s business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

Subsequent Measurement of Financial Assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions:

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company’s cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at Fair Value through Other Comprehensive Income (“FVOCI”)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is “hold to collect” the associated cash flows and sell
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Company’s investments are classified as financial assets at FVOCI based on the fair value hierarchy groups listed in note 17. The fair value of quoted securities are based on published market prices (Level 1 inputs). The fair value of the unquoted securities are based on Level 3 inputs.

Classification and Measurement of Financial Liabilities

The Company’s financial liabilities include trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges are included within finance costs or finance income.

Impairment of Financial Assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model to be applied. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on trade receivables.

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (“ECL”) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months ECL.

Principal Accounting Policies

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 unit 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 Exploration and Evaluation (“E&E”) expenditures previously transferred from E&E assets as outlined in the policy above.

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.

Principal Accounting Policies

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. These will be recognised as a provision when it is possible to accurately estimate costs and the timing is known.

IMPAIRMENT

The carrying amounts of non-current assets are reviewed for impairment, under IAS 36 for Production and Development assets and IFRS 6 for Exploration and Evaluation assets, 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 industry-specific 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, and more general triggers would include external sources such as significant changes in the industry or internal evidence such as changes in expectation of an asset's economic performance. 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 Income Statement 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 higher 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' recoverable amount. The revised recoverable amounts are amortised in line with the Company's accounting policies.

JOINT ARRANGEMENTS, FARM-IN AND PROFIT SHARING AGREEMENTS

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.

Management has a legal degree of control over these joint operating arrangements through Joint Operating Agreements.

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.

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 revenue and cost of sales include revenues and operating costs associated with the Company's interest.

Where the percentage ownership in joint arrangements changes during a reporting period, the arrangement is reassessed to ensure it is still appropriately classified, and the Company's share of income and expenses is adjusted prospectively from the date of change.

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.

The equity instrument in respect of the Company is in relation to the issue of ordinary shares.

SHARE-BASED PAYMENTS AND WARRANTS

Equity-settled share-based payments in respect of warrants and options issued by the Company 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 14(b) and 14(c). The fair value determined at the grant date of the equity-settled share-based payments is expensed 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 share-based payment or warrant expires, the cumulative expense recognised in the share based payment reserve is reclassified to the relevant component of equity in line with the original recognition of the expense.

Principal Accounting Policies

ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year. The impact is shown below:

New and revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	Impact on the Company
IAS 1	Amendments to IAS 1 and IAS 8: Definition of Material	Yes	No material impact
IFRS 3	Amendment to IFRS 3 Business Combinations	Yes	Not currently applicable to the Company
IFRS 9	Amendments to IFRS 9, IAS 39 and IFRS17: Interest Rate Benchmark Reform	Yes	No material impact

At the date of authorisation of the consolidated financial statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Company. For the next reporting period, applicable International Financial Reporting Standards will be those endorsed by the UK Endorsement Board (UKEB).

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of these consolidated financial statements, the following could potentially have a material impact on the Company's financial statements going forward:

New and revised International Financial Reporting Standards		Effective Date: Annual periods beginning on or after:	UKEB adopted
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current	1 January 2023	No
Various	Amendments to • IFRS 3 Business Combinations; • IAS 16 Property, Plant and Equipment; • IAS 37 Provisions, Contingent Liabilities and Contingent Assets • Annual Improvements 2018-2020	1 January 2022	No
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	1 January 2021	Yes

New and revised International Financial Reporting Standards which are not considered to potentially have a material impact on the Company's financial statements going forward have been excluded from the above.

Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

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.

Principal Accounting Policies

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

Share-based Payments and Warrants

In determining the fair value of warrants and options 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 share-based payments. This is determined by using historic data from similar companies and historic trends on exercising share-based payments by holders. See note 14(b) and 14(c).

Exploration and Evaluation Costs

The Company's accounting policy leads to the development of tangible and intangible fixed assets, where it is considered likely that the amount will be recoverable by future exploitation or sale, or alternatively where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

This requires management to make assumptions as to the future events and circumstances, especially in relation to whether an economically viable extraction operation can be established. Such estimates are subject to change and following initial capitalisation, should it become apparent that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the Income Statement.

Decommissioning and Reinstatement Provisions

Management uses estimates for future decommissioning expenditure, discount rates (1.63%) and inflation rates (1%) provided by the Operator to determine appropriate decommissioning provisions. These may change as a result of revisions to the estimated timing and future cost of decommissioning.

Carrying Value of Property, Plant and Equipment

The Company assesses at each reporting period whether there is any indication that these assets may be impaired as indicated in note 8.

