

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



2022

UNION JACK OIL plc

ANNUAL REPORT AND
FINANCIAL STATEMENTS





Directors, Officers and Advisers

DIRECTORS

David Bramhill
Executive Chairman

Joseph O'Farrell
Executive

Graham Bull
Non-Executive

Raymond Godson
Non-Executive

COMPANY OFFICE

6 Charlotte Street,
Bath BA1 2NE,
England

Telephone: +44 (0) 1225 428139
Email: info@unionjackoil.com
Web: www.unionjackoil.com
Twitter: [@unionjackoilplc](https://twitter.com/unionjackoilplc)

REGISTERED NUMBER

07497220

SECRETARY AND REGISTERED OFFICE

Matthew Small
6 Charlotte Street,
Bath BA1 2NE,
England

REGISTRARS

Computershare Investor Services PLC
The Pavilions,
Bridgwater Road,
Bristol BS13 8AE,
England

AUDITOR

BDO LLP
55 Baker Street,
London W1U 7EU,
England

SOLICITORS

Osborne Clarke
2 Temple Back East,
Temple Quay,
Bristol BS1 6EG,
England

BANKERS

Royal Bank of Scotland plc
Drummond House,
PO Box 1727,
1 Redheughs Avenue,
Edinburgh EH12 9JN,
Scotland

NOMINATED ADVISER AND JOINT BROKER

SP Angel Corporate Finance LLP
Prince Frederick House,
35-39 Maddox Street,
London W1S 2PP,
England

JOINT BROKER

Shore Capital Stockbrokers Limited
Cassini House,
57 St James's Street,
London SW1A 1LD,
England



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.



“Fully funded for all G&A, OPEX and CAPEX costs for at least the next 12 months”

Contents

BUSINESS AND STRATEGY

Chairman's Statement	2
Strategic Report	10
Licence Interests	18

GOVERNANCE

Directors' Report	20
Corporate Governance Report	23
Independent Auditor's Report on the Financial Statements	36

FINANCIAL STATEMENTS

Income Statement	41
Statement of Comprehensive Income	42
Balance Sheet	43
Statement of Changes in Equity	44
Statement of Cash Flows	45
Principal Accounting Policies	46
Notes to the Financial Statements	54

ANNUAL GENERAL MEETING

Notice of Annual General Meeting	73
----------------------------------	----

CHAIRMAN'S STATEMENT



I am delighted 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 2022.

Growth and progress continued throughout 2022, mainly due to the elevated cash flow from our flagship development Wressle, where revenues increased significantly from £1,894,875 in 2021, to £8,507,050 in 2022, enabling Union Jack to announce a maiden net profit of £3,606,624 post tax compared to a loss of £853,013 in 2021.

Post Balance Sheet cash balances and near-term receivables, stand in excess of £9,750,000 as at 12 May 2023.

The Company is funded for all G&A, OPEX and contracted or planned CAPEX costs, including any budgeted drilling activities for at least the next 12 months, without recourse to the Capital Markets.

The material increase in cash flow during 2022, coupled with a robust oil price and increased hydrocarbon production, allowed the Company to seek a Capital Reduction exercise which was granted by the High Court, during August 2022, enabling the Company to distribute a Maiden Special Dividend of 0.8 pence per share during December 2022, totalling £900,527, and also introduce a share buy-back programme, enhancing earnings per share.

In respect of a Dividend Policy, it is our intention to make payments to shareholders as and when cash balances allow. During March 2023, the Board declared an Interim Dividend of 0.3 pence per share, payable during July 2023 and it is the intention to continue dividend payments based on a proportion of the free cash available subject to our project obligations being fulfilled.

I am delighted to be able to report that since the Capital Reduction was granted in August 2022, return of capital by way of total dividends paid or announced and share buybacks has totalled £1,117,154.

Union Jack's maiden profit, the return of capital, current record-high cash balances and near-term receivables, all highlight the achievements of the Company during 2022.

Oil from our flagship project, Wressle, remains free flowing with zero water cut. Wressle continues to perform in an extremely positive way and our expectations remain high as we believe there remains scope for material expansion.

The GaffneyCline report, published during September 2022, suggested the possibility of a significantly higher reserve than originally predicted for the Ashover Grit reservoir. On current performance we find it difficult to dismiss this theory and look forward to the technical and commercial assessment by ERCE, who have recently been commissioned to review the reserve and resource potential of the Wressle field through a new CPR. The results of this report are expected during June 2023.

Positive results from independent laboratories and consultants during 2022 and from the data driven information received from the West Newton discoveries expand our confidence in the success of the horizontal well currently planned to be drilled during H2 2023.

Additional information on our leading projects at Wressle and West Newton, and overviews on Biscathorpe, Keddington and North Kelsey can be found later within this statement.

The results for 2022 are highly positive with the Company being in a strong financial position and a balanced work programme of potentially further transformational development and drilling to look forward to.

Further information can be found on our website www.unionjackoil.com, presenting detailed technical information on our projects, designed to inform shareholders and attract new investors to the Company. In addition, Union Jack hosts an active twitter account @unionjackoilplc.

OPERATIONAL HIGHLIGHTS

- Approvals for the Wressle Field Development Plan and licences for the production phase through to 2039 received from the North Sea Transition Authority ("NSTA")
- Wressle is currently the second most productive conventional producing onshore oilfield in the UK
- ERCE commissioned to review the reserve and resource potential of the Wressle field through a new Competent Person's Report ("CPR")
- Planning for the drilling of additional wells at West Newton approved by the East Riding of Yorkshire Council ("ERYC")
- RPS delivered a positive revised CPR on West Newton, where a horizontal well is planned to be drilled during H2 2023
- Biscathorpe appeal heard - awaiting decision from the Planning Inspectorate
- North Kelsey appeal hearing set for June 2023



WRESSLE DEVELOPMENT PEDL180 AND PEDL182 (40%)

Wressle is located in Lincolnshire, on the western margin of the Humber Basin.

The Wressle-1 ("Wressle") discovery was defined on proprietary 3D seismic data. The structure is on trend with the producing Crosby Warren oilfield and the Broughton oil discovery, both to the immediate northwest and the Brigg-1 discovery to the southeast. These wells all contain hydrocarbons in several different sandstone reservoirs within the Upper Carboniferous succession.



FINANCIAL HIGHLIGHTS

- Maiden net profit of £3,606,624 post tax
- Oil revenues increased by 340%
- Basic earnings per share increased by over 485%
- Cash balances and near-term receivables stand in excess of £9,750,000 as at 12 May 2023
- Debt free
- Funded for all operational, contracted and planned CAPEX costs, including budgeted drilling activities for at least the next 12 months
- Capital Reduction granted for share buy-back programme and the payment of a 0.8 pence Maiden Special Dividend during December 2022
- Post period end an Interim Dividend of 0.3 pence declared to be paid July 2023

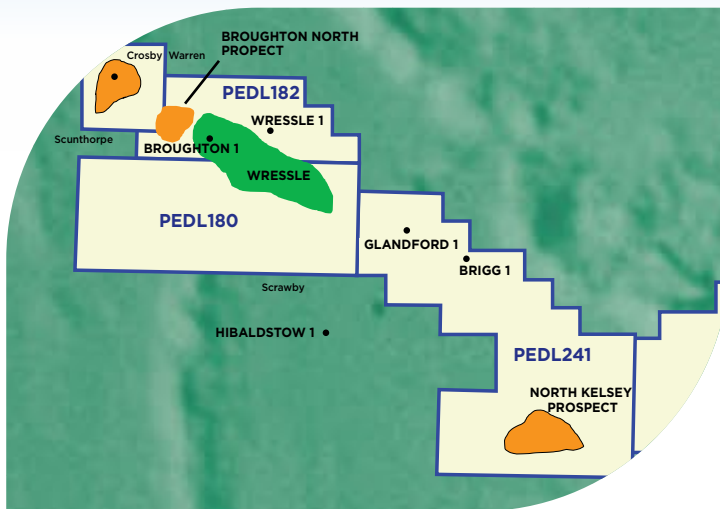
Since the proppant squeeze and coiled tubing operations conducted during August 2021, Wressle has established itself as Union Jack's flagship project with production rates far exceeding original expectations.

Wressle continues to produce oil under natural flow and associated gas at high rates with zero water cut from the Ashover Grit reservoir. To date, over 400,000 barrels of high-quality oil have been produced and sold from Wressle.

During the past 12 months, a programme of improvements and upgrades to Wressle site facilities has been successfully carried out. The implementation of a two-stage gas utilisation scheme is being progressed which will enable the oil production to be increased.

The Ashover Grit gas is being utilised for electricity generation on-site and will be exported at a later date. The diesel generator has been replaced by three gas microturbines which were installed and commissioned during early 2023. The second phase of the programme will see the installation of a separate gas engine to generate and export approximately 1.4 MW of electricity into a local private power network. A later stage of the gas monetisation will focus on gas export from the undeveloped reservoirs that hold significant contingent hydrocarbon resources and are awaiting production in due course.

Chairman's Statement



“Wressle is currently the second most productive conventional producing onshore oilfield in the UK and has generated in excess of US\$15,000,000 in revenues to Union Jack since re-commencement of production in August 2021”

The performance of the Ashover Grit reservoir during 2022 has been nothing short of exceptional. During September 2022, the Company published the results of a report, commissioned by Union Jack and compiled by GaffneyCline, in respect of the potential upside at Wressle which provided commentary on the reserve and resource volumes.

The highlights of this report are as follows:

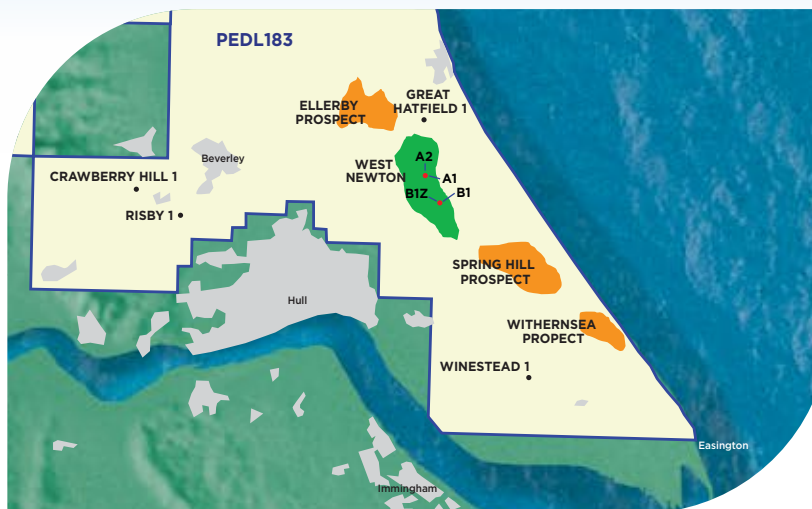
- Ashover Grit Speculative Deeper Oil-Water Contact assessment indicates a potentially significant increased estimate of STOILP (“Stock Tank Oil Initially in Place”) of 10.12 million barrels of oil (“mmbbl”) and a recoverable resource of 2.43 mmbbl
- The Wressle-1 well also indicated additional hydrocarbon potential within the Santon Sandstone, where GaffneyCline has estimated a Contingent Resource being present

During the second half of 2022, the Operator re-processed the 3D seismic data over the field. This data has been interpreted and mapped with the objective of identifying reservoir targets for drilling an additional well/wells at the earliest opportunity, subject to receipt of regulatory approvals. The results of this report are expected during June 2023.