If such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less cost to sell'. The Company considers the quantities of the Proven and Probable Reserves, future production levels and future oil prices as well as other IAS 36 criteria in their assessment of indicators of impairment. The directors do not believe there are any indicators of impairment in respect of the assets.

Principal Accounting Policies

Reserve Estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's properties. In order to calculate the reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Given that the economic assumptions used to estimate reserves change from year to year, and because additional geological data is generated during the course of operations, estimates of reserves may change from year to year. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected by possible impairment due to adverse changes in estimated future cash flows;
- Depreciation, depletion and amortisation charged in the Income Statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.

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

Management is required to assess the Exploration and Evaluation assets and the Development and Production assets for indicators of impairment. Note 7 discloses the carrying value of the Exploration and Evaluation assets. Note 8 discloses the carrying value of the Development and Production assets.

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

In assessing the need to impair Exploration and Evaluation assets and Development and Production assets the Board makes assumptions about the future progress and likely successful outcome of exploration and drilling activities as well as the estimated level of reserves and resources and the discount rate. 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 any available 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.

Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty – Investments

The Company's investments in equity instruments are not held for trading. Instead they are for medium to long-term strategic purposes and as such these investments are held at Fair Value Through Other Comprehensive Income ("FVTOCI"). Management assesses these assets for any indication of change in their fair value by reviewing the market value of the relevant companies and therefore the value of the underlying asset.

Expected credit loss model

IFRS 9 requires the Company to make assumptions when implementing the forward-looking expected credit loss model. This model is required to be used to assess the loan to Egdon Resources plc for impairment. Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. The risks considered included exploration project risk, country risk, expected future oil prices, and the value of the potential reserves.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

1 BUSINESS AND OPERATING SEGMENTS

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

For the year ending 31 December 2020

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Revenue	–	158,004	–	158,004
Operating expenses	–	(286,892)	–	(286,892)
Depreciation	–	(57,715)	–	(57,715)
Impairment	–	(106,714)	–	(106,714)
Other administrative expenses	–	–	(1,590,576)	(1,590,576)
Loss from continuing operations before tax	–	(293,317)	(1,590,576)	(1,883,393)
Finance income	–	–	18,378	18,378
Loss for the year	–	(293,317)	(1,572,198)	(1,865,515)

For the year ending 31 December 2019

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Revenue	–	136,959	–	136,959
Operating expenses	–	(185,169)	–	(185,169)
Depreciation	–	(32,429)	–	(32,429)
Impairment	(393,697)	–	–	(393,697)
Other administrative expenses	–	–	(1,343,362)	(1,343,362)
Exploration write-back	112,500	–	–	112,500
Loss from continuing operations before tax	(281,197)	(80,639)	(1,343,362)	(1,705,198)
Finance income	–	–	12,815	12,815
Loss for the year	(281,197)	(80,639)	(1,330,547)	(1,692,383)

For the year ending 31 December 2020

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Non-current assets	6,134,717	6,452,287	1,138,730	13,725,734
Current assets	11,856	95,293	7,507,921	7,615,070
Non-current liabilities	(382,331)	(421,441)	–	(803,772)
Current liabilities	(142,606)	(2,149,885)	(155,236)	(2,447,727)
Net assets	5,621,636	3,976,254	8,491,415	18,089,305

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

1 BUSINESS AND OPERATING SEGMENTS (CONTINUED)

For the year ending 31 December 2019

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Non-current assets	6,726,743	581,300	120,288	7,428,331
Current assets	–	84,716	6,721,803	6,806,519
Non-current liabilities	(457,815)	(162,871)	–	(620,686)
Current liabilities	(144,493)	(28,216)	(58,575)	(231,284)
Net assets	6,124,435	474,929	6,783,516	13,382,880

2 OPERATING LOSS

	31.12.20 £	31.12.19 £
Operating loss is stated after charging:		
Impairment charge on Intangible Assets	–	393,697
Impairment charge on Property,Plant and Equipment	106,714	–
Exploration write-back	–	(112,500)
Depletion of producing assets	57,715	32,429
Staff costs (see note 3)	636,211	456,482
Fees payable to the Company's auditor for:		
– The audit of these financial statements	37,000	29,600
– Tax compliance services	6,437	6,600

The impairment charges of £106,714 (2019: £nil) are in respect of Property, Plant and Equipment, PEDL118 and PEDL203.

The impairment shown for 2019 in last year's Annual Report and Financial Statements was in respect of Intangible Assets PEDL201, PEDL181 and PEDL209.

In May 2019, the Company sold its interest in PEDL143 Weald Basin to UK Oil & Gas Plc ("UKOG"). This transaction was for accounting purposes considered to be an exploration write-back.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

3 EMPLOYEE INFORMATION AND REMUNERATION OF DIRECTORS

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

	31.12.20 £	31.12.19 £
Salaries	375,000	302,500
Share-based payment expense	214,312	121,727
Social security costs	46,899	32,255
	636,211	456,482

During 2020, the Remuneration Committee met to discuss and review the salaries of the Executive Directors and remuneration structure. A number of surveys published by established accounting companies relating to Executive Director salaries and benefits were reviewed by the Remuneration Committee and as a result it was established that the base salaries of both David Bramhill and Joe O'Farrell were significantly below those indicated in the Lower Quartile of AIM salaries as published within the AIM Remuneration documents reviewed. The remuneration Committee also took into consideration that there was no end of year bonus payments, pension, Company vehicle or health insurance provisions. The Remuneration Committee recommended that the Executive Directors salaries were to be brought in line with those in their peer group.

The number of persons employed by the Company was 4 (2019: 5).

Details of each director's emoluments are included in the Directors' Report and within this note.

The salaries, fees and share-based payments of individual directors were as follows:

Year ended December 2020	Salaries £	Share-based payment expense £	Total £
D Bramhill	215,000	86,007	301,007
J O'Farrell	85,000	54,035	139,035
R Godson	37,500	23,190	60,690
G Bull	37,500	51,080	88,580
	375,000	214,312	589,312

Year ended December 2019	Salaries £	Share-based payment expense £	Total £
D Bramhill	160,000	49,750	209,750
J O'Farrell	70,000	28,077	98,077
R Godson	30,000	14,125	44,125
G Bull	30,000	26,909	56,909
	290,000	118,861	408,861

The emoluments of the highest paid director were £215,000 (2019: £160,000).

Share-based payments are non-cash remuneration by way of share options in the Company.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

3 EMPLOYEE INFORMATION AND REMUNERATION OF DIRECTORS (CONTINUED)

No share options were granted to the directors or officers in 2020.

Directors' share options outstanding at 31 December 2020 and at 31 December 2019:

	2020	2019
D Bramhill	240,000,000	240,000,000
J O'Farrell	140,000,000	140,000,000
R Godson	60,000,000	60,000,000
G Bull	110,000,000	110,000,000

Directors' share options granted 2019:

	Number	Grant date	Exercise price	Vesting date
D Bramhill	120,000,000	19.07.19	0.265p	19.07.22
J O'Farrell	80,000,000	06.08.19	0.265p	06.08.22
R Godson	30,000,000	19.07.19	0.265p	19.07.22
G Bull	80,000,000	19.07.19	0.265p	19.07.22

Directors' share options granted 2018:

	Number	Grant date	Exercise price	Vesting date
D Bramhill	120,000,000	18.07.18	0.09p	18.07.21
J O'Farrell	60,000,000	18.07.18	0.09p	18.07.21
R Godson	30,000,000	07.11.18	0.11p	07.11.21
G Bull	30,000,000	07.11.18	0.11p	07.11.21

F Lang resigned as a non-executive director, on 10 June 2019. In 2019, F Lang received a salary of £12,500 and the accounting charge in relation to his share options was £2,866. During 2018, F Lang was awarded 30,000,000 options at an exercise price of 0.11 pence, with a vesting date of 04.12.21. F Lang has been allowed to retain his options which are exercisable under the same terms as outlined in the option agreement and as disclosed within note 14(c).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

4 FINANCE INCOME

	31.12.20 £	31.12.19 £
HMRC interest	–	5,965
Bank interest	7,754	6,850
Loan interest receivable	10,624	–
	18,378	12,815

5 TAXATION

	31.12.20 £	31.12.19 £
Current tax		
UK Corporation Tax	–	–
Adjustment in respect of prior periods	–	–
Total UK Corporation Tax charge	–	–

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% (2019: 40%) to the loss before tax is as follows:

	31.12.20 £	31.12.19 £
Loss on ordinary activities before tax	(1,865,515)	(1,692,383)
Tax on Company loss on ordinary activities at standard UK corporation tax rate of 40% (2019: 40%)	(746,206)	(676,953)
Effects of:		
Expenses not deductible for tax purposes	622	3,663
Impairment of intangible assets not deductible for tax purposes	42,686	157,479
Losses carried forward	(702,898)	(515,811)

Current tax charge for year is £nil (2019: £nil)

A deferred tax asset of £3,387,735 (2019: £2,684,837) 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 Company has total carried forward losses of £8,669,799 (2019: £6,721,094).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

6 LOSS PER SHARE

The Company has issued warrants and options over ordinary shares which could potentially dilute the basic loss per share in the future. Further details are given in note 14(b) and 14(c).