A new CPR, considering all oil and gas bearing horizons has been commissioned, incorporating the new field interpretation and production performance data. The results of this report are expected during June 2023.

The management of Union Jack believes that the Company holds a material interest in a project that will continue to deliver significant revenues for at least the next decade and more.





WEST NEWTON APPRAISAL PEDL183 (16.665%)

PEDL183 is located onshore UK, north of the River Humber, encompassing the town of Beverley, East Yorkshire. The licence area is within the western sector of the Southern Zechstein Basin.

Union Jack entered into a farm-in during 2018 with Rathlin Energy (UK) Limited (“Rathlin”) the Operator, and since that time the West Newton A-2 (“WNA-2”) and West Newton B -1Z (“WNB-1Z”) drilling programmes have yielded substantial hydrocarbon discoveries within the Kirkham Abbey formation.

Throughout 2022, data collected during drilling operations and well testing, which included core, oil and gas samples, wireline log and well test records were analysed by independent laboratories CoreLab, Applied Petroleum Technology (“APT”) and RPS Group Limited (“RPS”). The results of these analyses, in conjunction with internal evaluations, have been invaluable in informing the upcoming programme of work and future drilling plans.

The laboratory reports confirm that the hydrocarbon-bearing Kirkham Abbey reservoir is extremely sensitive to aqueous fluids and that previous drilling of the West Newton wells with water-based mud had created near well-bore damage through the creation of very fine rock fragments, affecting the natural porosity and permeability of the formation which had a detrimental effect on its ability to flow. Further analyses have determined that the use of dilute water-based acids during well testing would have also affected the flow characteristics of the Kirkham Abbey reservoir.

These tests indicate that by drilling the Kirkham Abbey reservoir with an oil-based drilling fluid, damage to the oil and gas reservoir should be minimised.

The Operator, Rathlin Energy, has made applications to the Environment Agency (“EA”) for use of oil-based drilling fluids within the hydrocarbon bearing Permian section for both the West Newton A and B sites.

Analyses by APT of numerous oil and gas samples recovered from the West Newton wells during testing, along with evaluation of mud gases measured during drilling utilising a proprietary software package, indicates that the Kirkham Abbey reservoir is predominantly gas (primarily methane 90% plus ethane 5%) with associated light condensate.

RPS has modelled wells extending up to 1,500 metres horizontally through the Kirkham Abbey reservoir. These wells have a much greater likelihood of encountering significant sections of the naturally fractured reservoir, enhancing its productive capability.

In preparation for a decision on the potential development of the West Newton discoveries, the Operator submitted revised planning applications for the development of West Newton to the ERYC. This was approved by the ERYC Planning Committee by a vote of ten to one during March 2022.

A revised CPR was compiled by RPS during 2022, evaluating the resources of PEDL183 as of 30 June 2022, (“Effective Date”).

The results of the CPR were very encouraging, highlighting:

- Kirkham Abbey Best Case Gross Unrisked Contingent Technically Recoverable Sales Gas is estimated to be 197.6 billion cubic feet (“bcf”)
- Geological Chance of Success of Kirkham Abbey horizontal well estimated to be 85.5%
- Gross NPV10 risked value of Kirkham Abbey Contingent Gas Resource as at Effective Date of US\$396.1 million post tax
- Substantial additional Prospective Resource figures for Ellerby, Spring Hill and Withersea prospects

Chairman's Statement

In the preparation of the CPR, RPS adopted the Petroleum Resource Management System ("PRMS") standard.

WEST NEWTON GROSS UNRISKED TECHNICALLY RECOVERABLE SALES

CATEGORY	GROSS TECHNICALLY RECOVERABLE	
	GAS (BCF)	LIQUIDS (MBBL)
1C	99.7	299.4
2C	197.6	593.0
3C	393.0	1,178.9

Note: Net data for Union Jack can be calculated by applying its 16.665% economic interest to the above gross data.

WEST NEWTON GEOLOGICAL CHANCE OF SUCCESS

ASSET	SOURCE ROCK	CHARGE	MIGRATION	RESERVOIR	TRAP	SEAL	GEOLOGICAL COS
West Newton	1.00	1.00	1.00	0.90	0.95	1.00	0.855

A future West Newton development will benefit from being located in an area that provides access to substantial regional infrastructure and could deliver significant volumes of onshore low-carbon sales gas into the UK's energy market.

Domestically produced natural gas is, and will remain, a much-needed part of the energy mix as the UK seeks to reduce its reliance on imported products.

Union Jack looks forward to the drilling of a 1,500 metre horizontal well at the earliest opportunity and unlocking the significant potential of the Greater West Newton project.



KEDDINGTON PEDL005(R) (55%)

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

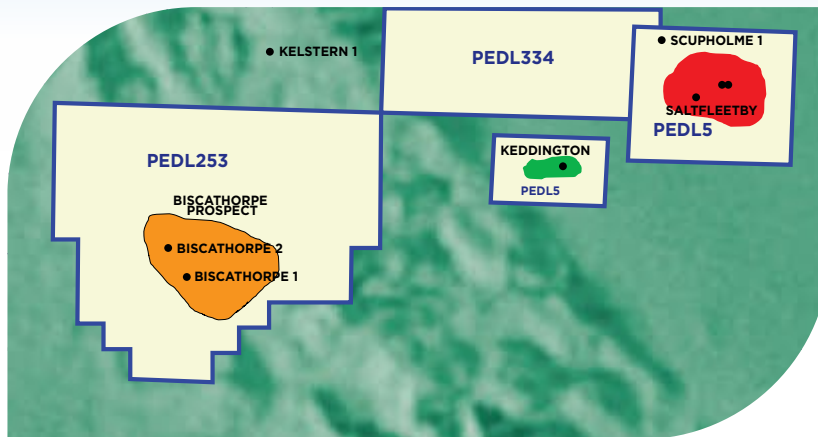
A technical review by the Operator has confirmed that there remains an undrained oil resource located on the eastern side of the Keddington field. Planning consent for further drilling is already in place, presenting an opportunity to increase production via a development side-track from one of the existing wells.

To facilitate confirmation of the target definition and well design planning, re-processing of legacy 3D seismic data has been completed.

Modelling indicates that infill drilling is forecast to improve recovery from the Keddington field by between 113,000 to 183,000 barrels of oil, depending on the reservoir permeability model selected and the combination of infill targets.

Subject to finalising the sub-surface location, it is planned to drill the well, where planning is already granted, in late 2023.

Chairman's Statement



BISCATHORPE PEDL253 (45%)

PEDL 253 is situated within the proven hydrocarbon fairway of the South Humber Basin and is on-trend with the Keddington oilfield and the Saltfleetby gasfield.

While drilling the Biscathorpe-2 well, there were hydrocarbon shows, elevated gas readings and sample fluorescence observed over the entire interval from the top of the Dinantian to the Total Depth of the well, with 68 metres being interpreted as being oil-bearing.

Independent consultants APT also conducted analyses, confirming a hydrocarbon column of 33-34 API gravity oil, comparable with the oil produced at the nearby Keddington oilfield.

Further evaluation of the results of the Biscathorpe-2 well, together with the reprocessing of 264 square kilometres of 3D seismic, indicate a material and potentially commercial viable hydrocarbon resource remaining to be appraised.

Subject to a favourable planning appeal decision a side-track well is planned, targeting the Dinantian Carbonate where the Operator has assessed, in accordance with the PRMS Standard, a gross Mean Prospective Resource of 2.55 mmbbl. The overlying Basal Westphalian Sandstone has the potential to add gross Mean Prospective Resources of 3.95 mmbbl. Economic modelling demonstrates that the Westphalian target is economically robust, especially in the current oil price environment. Commercial screening indicates break-even full cycle economics to be US\$18.07 per barrel.

During November 2021, a planning application for a side-track drilling operation, associated testing and long-term production was refused by the Lincolnshire County Council Planning Committee, despite being recommended for approval by the planning officers.

The Joint Venture partners are awaiting a decision from the Planning Inspectorate, where an appeal was heard in October 2022.

Union Jack's technical team believe that Biscathorpe remains one of the largest unappraised conventional onshore discoveries within the UK.

PEDL241 NORTH KELSEY (50%)

North Kelsey is a conventional oil exploration prospect on trend with, and analogous to, the Wressle oilfield 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 Upper Carboniferous reservoir targets.

The Operator estimates that gross Prospective Resources range from 4.66 to 8.47 mmbbl.

During August 2022, the Operator submitted an appeal on behalf of the Joint Venture, against the refusal of an extension of time to the existing planning permission by Lincolnshire County Council to enable the drilling and testing of a conventional exploration well at the North Kelsey site.

An Inspector has been appointed and the Joint Venture has been informed the appeal will be conducted as a two day hearing in mid-June 2023, the result of which, is expected within a few months.



OTHER LICENCE INTERESTS

Union Jack has interests in a number of other non-core projects, namely PEDL118 (Dukes Wood), PEDL203 (Kirklington), PEDL201 (Widmerpool Gulf), PEDL181 (Humber Basin) and PEDL209 (Laughton).

These licence interests have all been fully impaired and are at various stages of relinquishment with the exception of Dukes Wood and Kirklington where the geothermal upside potential is being investigated.

Fiskerton Airfield (EXL294) is currently shut-in whilst awaiting a workover programme to reinstate production. Longer term potential for the site is to manage produced water through the existing water injection well on site and also for potential geothermal repurposing.

The Company has decided to fully impair the value of Fiskerton Airfield at a cost of £416,606. This decision was made as production was not covering costs and substantial work and capital expenditure was required on the existing production equipment.

PIPER CLAYMORE COMPLEX ROYALTY UNITS (2.5%)

During May 2023, the Management negotiated price and terms of condition for the sale of the Company's 2.5% interest in the Claymore Area Royalty Agreement. The Company has subsequently disposed of this asset with full payment received.

This transaction is a post period end event.

CORPORATE AND FINANCIAL

The 12 month period under review has seen the Company become a cash generating and profitable entity, with a strong balance sheet and a clear focus on the development of its flagship assets.

Union Jack remains debt free and has cash balances and near-term receivables in excess of £9,750,000 as at 12 May 2023. We are funded for all operational, CAPEX and drilling costs for at least the next 12 months.

Revenues from oil sales of £8,507,050 (2021: £1,894,875) reported for the period have had a material effect on the Income Statement, resulting in the Company being able to report a maiden net profit of £3,606,624 (2021: loss £853,013).

Basic Earnings per share of 3.20 pence were reported versus a loss per share of (0.83 pence) in 2021.

Given the strong and improved cash position of the Company during 2022, a decision was made by the Board to undertake a Capital Reduction exercise to enable the payment of a cash dividend and activate a share buy-back programme. During August 2022, the High Court granted the Capital Reduction. A maiden Special Dividend of 0.8 pence per share was made to shareholders during December 2022. Post period end, during March 2023, the Company announced an Interim Dividend of 0.3 pence per share to be paid during July 2023.

The Company also commenced a share buy-back programme in October 2022, which has continued during 2023. Post period end, as at 12 May 2023, a total of 3,050,000 shares have been bought and are held in Treasury. Shares held in Treasury, increase the Earnings Per Share, hold no voting rights and are not entitled to a dividend payment.

I would be remiss not to mention the Energy Profits Levy of 25% introduced in May 2022 by the Chancellor and subsequent increase to 35% in 2023. Union Jack has a development and drilling programme planned for the remainder of 2023 and beyond. The tax breaks available for future investment in our projects provides an effective cushion to help mitigate this unfair and punitive tax on smaller energy companies.

I take this opportunity to thank our shareholders for their continued support, as well as my co-directors and advisers, all who continue to support the development and growth of the Company.

OUTLOOK

My confidence at the close of 2022 has been vindicated by the Company's excellent 2022 financial results, confirming its transformation, both financially and operationally.

The Board is of the opinion that within the Wressle development there remains significant material upside which will support the Company with revenues for at least another decade.

I also look forward to the drilling of a horizontal well at West Newton. Independent technical analyses have concluded that using extended horizontal development wells and oil-based muds should maximise hydrocarbon productivity. Encouragingly, the results from West Newton to date, signal a potentially highly valuable onshore project with resources comparable to those usually reported offshore. A significant onshore domestic gas resource as indicated at West Newton has the potential to become an important transition fuel in helping the UK achieve its 2050 Net Zero targets.

The Company will remain focused on the development of its flagship projects, Wressle and West Newton, where the respective Operators and joint venture partners have ambitious appraisal and development programmes planned.

I am confident that the news-flow emanating from our balanced portfolio which contains elements of production, development, appraisal and exploration, will continue to attract the attention of shareholders and investors and generate support for the Company in its pursuit of shareholder value.

In closing, Union Jack is in sound financial health with a robust balance sheet, continues to be free of debt, has significant cash reserves with no requirement to raise capital for its planned operations for the foreseeable future.

The future of Union Jack remains bright.

David Bramhill

Executive Chairman

12 May 2023

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

STRATEGY

Our strategy is the appraisal and development of the licence interests currently owned.

BUSINESS REVIEW

Union Jack Oil plc is a UK registered company, focused on the exploration and future development of the hydrocarbon project interests held by the Company.

A review of the Company's operations during the year ended 31 December 2022 and subsequent to the date of this report is contained in the Chairman's Statement and this Strategic Report.

The profits for the year amounted to £3,606,624 (2021: loss £853,013).

The profit for the year includes impairments to Property, Plant and Equipment of which total costs are £478,584 (2021: £156,995). These impairments are in relation to PEDL118, £33,718 (2021: £67,598), PEDL203, £28,260 (2021: £83,057) and EXL294, £416,606 (2021: £nil).

The profit for the year includes impairments to Intangible Assets of which total costs are -£3,028 (2021: £6,340). These impairments are in relation to a reverse impairment to PEDL181, -£5,306 and an impairment to PEDL201, £2,278.

Administrative expenses, excluding impairment costs, amounted to £1,665,174 (2021: £1,740,962). This decrease is largely due to lower share based costs for share options.

Cash and cash equivalents at year end amounted to £7,155,100 (2021: £5,977,541), with the increase in oil revenue contributing.

Total Assets at year end amounted to £26,361,337 (2021: £24,472,708).

Non-current assets at year end amounted to £17,157,286 (2021: £16,392,416).

Intangible Assets totalled £9,134,006 (2021: £8,525,373).

Tangible assets totalled £5,666,212 (2021: £7,575,525).

Of the assets figures above, the net effect is an increase overall consisting of an increase to Intangible Assets of £608,633 from investment in projects; Investments of £260,525, from a revaluation of shares held; Other Receivables, being the deferred tax asset of £1,805,005; and Current Assets of £1,123,759 being due to increased oil revenues. There has also been a decrease in Tangible Assets of £1,909,313 largely through the calculated depreciation of the producing assets.

The Company's Income Statement reports revenues of £8,507,050 (2021: £1,894,875) in respect of production income from Wressle, Keddington oilfield and the Fiskerton Airfield oilfield.

The directors have recommended a payment of an interim dividend of 0.3 pence, payable during July 2023.

In January 2022, the Company announced a summary of the results of an analysis of the bottom hole pressure data acquired from the Wressle-1 well during December 2021. The interpretation was completed by ERCE, an independent energy consultancy, on behalf of the Wressle Joint Venture partners. Results demonstrated the significant potential of the Wressle-1 well and the production rates that could be achieved once the surface facilities are optimised and a gas monetisation scheme is in place.

During January 2022, the Company announced the intention of the Operator of PEDL253, Biscathorpe, to appeal against the refusal of planning permission by Lincolnshire County Council, for a side track drilling operation, associated testing and long-term oil production. This appeal was heard during October 2022 by the Planning Inspectorate, the result of which is expected during 2023.

During March 2022, planning for the extension for PEDL241, North Kelsey, was refused by the Lincolnshire County Council. The Joint Venture Partners have lodged an appeal to be heard by the Planning Inspectorate.

During March 2022, planning for the drilling of additional wells and production at West Newton A site was approved by the East Riding of Yorkshire Council. Separately, permission was granted for a time extension to allow further exploratory drilling at West Newton B site.

During March 2022, settlement of £2,083,333 for the consideration payment of a 25% interest in PEDL180 and PEDL182 was made to Calmar LLP.

In July 2022, 150,000 new ordinary shares were issued for cash at a price of 22 pence per ordinary share, raising £33,000 before expenses of nil, by way of exercising options.

The enlarged issued share capital following the issue of the new ordinary shares described above is 112,865,896 ordinary shares of 5 pence each and 831,680,400 deferred shares of 0.225 pence each.

The approval of a Capital Reduction exercise in August 2022, was granted by the High Court of Justice. The Capital Reduction created additional reserves to the value of £21,553,557 providing flexibility to deliver shareholder returns in the form of dividends and/or share buy-backs.

During December 2022, a maiden dividend of 0.8 pence per ordinary share was paid to qualifying shareholders (2021: £nil).

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2022

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 indicators 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, Biscathorpe, Keddington and North Kelsey, where development, appraisal and exploration plans are in place for the future benefit of stakeholders and the Company.

KEY PERFORMANCE INDICATORS

In the past, reporting traditional Key Performance Indicators (KPIs) were deemed inappropriate for the Company. Performance was measured by monitoring exploration costs and ensuring sufficient funds were available to meet project commitments.

These Financial Statements for the year end 31 December 2022, show a full year's production from Wressle and focus has now changed showing traditional KPIs and not E&E expenditure.

The Board are extremely pleased with the business performance of the Company and note the significant positive financial figures reported within the KPI table.

These figures have been enhanced by a material increase in production at Wressle and firm oil prices.

During the year, the Company has also achieved profitability, paid a maiden dividend and commenced a share buy-back programme with a view to increasing earnings per share.

Further events which took place after the Balance Sheet date are described in the Directors' Report and note 24.

Table of Key Performance Indicators

KEY PERFORMANCE INDICATORS	FOR THE YEAR ENDING 31 DECEMBER 2022 £	FOR THE YEAR ENDING 31 DECEMBER 2021 £
Revenues	8,507,050	1,894,875
Total Comprehensive Income/(Loss)	3,777,124	(798,593)
Cash and cash equivalents	7,155,100	5,977,541
Net Current Assets	8,425,761	5,689,689
Total Equity	23,005,231	20,205,347

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2022

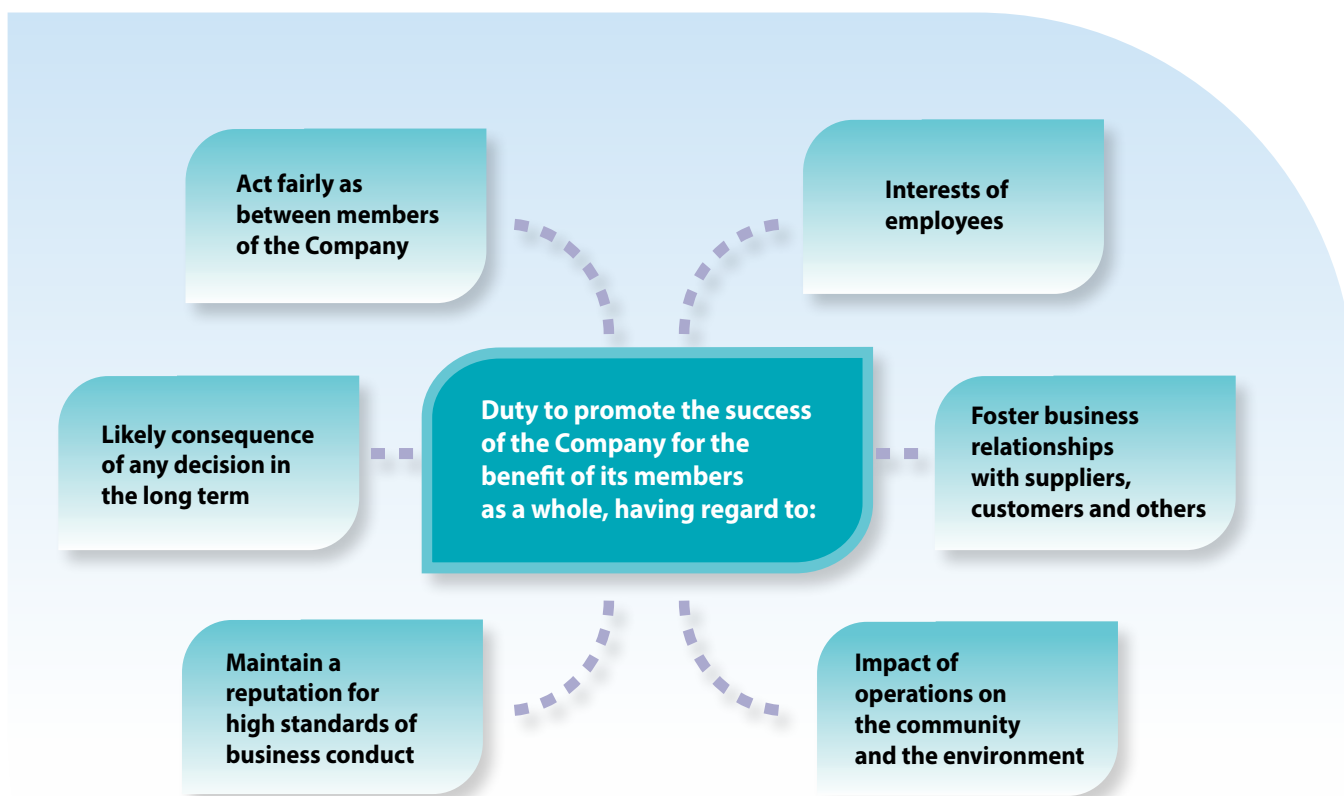
SECTION 172 STATEMENT

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 white 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.