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 and options in issue as detailed in note 14(b) and 14(c).

At 31 December 2020, the Company had 6,074,510 (2019: 6,074,510) warrants in issue and 640,000,000 (2019: 640,000,000) options in issue.

These warrants and options 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.

For the purposes of the loss per share calculation, the post-consolidation factor of 200 shares for one has been applied.

Loss per share	2020 Pence	2019 Pence
Loss per share from continuing operations	(2.23)	(3.04)

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

	2020 £	2019 £
Loss used in the calculation of total basic and diluted loss per share	(1,865,515)	(1,692,383)

Number of shares	2020	2019
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	83,539,914	55,594,405

As detailed in note 14, the Company has 831,680,400 (2019: 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 4,375,000,000 new ordinary shares during the year (2019: 6,990,196,071).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

7 INTANGIBLE ASSETS

	31.12.20 £	31.12.19 £
At 1 January	6,726,743	3,485,961
Costs incurred during the year	5,054,060	3,634,479
Transfer to development and production assets	(5,646,086)	–
Costs impaired	–	(393,697)
At 31 December	6,134,717	6,726,743

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.

The directors have reviewed whether there were any potential triggers for impairment evidence for each of the assets. If a trigger was identified the directors considered the potential value of the 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. No Intangible Assets have been impaired in 2020.

The total impairment charge for 2019 was £393,697 with regard to PEDL201, £375,892, PEDL181, £15,042 and PEDL209, £2,763.

Included in the above intangible asset additions during the year are amounts arising in relation to changes in decommissioning and restoration provisions (note 21).

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

		31.12.20 £	31.12.19 £
Wressle	PEDL180	–	2,429,830
West Newton	PEDL183	3,755,301	2,346,915
Biscathorpe	PEDL253	2,136,834	1,821,371
North Kelsey	PEDL241	225,306	104,168
Louth Extension	PEDL339	17,276	16,426
Broughton North	PEDL182	–	8,033

The Board has reclassified PEDL180 Wressle as a development and production asset. With its transfer from Intangible Assets, Wressle is now presented as Property, Plant and Equipment within these Financial Statements.

During the year, settlement between the Operator, Egdon Resources U.K. Limited, was reached with Humber Oil & Gas Limited ("Humber"), regarding monies due on PEDL253. At the time of the agreement a 27.5% interest in PEDL253 was held by Union Jack. On settlement 5.5% of PEDL253 was returned to Humber. In lieu of financial payment to Union Jack, a 5% interest in PEDL253 was acquired from Humber, bringing Union Jack's interest to 27%. The Company also received a sum of £43,059 for monies outstanding in respect of 0.5%. Simultaneously, Union Jack also acquired a further 3% interest in PEDL253 from Montrose Industries Limited, bringing the Company's interest to 30%.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

8 PROPERTY, PLANT AND EQUIPMENT

	31.12.20 £	31.12.19 £
Cost		
At 1 January	663,234	660,647
Transfer from exploration and evaluation assets	5,646,086	–
Additions	389,330	2,587
At 31 December	6,698,650	663,234
Depreciation and impairment		
At 1 January	81,934	49,508
Depreciation charge for the year	57,715	32,426
Costs impaired	106,714	–
At 31 December	246,363	81,934
Net book value		
At 31 December	6,452,287	581,300
At 1 January	581,300	611,139

Development and Production assets comprise amounts capitalised as follows:

		31.12.20 £	31.12.19 £
Wressle	PEDL180	5,646,086	–
Fiskerton Airfield	EXL294	208,218	208,742
Keddington	PEDL005(R)	597,983	266,418
Dukes Wood	PEDL118	–	59,542
Kirklington	PEDL203	–	46,598
		6,452,287	581,300

The Board has reclassified PEDL180, Wressle, as a development and production asset. With its transfer from Intangible Assets, Wressle is now presented as Property, Plant and Equipment within these Financial Statements.

The Board has assessed the Development and Production assets as at 31 December 2020 and has identified indicators of impairment as set out in IAS36 *Impairment of assets* in respect of PEDL118 Dukes Wood and PEDL203 Kirklington, respectively. This impairment amounts to a total of £106,714 (2019: £nil). The total impairment charge for these assets was PEDL118, £59,627 and PEDL203, £47,087.

There were no triggers for impairment on any other assets.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

9 JOINT OPERATIONS

The Company is party to 12 joint arrangements which carry out exploration and development of hydrocarbons in the United Kingdom. The joint operations in which the Company held an interest as at 31 December 2020 are as below:

Licence	Name	Proportion of ownership interest 2020	Proportion of ownership interest 2019	Principal place of business
PEDL180/182	Wressle/Broughton North	40%	27.5%	England
PEDL183	West Newton	16.665%	16.665%	England
PEDL201	Widmerpool Gulf	26.25%	26.25%	England
PEDL005(R)	Keddington	55%	20%	England
PEDL253	Biscathorpe	30%	27.5%	England
PEDL241	North Kelsey	20%	20%	England
PEDL339	Louth Extension	35%	20%	England
PEDL118	Dukes Wood	16.67%	16.67%	England
PEDL203	Kirklington	16.67%	16.67%	England
EXL294	Fiskerton Airfield	20%	20%	England
PEDL181	Humber Basin	12.5%	12.5%	England
PEDL209	Laughton	10%	10%	England

10 INVESTMENTS

	2020 £	2019 £
Investments in equity instruments designated as at FVTOCI		
Shares	137,098	120,288

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes and realising their performance potential in the future. Measurement criteria for investments are given in note 17.

	31 December 2020 £	31 December 2019 £
At 1 January	120,288	40,000
Additions	100,000	112,500
Changes in fair value of investments	(83,190)	(32,212)
At 31 December	137,098	120,288

The Company is the beneficial owner of 169,959 (2019: 169,959) ordinary shares in Elephant Oil Limited, a company registered in England and Wales, which represents a 0.73% (2019: 0.73%) interest in that company. The principal activity of Elephant Oil Limited is the exploration and evaluation of hydrocarbon assets.

The Company is the beneficial owner of 9,731,834 (2019: 9,731,834) ordinary shares in UK Oil & Gas plc ("UKOG"), a company registered in England and Wales, which represents a 0.078% (2019: 0.133%) interest in that company at year end. The principal activity of UKOG is the exploration and evaluation of hydrocarbon assets. The shares in UKOG were received as consideration from the sale of the Company's 7.5% interest in PEDL143 Weald Basin to the value of £112,500 during 2019. At the time of the sale the UKOG shares were valued at 1.156p each.

The investment in UKOG was revalued at the year end to the value of £14,598 (0.15 pence per share) with the loss being recorded in the Statement of Comprehensive Income on page 42.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

10 INVESTMENTS (CONTINUED)

The Company is the beneficial owner of 5,000,000 (2019: nil) ordinary shares in Egdon Resources plc ("Egdon") which represents a 1.52% (2019: nil) interest in that company at year end. Payment for the new shares acquired was by means of a subscription at a price of 2 pence per Subscription Share for a total consideration of £100,000. The principal activity of Egdon is the production and exploration of hydrocarbons onshore UK.

The investment in Egdon was revalued at the year end to the value of £82,500 (1.65 pence per share) with the loss being recorded in the Statement of Comprehensive Income on page 42.

11 LOAN RECEIVABLES

	31.12.20 £	31.12.19 £
Amounts falling due within 1 year	8,992	–
Amounts falling due after 1 year	1,001,632	–
	1,010,624	–

Summary of loan arrangements:

During 2020, a loan was issued to Egdon Resources plc with an 18 month term. The loan accrues interest at 11% per annum with repayments of interest commencing during 2021. The loan is secured against an unencumbered 25% interest in PEDL180 and PEDL182, including the Wressle development project and associated infrastructure. The expected credit losses on the loan have been assessed as disclosed in note 18.

12 TRADE AND OTHER RECEIVABLES

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables. The Company measures the loss allowance for trade receivables at an amount equal to 12 months ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company has recognised no loss allowance for the receivables as there has been no historical experience to indicate that these receivables are not recoverable. All outstanding receivables have been received prior to the balance sheet date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

	31.12.20 £	31.12.19 £
Trade receivables	95,293	6,408
Other debtors	–	65,000
VAT	187,596	78,308
Prepayments	54,174	30,481
	337,063	180,197

13 CASH AND CASH EQUIVALENTS

	31.12.20 £	31.12.19 £
Cash at bank	7,269,014	6,626,322

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

14(a) SHARE CAPITAL

Allotted and issued: Number	Class	Nominal value	31.12.20 £	31.12.19 £
19,815,906,325 (31 December 2019: 15,440,906,325)	Ordinary	0.025p	4,953,977	3,860,227
831,680,400 (31 December 2019: 831,680,400)	Deferred	0.225p	1,871,281	1,871,281
Total			6,825,258	5,731,508

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 September 2020, 4,375,000,000 new ordinary shares were issued for cash at 0.16 pence per share, raising approximately £7,000,000 before expenses of £588,871 by way of a placing and subscription.