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 2022

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 two JOA partners, Egdon Resources plc and Rathlin Energy (UK) Limited (the "JOA Partners").

Through its financing activities and production revenues, 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 North Sea Transition 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 2022

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
 - 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 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
 - The Board also believes, given the current stage of the Company's development and its cash position, that it is appropriate to benefit shareholders through the commencement of dividend payments and a share buyback programme, which began in the year

Employees

The Company directly employs four people. 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 skill sets, 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 2022

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 2022

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 and Rathlin Energy (UK) 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 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.

Union Jack has considered the effects of the Russian and Ukrainian conflict on its business and have concluded that there is no near-term negative impact to the Company, to date.

Strategic Report

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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.

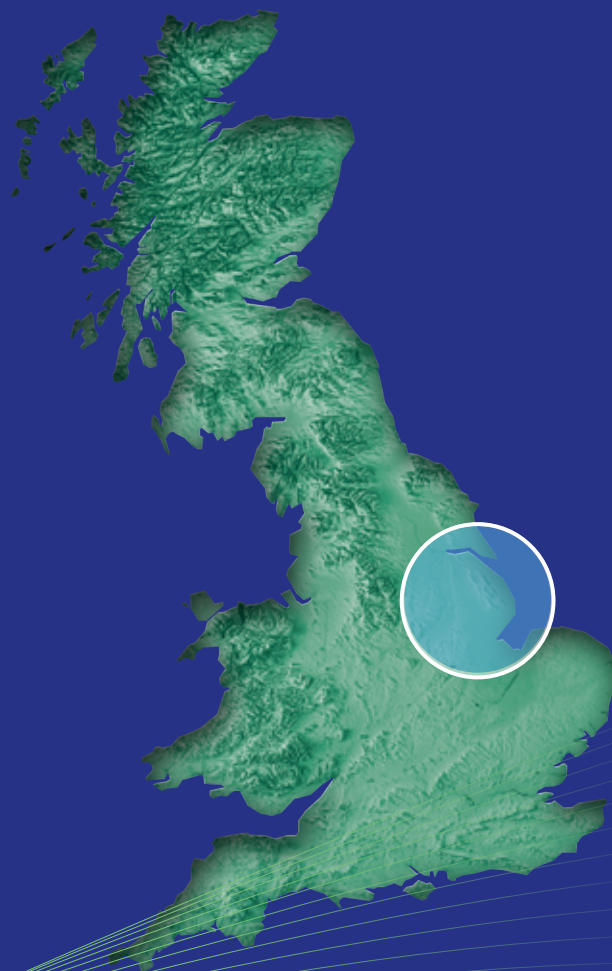
On behalf of the Board

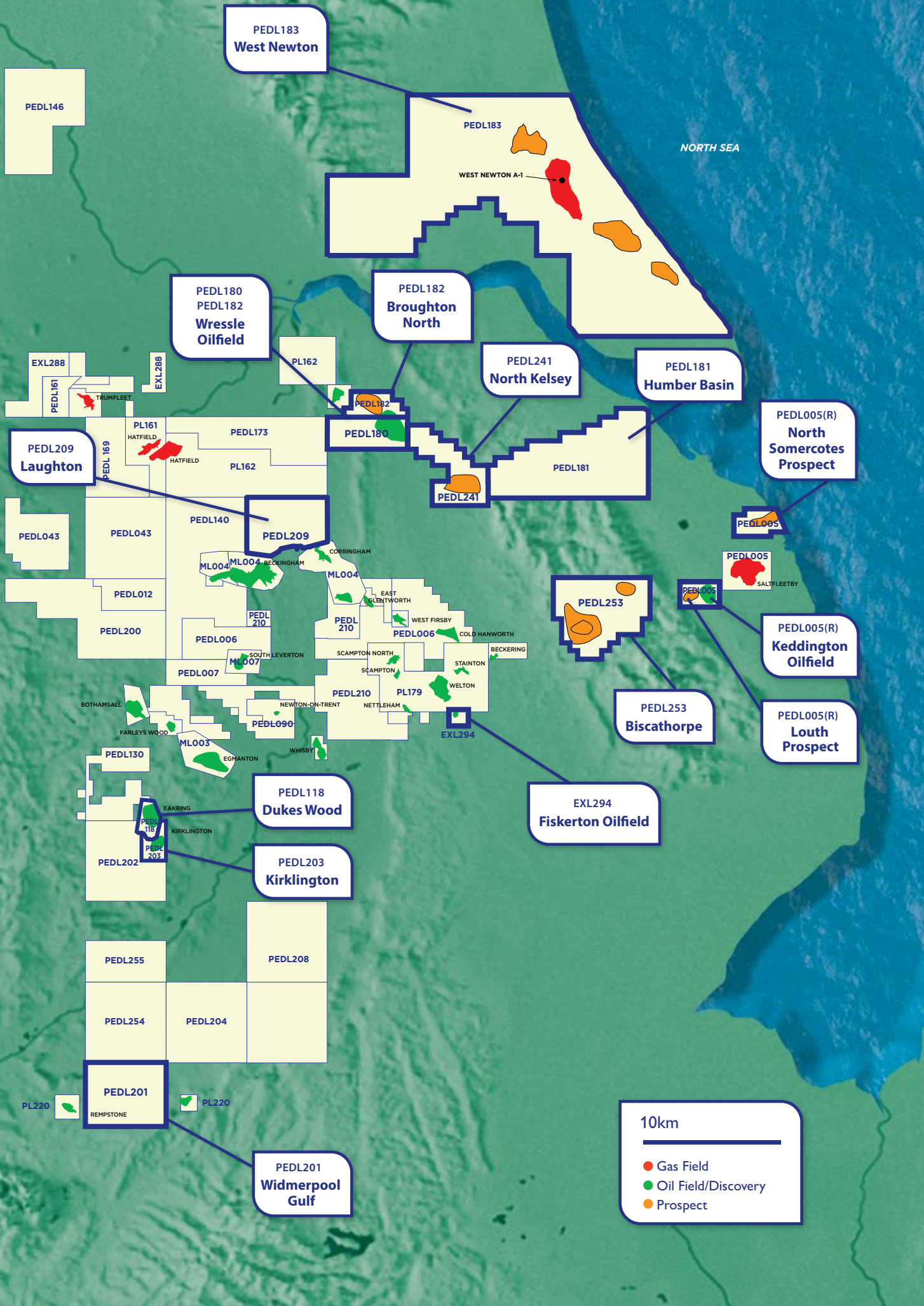
David Bramhill
Executive Chairman

12 May 2023

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%
5	EXL294	Fiskerton Oilfield	20%
6	PEDL241	North Kelsey	50%
7	PEDL118 PEDL203	Dukes Wood Kirklington	16.67%
8	PEDL201	Widmerpool Gulf	26.25%
9	PEDL209	Laughton	10%
10	PEDL181	Humber Basin	12.5%





DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report together with the financial statements for the year ended 31 December 2022.

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 2022 and 31 December 2022, were as shown in the table below:

	ORDINARY SHARES	
	31 December 2022	1 January 2022
D Bramhill	416,646	416,646
J O'Farrell	1,897,914	1,897,914
R Godson	392,058	242,058
G Bull	20,000	20,000

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 2022 was as follows:

	SALARIES AND FEES	
	2022 £	2021 £
D Bramhill	287,083	287,083
J O'Farrell	120,000	120,000
R Godson	40,000	40,000
G Bull	40,000	40,000

	OPTIONS	
	2022	2021
D Bramhill	1,200,000	1,200,000
J O'Farrell	700,000	700,000
R Godson	150,000	300,000
G Bull	550,000	550,000

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

No options were granted to directors or officers during 2022.

Raymond Godson exercised 150,000 options at a strike price of 22 pence each.

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 2022

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

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 UK adopted international accounting 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 UK adopted international accounting standards 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 22 June 2023, in accordance with the Notice of Annual General Meeting on page 73. Details of the resolutions to be passed are included in this notice.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2022

EVENTS AFTER THE BALANCE SHEET DATE

The following events have taken place after the year end:

During March 2023, the Board declared an interim dividend of 0.3 pence per ordinary share, with a London Stock Exchange ex-dividend date of Thursday 6 July 2023, a record date of Friday 7 July 2023 and payment date of Friday 28 July 2023.

The share buy-back programme has continued and since 1 January 2023 to 12 May 2023 a total of 2,350,000 ordinary shares were purchased and placed in Treasury. The number of ordinary shares held in Treasury as at 12 May 2023, is 3,050,000.

During May 2023, the Management negotiated price and terms of condition for the sale of the Company's 2.5% interest in the Claymore Area Royalty Agreement. The Company has subsequently disposed of this asset with full payment received.

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

12 May 2023

CORPORATE GOVERNANCE REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE GOVERNANCE REPORT

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

The London Stock Exchange requires 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	<p>Principle 1</p> <p>Establish a strategy and business model which promotes long-term value for shareholders.</p> <p>The Board must be able to express a shared view of the Company's purpose, business model and strategy.</p> <p>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.</p> <p>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.</p>	<p>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 two JOA partners, Egdon Resources plc and Rathlin Energy (UK) Limited.</p> <p>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 or expand licence interests and production in the UK.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
2	<p>Principle 2</p> <p>Seek to understand and meet shareholders' needs and expectations.</p> <p>Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base.</p> <p>The Board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Investor communications are managed by the Executive Chairman, in conjunction with the Company's Nominated Adviser.</p> <p>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.</p> <p>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.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
3	<p>Principle 3</p> <p>Take into account wider stakeholder and social responsibilities and their implications for long-term success.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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 North Sea Transition 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.</p> <p>As set out above, due to the specific nature of the Company's business, the Company currently relies on two key JOA partners, Egdon Resources U.K. Limited and Rathlin Energy (UK) Limited, who manage and operate the Company's licence interests on its behalf.</p> <p>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.</p> <p>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.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
4	<p>Principle 4</p> <p>Embed effective risk management, considering both opportunities and threats, throughout the organisation.</p> <p>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.</p> <p>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).</p>	<p>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.</p> <p>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.</p> <p>The principal risks to the Company as well as the mitigation actions by the Board are set out below:</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company																				
5	<p>Principle 5</p> <p>Maintain the Board as a well-functioning, balanced team led by the Chairman.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Directors must commit the time necessary to fulfil their roles.</p>	<p>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.</p> <p>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 <i>de minimus</i> and are not deemed to affect their independent thought and judgement.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>During 2022, the Board held seven meetings, either by telephone or in person.</p> <table border="1" data-bbox="614 1417 1358 1704"> <thead> <tr> <th>Board Member</th> <th>Board Meetings Attended (7 held in the period)</th> <th>Audit Committee (2 held in the period)</th> <th>Remuneration Committee (2 held in the period)</th> </tr> </thead> <tbody> <tr> <td>D Bramhill</td> <td>7</td> <td>–</td> <td>–</td> </tr> <tr> <td>J O'Farrell</td> <td>7</td> <td>–</td> <td>–</td> </tr> <tr> <td>G Bull</td> <td>7</td> <td>2</td> <td>2</td> </tr> <tr> <td>R Godson</td> <td>7</td> <td>2</td> <td>2</td> </tr> </tbody> </table> <p>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.</p> <p>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.</p>	Board Member	Board Meetings Attended (7 held in the period)	Audit Committee (2 held in the period)	Remuneration Committee (2 held in the period)	D Bramhill	7	–	–	J O'Farrell	7	–	–	G Bull	7	2	2	R Godson	7	2	2
Board Member	Board Meetings Attended (7 held in the period)	Audit Committee (2 held in the period)	Remuneration Committee (2 held in the period)																			
D Bramhill	7	–	–																			
J O'Farrell	7	–	–																			
G Bull	7	2	2																			
R Godson	7	2	2																			

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
6	<p>Principle 6</p> <p>Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Succession planning has been considered at Board level and a strategy agreed upon.</p> <p>The directors are committed to promoting diversity and equal opportunities and consider the Company to be a supportive employer.</p>	<p>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:</p> <p>David Bramhill, Executive Chairman, 72</p> <p>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.</p> <p>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.</p> <p>Joseph O'Farrell, Executive Director, 71</p> <p>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.</p> <p>Graham Bull, Non-Executive Director, 77</p> <p>Mr Bull is a geologist with 52 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.</p> <p>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.</p> <p>Mr Bull is the Chairman of the Remuneration Committee and a member of the Audit Committee.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
6	Principle 6 (continued)	<p>Raymond Godson, Non-Executive Director, 79</p> <p>Mr Godson is a chartered accountant with 44 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.</p> <p>Mr Godson is the Chairman of the Audit Committee and a member of the Remuneration Committee.</p> <p>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.</p> <p>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.</p> <p>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: JL Geophysics, Calderdale Geoscience Limited and Oil & Gas Advisers Limited.</p> <p>JL Geophysics 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.</p> <p>Oil & Gas Advisers Limited provides a financial overview in respect of due diligence on potential project acquisitions and ongoing economics of our project interests.</p> <p>Matthew Small is Company Secretary and, via an established accounting entity, Berkeley Hall Marshall Limited, represents the Company as <i>de facto</i> Financial Controller, working closely with the Executive Chairman and the Audit and Remuneration Committees.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
7	<p>Principle 7</p> <p>Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.</p> <p>The Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>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.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
8	<p>Principle 8</p> <p>Promote a corporate culture that is based on ethical values and behaviours.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>The corporate culture should be recognisable throughout the disclosures in the Annual Report, website and any other statements issued by the Company.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
9	<p>Principle 9</p> <p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.</p> <p>The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its:</p> <ul style="list-style-type: none"> • size and complexity; and • capacity, appetite and tolerance for risk. <p>The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the Company.</p>	<p>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.</p> <p>The roles of the individual Board members are as follows:</p> <ul style="list-style-type: none"> • 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 <p>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:</p> <p>The Audit Committee</p> <p>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.</p> <p>This Committee also provides a forum for reporting by the Company's auditor. The executive directors may attend meetings by invitation.</p> <p>The Remuneration Committee</p> <p>The Remuneration Committee comprises Graham Bull, who acts as its Chairman, and Raymond Godson.</p> <p>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.</p> <p>The remuneration of non-executive directors is determined by the executive directors.</p> <p>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.</p> <p>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.</p> <p>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.</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

	QCA Code Recommendation	Application by the Company
10	<p>Principle 10</p> <p>Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.</p> <p>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.</p> <p>In particular, appropriate communication and reporting structures should exist between the Board and all constituent parts of its shareholder base.</p> <p>This will assist:</p> <ul style="list-style-type: none"> the communication of shareholders' views to the Board; and the shareholders' understanding of the unique circumstances and constraints faced by the Company. <p>It should be clear where these communication practices are described (Annual Report or website).</p>	<p>The Company ensures:</p> <ul style="list-style-type: none"> a printed Annual Report is delivered to each registered shareholder, and also made available on the Company's website a Half Yearly Report is 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 <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>Given the size of the Company, the Board is of the opinion that no formal communication structures are required at this time.</p> <p>The Company does however:</p> <ul style="list-style-type: none"> 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 <p>The Company's communication practices are set out on its website at: www.unionjackoil.com/aim-rule-26/</p>

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

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, seven 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

Corporate Governance Report

FOR THE YEAR ENDED 31 DECEMBER 2022

CLIMATE CHANGE POLICY

Union Jack does not operate the projects in which the Company is invested.

The Company's policy is to work with Operators whose vision is to provide locally derived, secure, affordable and sustainable energy to meet the UK's evolving needs. In addition, the companies that we align with must be committed to attaining Net Zero emissions no later than 2050, in line with the Paris Climate Agreements, with at least a 25% reduction in emissions by 2025. This commitment by the Operator's include their share of Scope 1 (direct emissions) and Scope 2 (purchase of indirect power) emissions from operated and non-operated assets. This forms part of Union Jack's commitment to safety, environmental and social responsibility.

To achieve the above our Operator's will:

- Establish time bound targets that support the ambitions of the UN Paris Climate Agreement
- Identify and pursue opportunities to minimise their carbon footprint and greenhouse gas emissions within their operations
- Participate with industry and academic partners to evaluate, identify and invest in technology and studies that can help mitigate or offset their emissions
- Communicate with internal and external stakeholders in a transparent manner on their climate related performance and their associated governance, risk management and target setting
- Consider carbon emissions as part of their decision-making process across our asset portfolio to test the robustness of investments against net zero strategy
- Incentivise emission reduction opportunities identified by their staff and contractors with an emphasis on operational plant efficiency

The management of Union Jack have been assured that the policies highlighted above will be continually reviewed and updated as understanding of climate related risks, new technologies and associated regulations evolve.

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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; 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 2022 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 UK adopted international accounting standards.

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 31 August 2024 and considering the completeness and accuracy of the future cash flows by evaluating the key underlying assumptions, including oil price, production, operating costs and capital expenditure and known contractual arrangements. In doing so, we considered empirical data, historical performance and trading to date. 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 2022 actual results to the 2022 forecast.
- Performing an accuracy check on the mechanics of the cash flow forecast model prepared by management and approved by the directors.
- Performing sensitivity analysis on the base case scenario prepared by the directors including oil price sensitivities, production sensitivities and assumptions around investing activities to determine the impact on going concern.
- Reviewing the adequacy of disclosures made within the financial statements on the going concern basis of preparation.

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	2022 ✓	2021 ✓
Materiality	Company financial statements as a whole £154,000 (2021: £230,000) based on 5% of profit before taxation (2021: 1% of total assets).		

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our 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

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Carrying value of the oil and gas assets</p> <p>Refer to the Accounting Policies and notes 7 and 8.</p> <p>The Company's oil and gas assets are classified as intangible assets where the Company has exploration and evaluation interests ("E&E") of £9,063,254 and as property, plant and equipment where the Company has development and producing interests ("D&P") of £5,559,420 at 31 December 2022. In respect of both the Company's E&E and D&P assets, 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 required to perform an assessment of the carrying value of the assets.</p> <p>The directors identified that the Fiskerton Airfield D&P assets were considered to be impaired in the year due to the uncertainty in respect of the future oil production from the licence. In the prior years, the directors identified that the Duke's Wood and Kirklington D&P assets were considered to be impaired, and remained fully impaired in the year due to the uncertainty in respect of the future oil production from the licences. There were no further impairment indicators identified on any of the other material assets.</p> <p>Given the significance of the assets on the Company's Balance Sheet and the significant judgement involved in the assessment of potential indicators of impairment, we considered this to be a key audit matter.</p>	<p>In respect of both the E&E assets and the D&P assets we evaluated the directors' impairment indicator 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.</p> <p>Our specific audit procedures for the E&E assets included obtaining and challenging the directors' assessment of impairment indicators under IFRS 6 Exploration and Evaluation of Mineral Resources. This included:</p> <ul style="list-style-type: none"> • verifying of the licence status to publicly available information in order to confirm the legal title and validity of each of the licences. • reviewing approved budget forecasts and minutes of management and Board meetings to confirm the Company's intention to continue exploration work on the licences. • reviewing available technical documentation and discussion of results and operations with management in order to obtain an understanding of management's expectation of commercial viability. <p>Our specific audit testing for the D&P assets included:</p> <ul style="list-style-type: none"> • assessing the appropriateness of the cash generating unit classification and the impairment indicator considerations against the provisions of IAS 36 Impairment of Assets. • verifying the 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 indicators identified (i.e. obsolescence from internal reporting such as minutes of meetings) or external potential indicators of 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. • evaluating management's judgement regarding the basis for the full impairment of the carrying value of Fiskerton Airfield being the uncertainty of timings for future oil production. In doing so we considered the Company's operating strategy for the asset, the 2022 actual production results and status of post year end production. <p>Key observations:</p> <p>Based on our procedures performed we consider the assumptions used in determining the carrying value of the oil and gas assets to be appropriate.</p>

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	
	2022	2021
Materiality	£154,000	£230,000
Basis for determining materiality	5% of profit before taxation	1% of total assets calculated based on draft figures at the planning stage of our audit
Rationale for the benchmark applied	We considered profit before taxation to be an important performance metric and likely to be the primary focus for the users of the financial statements as a result of a full year of operations at Wresle.	We considered total assets to be the relevant benchmark as the Company generated minimal revenue and total assets were 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	£116,000	£172,000
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.	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.