14(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 2020	Number of warrants	WAEP £
Outstanding and exercisable at the beginning of the year	6,074,510	0.003
Outstanding and exercisable at the end of the year	6,074,510	0.003

Year ended December 2019	Number of warrants	WAEP £
Outstanding and exercisable at the beginning of the year	51,407,842	0.003
Outstanding and exercisable at the end of the year	6,074,510	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
Number in issue at 31 December 2020	6,074,510
Share price at date of grant	0.3p
Exercise price	0.25p
Expected volatility	69%
Expected life (years)	5.0
Risk-free rate	0.8464%
Expected dividend yield	0%
Fair value at date of grant	£11,099
Earliest vesting date	20.12.12
Expiry date	20.12.22

During the year nil warrants expired (2019: 45,333,332).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

14(c) SHARE-BASED PAYMENTS – OPTIONS

No options were granted to directors of the Company during 2020. Options are Issued with an exercise price equating to the mid-market closing price on the date of Issue.

Options have a vesting period of 3 years and are subject to a further condition that the options can only be exercised if the share price is at a 30% premium to the exercise price.

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

Year ended December 2020	Number of options	WAEP £
Outstanding at the beginning of the year	640,000,000	0.00187
Granted during 2020	–	–
Outstanding at the end of the year	640,000,000	0.00187
Exercisable at the end of the year	–	–

Year ended December 2019	Number of options	WAEP £
Outstanding at the beginning of the year	300,000,000	0.00098
Granted during 2019	340,000,000	0.00265
Outstanding at the end of the year	640,000,000	0.00187
Exercisable at the end of the year	–	–

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

Date of grant	06.08.19	19.07.19	04.12.18	07.11.18	18.07.18
Number in issue at 31 December 2020	80,000,000	260,000,000	30,000,000	90,000,000	180,000,000
Share price at date of grant	0.265p	0.265p	0.11p	0.11p	0.09p
Exercise price	0.265p	0.265p	0.11p	0.11p	0.09p
Expected volatility	70%	70%	63%	62%	55%
Expected life (years)	6.5	6.5	6.5	6.5	6.5
Risk-free rate	0.3161%	0.5187%	0.8840%	1.1035%	0.9427%
Expected dividend yield	0%	0%	0%	0%	0%
Fair value at date of grant	£133,497	£435,086	£19,491	£58,106	£85,822
Earliest vesting date	06.08.22	19.07.22	04.12.21	07.11.21	18.07.21
Expiry date	06.08.29	19.07.29	04.12.28	07.11.28	18.07.28

The Company recognised total expenses in the Income Statement of £244,001 in relation to share options accounted for as equity-settled share-based payment transactions during the year (2019: £139,483).

Expected volatility was determined based on a historic 5-year volatility of the Company.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

15 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 and options 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.

16 RECONCILIATION OF LOSS TO CASH GENERATED FROM OPERATIONS

	31.12.20 £	31.12.19 £
Loss before taxation	(1,865,515)	(1,692,383)
Depletion of producing assets	57,715	32,429
Impairment of intangibles	106,714	393,697
Exploration write-back	–	(112,500)
Share-based payments	244,001	139,483
Finance income	(18,378)	(6,850)
	(1,475,463)	(1,246,124)
(Increase) / decrease in trade and other receivables	(156,866)	82,857
Increase / (decrease) in trade and other payables	219,528	(309,897)
Cash used in operations	(1,412,801)	(1,473,164)

17 FINANCIAL INSTRUMENTS

Classification of measurement of financial instruments

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Company holds investments at fair value through other comprehensive income. Investments in listed shares are a level 1 valuation. Investments in unlisted shares are a level 3 valuation as the quoted price is not available.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

17 FINANCIAL INSTRUMENTS (CONTINUED)

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

Financial assets measured at fair value	£
At 31 December 2020	
Investments: FVOCI	137,098
At 31 December 2019	
Investments: FVOCI	120,288

Financial assets measured at amortised cost				£
At 31 December 2020	**Current**	**Within 1 Year**	**Within 1 to 2 years**	**Total**
Loan receivables	–	8,993	1,001,623	1,010,616
Trade receivables	95,293	–	–	95,293
Cash and cash equivalents	7,269,014	–	–	7,269,014
Total carrying value	7,364,307	8,993	1,001,632	8,374,923
At 31 December 2019				
Trade receivables	6,408	–	–	6,408
Cash and cash equivalents	6,626,322	–	–	6,626,322
Total carrying value	6,632,730	–	–	6,632,730

All of the above financial assets' carrying values approximate to their fair values at 31 December 2020 and 31 December 2019 given their nature and short times to maturity.

Financial liabilities measured at amortised cost	£
At 31 December 2020	
Trade payables	190,926
Other payables	2,180,000
Accruals	76,801
Total carrying value	2,447,727
At 31 December 2019	
Trade payables	144,394
Accruals	86,890
Total carrying value	231,284

All of the above financial liabilities' carrying values approximate to their fair values at 31 December 2020 and 31 December 2019 given their nature and short times to maturity.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

18 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

Included within the Company's receivables is a non-current loan with a maturity date of May 2022. The loan has not been subject to an increase in credit risk since initial recognition, and therefore under IFRS 9 the 12 month expected credit losses have been considered. This assessment resulted in no credit losses being recognised after taking into consideration the credit risk associated with the loan, and the collateral in place under the agreement.

The Company's credit risk is otherwise largely attributable to its cash balances and such risk is limited because the third party is an international bank of which the latest Standard & Poors rating is BBB.

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 £8,616,702 (2019: £6,632,730).

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 2020 and 31 December 2019 on the basis of their earliest possible contractual maturity.

At 31 December 2020

	Total £	Within 2 months £	Within 2-6 months £	Greater than 6 months £
Trade payables	190,926	190,926	–	–
Other payables	2,180,000	100,000	2,080,000	–
Accruals	76,801	40,601	36,200	–
	2,447,727	331,527	2,116,200	–
At 31 December 2019				
Trade payables	144,394	144,394	–	–
Accruals	86,890	50,690	36,200	–
	231,284	195,084	36,200	–

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.

Capital management

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

19 FINANCIAL COMMITMENTS

The Company had no financial commitments as at 31 December 2020 or 31 December 2019, other than those recognised in the Balance Sheet and where Authority for Expenditure has been agreed with the Operator.

20 TRADE AND OTHER PAYABLES

	31.12.20 £	31.12.19 £
Trade payables	190,926	144,394
Other payables	2,180,000	–
Accruals	76,801	86,890
	2,447,727	231,284

Other payables include £2,080,000 to be paid to Calmar LP on commercial production from the Wressle discovery, and £100,000 payable to Egdon Resources plc to acquire a further 30% interest in PEDL241 containing the North Kelsey prospect.

21 PROVISIONS

	Decommissioning and reinstatement provision £
As at 1 January 2019	453,165
Adjustment to provision estimates	160,134
Accretion of provision	7,387
At 31 December 2019	620,686
Adjustment to provision estimates	171,178
Accretion of provision	11,908
At 31 December 2020	803,772

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 2021 and 2041.

Provisions created during the year, based on information provided by the Operators, relate to obligations in respect of Keddington, Fiskerton Airfield, Dukes Wood, Kirklington, Wressle and West Newton assets. No provisions have been utilised during the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2020

22 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 £120,000 (2019: £92,800) in respect of consulting fees. £12,000 was outstanding at the year end (2019: £nil).

Jayne Bramhill, spouse of David Bramhill, received the sum of £12,000 (2019: £9,000) from the Company in respect of IT maintenance and administration costs. No amounts were outstanding at the year end (2019: £nil).

Raymond Godson, non-executive director is also a director of Montrose Industries Limited whom hold an interest in PEDL253 containing the Biscathorpe Prospect. Raymond Godson takes no part in any decision making in respect of PEDL253 and is excluded from any board meetings relating to PEDL253 financial matters. A transaction between Montrose Industries Limited and Union Jack took place in June 2020 in respect of a 3% acquisition on PED253.

23 EVENTS AFTER THE BALANCE SHEET DATE

The following events have taken place after the year end:

In January 2021, the Company acquired a further 15% economic interest in PEDL253 containing the Biscathorpe Prospect from Humber Oil & Gas Limited for a cash consideration of £500,000. In addition, a contingent cash payment of £500,000 will be made to Humber Oil & Gas Limited following receipt of planning consents from Lincolnshire County Council for drilling the Biscathorpe-2Z side-track, testing and subsequent production in the event of drilling success. The Company, following this transaction, now holds a 45% interest in PEDL253.