SPECIFIC MATERIALITY

In 2021, the Company had increased income statement activity as a result of production at Wresle commencing in the period and we applied a specific materiality to the Income Statement of £57,000 based on 2% of total expenditure. We further applied a performance materiality level of 75% of specific materiality of £43,000 to ensure that the risk of errors exceeding specific materiality was appropriately mitigated. In 2022, we did not consider it necessary to apply a specific materiality to the Income Statement on the basis that the Company has a full year of operations at Wresle.

REPORTING THRESHOLD

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £7,000 (2021: £5,000). 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 the 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	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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. <p>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.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> • 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.

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.

Independent Auditor's Report on the Financial Statements

TO THE MEMBERS OF UNION JACK OIL PLC

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates; and
- Discussion with directors and our knowledge of the industry,

we considered the significant laws and regulations of the UK to be those relating to the industry including, Oil & Gas Regulation, the financial reporting framework, tax legislation and the AIM listing rules.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation, licensing and environmental regulations.

Our procedures in respect of the above included:

- Discussions with directors to consider any known or suspected instances of non-compliance with laws and regulations identified by them;
- Review of minutes of meetings of those charges with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Involvement of tax specialists in the audit to assess compliance with relevant laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Discussions with directors to consider any known or suspected instances of fraud identified by them;
- 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; and
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition and management override of controls.

Our procedures in respect of the above included:

- Testing a sample of revenue transactions to supporting documentation, including testing revenue transactions in the period proceeding and preceding year end to assess that they were recorded in the correct period; and
- Testing a risk-based selections of journals to supporting documentation and evaluating whether there was evidence of bias in the directors' estimates (Refer to the 'key audit matters' section) 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, who were all deemed to have appropriate competence and capabilities 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.

Jill MacRae (Senior Statutory Auditor)

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

12 May 2023

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31.12.22 £	31.12.21 £
Revenue		8,507,050	1,894,875
Cost of sales - operating costs		(1,143,967)	(377,153)
Cost of sales - depreciation		(2,125,425)	(735,160)
Cost of sales - Net Profit Interest payment	2	(137,179)	–
Gross profit		5,100,479	782,562
Administrative expenses (excluding impairment charge)		(1,665,174)	(1,740,962)
Impairment	2	(475,556)	(156,995)
Total administrative expenses		(2,140,730)	(1,897,957)
Operating profit / (loss)		2,959,749	(1,115,395)
Finance income	4	86,586	112,611
Royalty income	4	42,444	149,771
Profit / (loss) before taxation		3,088,779	(853,013)
Taxation	5	517,845	–
Profit / (loss) for the financial year		3,606,624	(853,013)
Attributable to:			
Equity shareholders of the Company		3,606,624	(853,013)
Earnings / (loss) per share			
Basic (pence)	6	3.20	(0.83)
Diluted (pence)	6	3.16	(0.83)

The accompanying accounting policies and notes on pages 46 to 72 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31.12.22 £	31.12.21 £
Profit/(loss) for the financial year		3,606,624	(853,013)
Items which will not be reclassified subsequently to profit or loss			
Other comprehensive income			
Profit on investment revaluation	10	170,500	54,420
Total comprehensive profit/(loss) for the financial year		3,777,124	(798,593)

The accompanying accounting policies and notes on pages 46 to 72 form an integral part of these financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2022

	Notes	31.12.22 £	31.12.21 £
Assets			
Non-current assets			
Exploration and evaluation assets	7	9,134,006	8,525,373
Property, plant and equipment	8	5,666,212	7,575,525
Investments	10	552,043	291,518
Deferred tax asset	5	1,805,025	–
		17,157,286	16,392,416
Current assets			
Inventories		28,038	8,829
Loan receivables	11	–	1,028,110
Trade and other receivables	12	2,020,913	1,065,812
Cash and cash equivalents	13	7,155,100	5,977,541
		9,204,051	8,080,292
Total assets		26,361,337	24,472,708
Liabilities			
Current liabilities			
Trade and other payables	20	778,290	2,390,603
Non-current liabilities			
Provisions	21	1,700,069	1,876,758
Deferred Tax Liability	5	877,747	–
		2,577,816	1,876,758
Total liabilities		3,356,106	4,267,361
Net assets		23,005,231	20,205,347
Capital and reserves attributable to the Company's equity shareholders			
Share capital	14(a)	7,514,576	7,507,076
Share premium	15	–	21,528,077
Share-based payments reserve	15	712,634	638,586
Treasury reserve	15	(214,227)	–
Accumulated profit / (deficit)	15	14,992,248	(9,468,392)
Total equity		23,005,231	20,205,347

The financial statements of Union Jack Oil plc, registered number 07497220, were approved and authorised for issue by the Board of Directors on 12 May 2023 and were signed on its behalf by:

David Bramhill
Director

The accompanying accounting policies and notes on pages 46 to 72 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £	Share premium £	Share-based payment reserve £	Treasury reserve £	Accumulated (deficit) / retained earnings £	Total £
Balance at 1 January 2022	7,507,076	21,528,077	638,586	–	(9,468,392)	20,205,347
Profit for the financial year	–	–	–	–	3,606,624	3,606,624
Other comprehensive profit	–	–	–	–	170,500	170,500
Total comprehensive profit for the year	–	–	–		3,777,124	3,777,124
Contributions by and distributions to owners						
Exercise of share options	7,500	25,500	(19,368)	–	19,368	33,000
Capital reduction	–	(21,553,577)	–	–	21,553,577	–
Dividends	–	–	–	–	(900,527)	(900,527)
Expiry of warrants	–	–	(11,098)	–	11,098	–
Treasury Shares	–	–	–	(214,227)	–	(214,227)
Share-based payments	–	–	104,514	–	–	104,514
Total contributions by and distributions to owners	7,500	(21,528,077)	74,048	(214,227)	20,683,516	(977,240)
Balance at 31 December 2022	7,514,576	–	712,634	(214,227)	14,992,248	23,005,231
Balance at 1 January 2021	6,825,258	19,522,379	411,467	–	(8,669,799)	18,089,305
Loss for the financial year	–	–	–	–	(853,013)	(853,013)
Other comprehensive profit	–	–	–	–	54,420	54,420
Total comprehensive loss for the year	–	–	–	–	(798,593)	(798,593)
Contributions by and distributions to owners						
Issue of share capital	681,818	2,318,182	–	–	–	3,000,000
Share issue costs	–	(312,484)	–	–	–	(312,484)
Share-based payments	–	–	227,119	–	–	227,119
Total contributions by and distributions to owners	681,818	2,005,698	227,119	–	(798,593)	2,116,042
Balance at 31 December 2021	7,507,076	21,528,077	638,586	–	(9,468,392)	20,205,347

The accompanying accounting policies and notes on pages 46 to 72 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	31.12.22 £	31.12.21 £
Cash flow from operating activities	16	5,811,734	(646,726)
Cash flow from investing activities			
Purchase of intangible assets		(712,935)	(2,277,224)
Purchase of property, plant and equipment		(2,852,254)	(1,022,055)
Fixed term deposit		(1,000,000)	–
Loan advanced		(1,000,000)	–
Loan repaid		2,000,000	–
Purchase of investments	10	(100,000)	(100,000)
Sale of investments	10	6,772	–
Interest received		105,996	67,016
Net cash used in investing activities		(3,552,421)	(3,332,263)
Cash flow from financing activities			
Proceeds on issue of new shares	14(a)	33,000	3,000,000
Cost of issuing new shares	14(a)	–	(312,484)
Dividends paid		(900,527)	–
Treasury shares		(214,227)	–
Net cash (used in) / generated from financing activities		(1,081,754)	2,687,516
Net increase / (decrease) in cash and cash equivalents		1,177,559	(1,291,473)
Cash and cash equivalents at beginning of financial year		5,977,541	7,269,014
Cash and cash equivalents at end of financial year	13	7,155,100	5,977,541

The accompanying accounting policies and notes on pages 46 to 72 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 UK adopted international accounting 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 2022 and subject to adoption by the UK Endorsement Board ("UKEB").

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 through to 31 August 2024.

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; (ii) 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.

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.

ROYALTIES

The Company does not believe the ownership of royalties meet the definition of a revenue contract, given there are no contracts with the customer, or performance obligations to fulfil, and the Company has no input in the running of the Piper, Claymore and Scapa oilfields. As a result, revenue is recognised as other income.

CASH AND CASH EQUIVALENTS

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

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.

INTANGIBLE ASSETS – ROYALTIES

Royalties are classified as intangible assets by the Company. The Company considers the substance of the royalty to be economically similar to holding a direct interest in the underlying asset. Existence risk (the commodity physically existing in the quantity demonstrated), production risk (that the operator can achieve production and operate a commercially viable project), timing risk (commencement and quantity produced, determined by the operator) and price risk (returns vary depending on the future commodity price, driven by future supply and demand) are all risks which the Company participates in on a similar basis to an owner of the underlying licence. Furthermore, in the royalty, there is only a right to receive cash to the extent there is a production and there are no interest payments, minimum payment obligations or means to enforce production or guarantee repayment. These are accounted for as intangible assets under IAS 38 and accordingly are amortised over their useful economic life.

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.

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.

ENERGY PROFITS LEVY

On 26 May 2022, the government introduced an Energy Profit Levy ("EPL") of 25% on profits. The EPL cost to the Company during 2022, after an OPEX allowance of 100% and CAPEX relief of 180% was £409,433 (2021: nil).

The EPL for the year 2023, has been increased to 35% and the CAPEX relief decreased to 129%. OPEX allowance remains at 100%.

The planned development and drilling programme for 2023 are expected to provide a robust cushion in respect of EPL payments made by the Company during the year.

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. During the year all outstanding warrants expired.

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:	UK adopted	Impact on the Company
Various	Amendments to <ul style="list-style-type: none"> • 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	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 12	Amendments to IAS 12: Deferred Tax relating to Assets and Liabilities arising from a Single Transaction	1 January 2023	No
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 2024	No

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

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 use independent estimates for future decommissioning expenditure. Discount rates of 3.88% and inflation rates of 1.8% are used 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.