In February 2021, the Company concluded a transaction to acquire a further 30% interest in PEDL241 containing the North Kelsey Prospect with Egdon Resources U.K. Limited. The cash consideration was £100,000 and all previous arrangements in respect of the previous farm-in for a 10% interest from Egdon Resources U.K. Limited during March 2013, were nullified. Following this transaction the Company and Egdon hold a 50% interest each in the licence.

In February 2021, the Company announced that following re-perforation of the Wressle-1 conventional oil well, communication was made with the Ashover Grit reservoir interval and free-flow of good quality oil had commenced. The well has been placed on continuous test production and is awaiting a proppant squeeze.

During March 2021, the Company consolidated its ordinary shares on a 200 for one basis and the new issued share capital is now 99,079,532, each with a nominal value, post-consolidation of 5 pence.

The reasoning behind this decision was that the Board believed that the Company was in an excellent financial and operating position given the significant progress made in recent years on its three key projects at West Newton, Wressle and Biscathorpe and that it was an appropriate time to implement the share consolidation.

In order for the issued share capital to be exactly divisible by 200, new ordinary shares totalling 75 were issued to the Executive Chairman, David Bramhill.

At the same time the Articles of Association were amended to allow the Company to hold in future physical, virtual or hybrid general meetings, as appropriate.

During March 2021, the Company acquired a 2.5% cash generating royalty in the offshore Claymore, Piper and Scapa oilfields from Cambridge Petroleum Royalties Limited for a cash consideration of £93,730 (US$130,000).

Notice of Annual General Meeting

COVID-19 AGM ARRANGEMENTS

1 The Company's AGM is currently scheduled to be held on Thursday 24 June 2021 at The Sheridan Room, The Royal Crescent Hotel, 16 Royal Crescent, Bath BA1 2LS at 11.00am.

2 As a result of the ongoing COVID-19 pandemic, the Board has adopted a number of changes to the traditional running of the Annual General Meeting. The AGM would normally provide an opportunity for Shareholders to meet with the Directors, for the Directors to provide an update on the Company's business and to answer questions from Shareholders. We would normally therefore encourage Shareholders to attend the AGM in person.

However, in accordance with "2021 general meetings and the impact of Covid-19 guidance", published by the Chartered Governance Institute on 24 February 2021, the special arrangements described within this text will be followed for the holding of the AGM this year, unless the Company subsequently notifies you otherwise via its website.

The Company wishes to advise that in order to limit the risk of infection and to protect the health and safety of shareholders and employees, shareholders are strongly recommended not to attend the AGM.

3 Engagement in the AGM process is welcomed. The Board has proposed that a remote pre-AGM question and answer event is made available. Please email your questions to info@unionjackoil.com. All appropriate questions will be answered before the time of the AGM via our Company website.

4 The Company encourages shareholders to appoint the Chairman as their proxy with their voting instructions. Forms of Proxy must be received by no later than 48 hours before the commencement of the meeting.

5 The Company will continue to monitor the pandemic and if Government advice dictates that further changes to the arrangements for the AGM are necessary, details will be published on the website and via a Regulatory Information Service.

Notice is hereby given that the Annual General Meeting (the "**AGM**") of Union Jack Oil plc (the "**Company**") will be held at The Sheridan Room, The Royal Crescent Hotel, 16 Royal Crescent, Bath BA1 2LS on 24 June 2021 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 2020, 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 AGM 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 £2,476,988.30 (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 AGM 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 £2,476,988.30 (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 AGM 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: 17 May 2020

Registered Office:
6 Charlotte Street,
Bath BA1 2NE

Notice of Annual General Meeting

Notes:

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only those members registered in the register of members of the Company at 6.00 p.m. on 22 June 2021 (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 Since the outbreak of Coronavirus (COVID-19) in early 2020, the priority of the Company has been on the health and safety of its employees and technical staff. Like many organisations, plans have been implemented and active measures have been taken to mitigate risk, such as no one-to-one contact and numerous telephone meetings. The Company would like to draw attention to the COVID-19 AGM arrangements shown on page 71.

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. The Chairman as proxy is encouraged and that shareholders will not be encouraged to attend the AGM and vote in person. 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 22 June 2021. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Computershare Investor Services PLC on 0370 702 0000.

5 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM and any adjournment by using the procedures described in the CREST manual (euroclear.com/crest). CREST personal members or other CREST-sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST proxy instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so as to be received by Computershare (ID: 3RA50) by 11.00 a.m. on Tuesday 22 June 2021. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST proxy instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

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 5 and 6) 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

UNION JACK OIL

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