Depreciation

Production assets are depreciated on a unit of production method based on the commercial proven reserves for each separate asset. Development assets are not depreciated until production commences. The unit of production rate calculation for the depreciation of costs takes into account expenditures incurred to date.

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.

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, the royalties due, and trade receivables. Arriving at the expected credit loss allowance involved considering different scenarios for the recovery of 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.

Deferred tax

In determining the deferred tax asset to recognise, the Directors have considered the likelihood of generating taxable profits in the foreseeable future against which losses and other timing differences can be offset. The Directors have used assumptions consistent with those adopted in preparing the going concern assessment and have not anticipated profits that may arise following future exploration activity. Foreseeable future has been considered to be 24 months. The deferred tax asset recognised is disclosed in note 5 and amounted to £1,805,025 at the year end. The deferred tax liability is calculated on temporary differences based on accelerated tax relief calculations. The liability recognised amounted to £877,747 at the year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Revenue	–	8,507,050	–	8,507,050
Operating expenses	–	(1,281,146)	–	(1,281,146)
Depreciation	–	(2,125,425)	–	(2,125,425)
Impairment	3,028	(478,584)	–	(475,556)
Other administrative expenses	–	–	(1,665,174)	(1,665,174)
Profit / (Loss) from continuing operations before tax	3,028	4,621,895	(1,665,174)	2,959,749
Finance income	–	–	86,586	86,586
Royalty income	–	–	42,444	42,444
Profit before taxation	3,028	4,621,895	(1,536,144)	3,088,779

For the year ending 31 December 2021

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Revenue	–	1,894,875	–	1,894,875
Operating expenses	–	(377,153)	–	(377,153)
Depreciation	–	(735,160)	–	(735,160)
Impairment	(6,340)	(150,655)	–	(156,995)
Other administrative expenses	–	–	(1,740,962)	(1,740,962)
Profit / (Loss) from continuing operations before tax	(6,340)	631,907	(1,740,962)	(1,115,395)
Finance income	–	–	112,611	112,611
Royalty income	–	–	149,771	149,771
Loss before taxation	(6,340)	631,907	(1,478,580)	(853,013)

For the year ending 31 December 2022

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Non-current assets	9,134,006	5,559,420	2,463,860	17,157,286
Current assets	203,511	761,223	8,239,317	9,204,051
Non-current liabilities	(484,177)	(766,847)	(1,326,792)	(2,577,816)
Current liabilities	(73,450)	(594,307)	(110,533)	(778,290)
Net assets	8,779,890	4,959,489	9,265,852	23,005,231

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

1 BUSINESS AND OPERATING SEGMENTS (CONTINUED)

For the year ending 31 December 2021

	Exploration and Evaluation £	Development and Production £	Corporate £	Total £
Non-current assets	8,525,373	7,575,525	291,518	16,392,416
Current assets	278,635	720,561	7,081,096	8,080,292
Non-current liabilities	(609,448)	(1,267,310)	–	(1,876,758)
Current liabilities	(35,261)	(2,291,014)	(64,328)	(2,390,603)
Net assets	8,159,299	4,737,762	7,308,286	20,205,347

2 OPERATING PROFIT / (LOSS)

	31.12.22 £	31.12.21 £
Operating profit/loss is stated after charging:		
Reverse of impairment / impairment charge on Intangible Assets	(3,028)	6,340
Impairment charge on Property, Plant and Equipment	478,584	150,655
Depletion of producing assets	2,125,425	735,160
Net Profit Interest payment	137,179	–
Staff costs (see note 3)	638,605	748,471
Fees payable to the Company's auditor for:		
– The audit of these financial statements	68,100	39,500
– Tax compliance services	10,000	6,437

The impairment charges of £475,556 (2021: £156,995) are £478,584 in respect of Property, Plant and Equipment, PEDL118, PEDL203, EXL294 and £2,278 in respect of Intangible Asset, PEDL201, and the reverse impairment of £5,306 in respect of Intangible Asset, PEDL181.

The impairment shown for 2021 in last year's Annual Report and Financial Statements was in respect of Property, Plant and Equipment PEDL118 and PEDL203 and in respect of Intangible Assets, PEDL181 and PEDL201.

An historical Net Profit Interest ("NPI") agreement between Egdon Resources U.K. Limited and Union Jack Oil plc and Valhalla Oil & Gas AS ("Valhalla") was activated in September 2022.

Under this agreement Union Jack Oil plc, pay Valhalla a maximum of 2.75% NPI of PEDL180 income, less deductible expenditure.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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:

	31.12.22 £	31.12.21 £
Salaries	487,083	487,083
Share-based payment expense	95,450	199,050
Social security costs	56,072	62,338
	638,605	748,471

The number of persons employed by the Company was 4 (2021: 4).

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 2022	Salaries £	Share-based payment expense £	Total £
D Bramhill	287,083	36,257	323,340
J O'Farrell	120,000	25,958	145,958
R Godson	40,000	9,064	49,064
G Bull	40,000	24,171	64,171
	487,083	95,450	582,533

Year ended December 2021	Salaries £	Share-based payment expense £	Total £
D Bramhill	287,083	77,267	364,350
J O'Farrell	120,000	49,664	169,664
R Godson	40,000	22,114	62,114
G Bull	40,000	50,005	90,005
	487,083	199,050	686,133

The emoluments of the highest paid director were £287,083 (2021: £287,083).

Share-based payments are non-cash remuneration by way of share options in the Company. No share options were granted to the directors or officers in 2021 or 2022.

Directors' share options outstanding at 31 December 2022 and at 31 December 2021:

	2022	2021
D Bramhill	1,200,000	1,200,000
J O'Farrell	700,000	700,000
R Godson	150,000	300,000
G Bull	550,000	550,000

No share options were granted during 2021 or 2022.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

4 OTHER INCOME

	31.12.22 £	31.12.21 £
Finance Income		
Bank interest	30,330	516
Loan interest receivable	56,256	112,095
	86,586	112,611
	31.12.22 £	31.12.21 £
Royalty Income		
Royalties	42,444	149,771

5 TAXATION

The major components of income expense for the years ended 31 December 2022 and 2021 are:

	2022 £	2021 £
Current tax expense		
Current income tax charge	409,433	–
Total current tax	409,433	–
Deferred tax		
Origination of temporary differences	877,747	–
Recognition of deferred tax asset previously unrecognised	(1,805,025)	–
Total deferred tax	(927,278)	–
Total tax credit	(517,845)	–

A reconciliation between tax the credit and the product of the accounting profit/(loss) and the standard rate of tax in the UK for the years ended 31 December 2022 and 2021 is as follows:

	2022 £	2021 £
Accounting profit/(loss) before tax from continuing operations	3,088,779	(853,013)
Profit/(loss) multiplied by the standard rate of tax of 40% (2021: 40%)	1,235,512	(341,205)
Expenses not permitted for tax	41,806	69,080
Impairment of intangible assets not deductible for tax purposes	190,222	62,798
Recognition of deferred tax asset not previously recognised	(1,805,025)	–
Energy profits levy	409,433	–
Origination of temporary differences	877,747	–
Losses utilised on which no deferred tax was recognised	(1,467,540)	209,327
Total tax credit	(517,845)	–

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

5 TAXATION (CONTINUED)

Deferred tax

The movement on the deferred tax asset account is shown below:

	2022 £	2021 £
At 1 January	–	–
Recognised in profit and loss		
Tax losses	1,805,025	–
At 31 December	1,805,025	–

The movement on the deferred tax liability account is as shown below:

	2022 £	2021 £
At 1 January	–	–
Recognised in profit and loss		
Accelerated capital allowances	877,747	–
At 31 December	877,747	–

In determining the deferred tax asset to recognise, the Directors have considered the likelihood of generating taxable profits in the foreseeable future against which losses can be offset. The Directors have used assumptions consistent with those adopted in preparing the going concern assessment and have not anticipated profits that may arise following future exploration activity. Foreseeable future has been considered to be 24 months. The deferred tax asset recognised amounted to £1,805,025 at the year end. The deferred tax liability is calculated on temporary differences based on accelerated tax relief calculations. The liability recognised amounted to £877,747 at the year end.

Energy Profits Levy

On 26 May 2022, the government introduced an Energy Profit Levy ("EPL") of 25% on profits. The EPL cost to the Company during 2022, after an OPEX allowance of 100% and CAPEX relief of 180% was £409,433 (2021: nil).

The EPL for the year 2023, has been increased to 35% and the CAPEX relief decreased to 129%. OPEX allowance remains at 100%.

The planned development and drilling programme for 2023 are expected to provide a robust cushion in respect of EPL payments made by the Company during the year.

Tax losses

In addition to the above recognised tax losses the Company also has the following tax losses for which no deferred tax asset has been recognised:

	2022 £	2021 £
Unrecognised tax losses	12,505,980	21,525,777
Potential tax benefit @ 40% (2021: 40%)	5,002,392	8,610,311

These are tax losses the use of which are considered by the Directors to be beyond the appropriate foreseeable future to be recognised as an asset on the Balance Sheet.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

6 EARNINGS PER SHARE

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

Basic earning per share is calculated by dividing the profit 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 2022, the Company had no warrants in issue (2021: 30,373) and 3,050,000 (2021: 3,200,000) options in issue.

These warrants and options have been taken into account when calculating the diluted earnings per share.

Earnings per share	2022 Pence	2021 Pence
Profit/(loss) per share from continuing operations		
– Basic	3.20	(0.83)
– Diluted	3.16	(0.83)

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

	2022 £	2021 £
Profit/(loss) used in the calculation of total basic and diluted profit/(loss) per share	3,606,624	(853,013)

Number of shares	2022	2021
Weighted average number of ordinary shares for the purposes of basic and diluted profit/(loss) per share		
– Basic	112,706,307	102,628,722
– Diluted	114,132,334	102,628,722

As detailed in note 14, the Company has 831,680,400 (2021: 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 150,000 new ordinary shares during the year (2021: 13,636,364).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

7 INTANGIBLE ASSETS

	31.12.22 Exploration and evaluation £	31.12.22 Royalty £	31.12.22 Total £	31.12.21 Total £
Cost				
At 1 January	8,450,460	93,610	8,544,070	6,134,717
Transfer to development and production assets	–	–	–	(18,092)
Costs incurred in the year	616,106	–	616,106	2,427,445
At 31 December	9,066,566	93,610	9,160,176	8,544,070
Depreciation and impairment				
At 1 January	6,340	12,357	18,697	–
Amortisation charge for the year	–	10,501	10,501	12,357
Costs impaired	(3,028)	–	(3,028)	6,340
At 31 December	3,312	22,858	26,170	18,697
Net book value				
At 31 December	9,063,254	70,752	9,134,006	8,525,373
At 1 January	8,444,120	81,253	8,525,373	6,134,717

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 indicators for impairment evidence for each of the assets. If an indicator 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. There was a reverse impairment for 2022 of £5,306 with regard to PEDL181 (2021: £6,340), and an impairment of £2,278 with regard to PEDL201 (2021: £2,136).

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 and provisions) comprise amounts capitalised as follows:

		31.12.22 £	31.12.21 £
West Newton	PEDL183	5,689,647	5,184,442
Biscathorpe	PEDL253	3,045,506	2,992,694
North Kelsey	PEDL241	328,101	266,984
Royalty		70,752	81,253
		9,134,006	8,525,373

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

8 PROPERTY, PLANT AND EQUIPMENT

	31.12.22 Development and production £	31.12.22 Equipment £	31.12.22 Total £	31.12.21 Total £
Cost				
At 1 January	8,707,703	–	8,707,703	6,698,650
Transfer from exploration and evaluation assets	–	–	–	18,092
Additions	587,904	116,539	704,443	1,990,961
At 31 December	9,295,607	116,539	9,412,146	8,707,703
Depreciation and impairment				
At 1 January	1,132,178	–	1,132,178	246,363
Depreciation charge for the year	2,125,425	9,747	2,135,172	735,160
Costs impaired	478,584	–	478,584	150,655
At 31 December	3,736,187	9,747	3,745,934	1,132,178
Net book value				
At 31 December	5,559,420	106,792	5,666,212	7,575,525
At 1 January	7,575,525	–	7,575,525	6,452,287

The Board has assessed the Development and Production assets as at 31 December 2022 and has identified indicators of impairment as set out in IAS36 Impairment of assets in respect of PEDL118 Dukes Wood, PEDL203 Kirklington and EXL294 Fiskerton Airfield, respectively. This impairment amounts to a total of £478,584 (2021: £150,655). The total impairment charge for these assets was PEDL118, £33,718 (2021: £67,598), PEDL203, £28,260 (2021: £83,057) and EXL294 £416,606 (2021: £nil).

There were no indicators for impairment on any other assets.

Development and Production assets comprise amounts capitalised as follows:

		31.12.22 £	31.12.21 £
Wressle	PEDL180	4,695,402	6,176,515
Fiskerton Airfield	EXL294	–	373,582
Keddington	PEDL005(R)	864,018	1,025,428
		5,559,420	7,575,525

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

9 JOINT OPERATIONS

The Company is party to 11 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 2022 are as below:

Licence	Name	Proportion of ownership interest 2022	Proportion of ownership interest 2021	Principal place of business
PEDL180/182	Wressle/Broughton North	40%	40%	England
PEDL183	West Newton	16.665%	16.665%	England
PEDL201	Widmerpool Gulf	26.25%	26.25%	England
PEDL005(R)	Keddington	55%	55%	England
PEDL253	Biscathorpe	45%	45%	England
PEDL241	North Kelsey	50%	50%	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

	2022 £	2021 £
Investments in equity instruments designated as at FVTOCI		
Shares	552,043	291,518

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 2022 £	31 December 2021 £
At 1 January	291,518	137,098
Additions	100,000	100,000
Disposals	(9,975)	–
Changes in fair value of investments	170,500	54,420
At 31 December	552,043	291,518

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

10 INVESTMENTS (CONTINUED)

Elephant Oil Corp

The Company is the beneficial holder of 56,650 (2021: 56,650) ordinary shares of Elephant Oil Corp, registered in Nevada, United States of America (USA).

The principal activity of Elephant Oil Corp is the exploration and evaluation of hydrocarbon assets in West Africa.

Elephant Oil Corp has applied for admission on NASDAQ, a USA trading market during 2023.

The value of the unquoted Elephant Oil Corp shares are deemed to be US\$2.25 per share and, on this basis, the Company has valued its holding at £93,043 (2021: £93,043).

UK Oil & Gas plc

The Company was the beneficial owner of 9,731,834 (2021: 9,731,834) ordinary shares in UK Oil & Gas plc ("UKOG"), a company registered in England and Wales, which represented a 0.06% (2021: 0.078%) interest in that company at year end.

The investment in UKOG was disposed of in October 2022, for £6,772.

Egdon Resources plc

The Company is the beneficial owner of 17,000,000 (2021: 13,000,000) ordinary shares in Egdon Resources plc ("Egdon"), a company registered in England and Wales, which represents a 3.13% (2021: 2.52%) interest in that company at year end. Payment for the 4,000,000 new shares acquired was by means of a subscription at a price of 2.5 pence per Subscription Share, for total consideration of £100,000. In addition each Subscription Share was granted a right to subscribe for 0.5 of a new Ordinary Share at a price of 2.5 pence per share, exercisable at any time until the date of the second anniversary of their issue.

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 £459,000 (2.7 pence per share).

The change in valuation for the above investments are reported in the Statement of Comprehensive Income on page 42.

11 LOAN RECEIVABLES

	31.12.22 £	31.12.21 £
Amounts falling due within 1 year	–	1,028,110
	–	1,028,110

Summary of loan arrangements:

During 2020, a loan was issued to Egdon Resources plc with an 18 month term, which was repaid in full during 2022.

During September 2022, a loan was issued to Europa Oil & Gas (Holdings) plc with an 18 month term. The loan interest was 11% per annum, payable quarterly in arrears, and the loan was secured against an unencumbered 10% interest in the Borrower's UK onshore licence interest over PEDL180 and PEDL182 including the Wressle oilfield and associated infrastructure. The loan was repaid in full in October 2022, together with £12,055 of interest, and the security cancelled.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

12 TRADE AND OTHER RECEIVABLES - CURRENT

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 trade receivables as there has been no historical experience to indicate that these receivables are not recoverable. All outstanding trade receivables have been received prior to the Balance Sheet date.

The Company has other receivables of £192,215 (2021: £149,771) which are accrued royalty income. The company is in advanced negotiation to facilitate the payment through the arrangement of a manager to administer historic and then current and future funds. Therefore through the Company's formal process of assessment it does not consider that it would be appropriate or necessary to make any credit loss adjustment.

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

	31.12.22 £	31.12.21 £
Trade receivables	649,439	667,329
Term deposit	1,000,000	–
Other debtors	200,915	149,771
VAT	135,471	80,782
Prepayments	35,088	167,930
	2,020,913	1,065,812

The term deposit of £1,000,000 is a bank deposit, at a fixed rate of interest, for an agreed period of 12 months. It therefore does not meet the criteria for cash and cash equivalents defined as short term bank deposits with an original maturity of three months or less.

13 CASH AND CASH EQUIVALENTS

	31.12.22 £	31.12.20 £
Cash at bank	7,155,100	5,977,541

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 2022

14(a) SHARE CAPITAL

Allotted and issued: Number	Class	Nominal value	31.12.22 £	31.12.21 £
112,865,896 (31 December 2021: 112,715,896)	Ordinary	5p	5,643,295	5,635,795
831,680,400 (31 December 2021: 831,680,400)	Deferred	0.225p	1,871,281	1,871,281
Total			7,514,576	7,507,076

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 July 2022, 150,000 new ordinary shares were issued for cash at 22 pence per share, raising approximately £33,000 by way of exercised options by Raymond Godson, non-executive director.

Treasury shares

	2022		2021	
	Number	£	Number	£
Ordinary shares held in treasury by the Company	700,000	214,227	–	–

Own shares acquired by the Company are held in treasury. The shares were acquired during 2022. There are no plans to cancel these shares.

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 2022	Number of warrants	WAEP £
Outstanding and exercisable at the beginning of the year	30,373	0.6
Outstanding and exercisable at the end of the year	–	–

Year ended December 2021	Number of warrants	WAEP £
Outstanding and exercisable at the beginning of the year	30,373	0.6
Outstanding and exercisable at the end of the year	30,373	0.6

During the year 30,373 warrants expired (2021: nil).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

14(c) SHARE-BASED PAYMENTS – OPTIONS

No options were granted to directors of the Company during 2022. 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 2022	Number of options	WAEP £
Outstanding at the beginning of the year	3,200,000	0.374
Granted during 2022	–	–
Exercised during 2022	(150,000)	0.374
Outstanding at the end of the year	3,050,000	0.374
Exercisable at the end of the year	3,050,000	0.374

Year ended December 2021	Number of options	WAEP £
Outstanding at the beginning of the year	3,200,000	0.374
Granted during 2021	–	–
Outstanding at the end of the year	3,200,000	0.374
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 2022	400,000	1,300,000	150,000	300,000	900,000
Share price at date of grant	53p	53p	22p	22p	18p
Exercise price	53p	53p	22p	22p	18p
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 £104,515 in relation to share options accounted for as equity-settled share-based payment transactions during the year (2021: £227,119).

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 2022

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.

Treasury reserve – own shares held in treasury by the Company.

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

16 RECONCILIATION OF PROFIT / (LOSS) TO CASH GENERATED FROM OPERATIONS

	31.12.22 £	31.12.21 £
Profit for the year	3,606,624	(853,013)
Depletion of producing assets	2,125,425	735,160
Impairment of intangibles	475,556	156,995
Share-based payments	104,514	227,119
Amortisation / depreciation	20,248	–
Loss on disposal of shares	3,203	–
Finance income	(86,586)	(112,611)
Royalty income	(42,444)	(149,771)
	6,206,540	3,879
(Increase) in inventories	(19,209)	(8,829)
(Increase) in trade and other receivables	(1,708,982)	(550,868)
Increase / (decrease) in trade and other payables	1,333,385	(90,908)
Cash generated from / (used in) operations	5,811,734	(646,726)
Income taxes paid	–	–
Net cash flows from operating activities	5,811,734	(646,726)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

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 2022	Level 1	Level 3	Total	
Investments: FVOCI	459,000	93,043	552,043	
At 31 December 2021				
Investments: FVOCI	198,475	93,043	291,518	

Financial assets measured at amortised cost					£
At 31 December 2022	Within 1 Month	Within 2 Months to 1 Year	Within 1 to 2 years	Total	
Other receivables	327,686	1,008,700		1,336,386	
Trade receivables	649,439	–	–	649,439	
Cash and cash equivalents	7,155,100	–	–	7,155,100	
Total carrying value	8,132,225	1,008,700	–	9,140,925	
At 31 December 2021	Within 1 Month	Within 2 Months to 1 Year	Within 1 to 2 years	Total	
Loan receivables	–	1,028,110	–	1,028,110	
Trade receivables	667,329	–	–	667,329	
Cash and cash equivalents	5,977,541	–	–	5,977,541	
Total carrying value	6,644,870	1,028,110	–	7,672,980	

All of the above financial assets' carrying values approximate to their fair values at 31 December 2022 and 31 December 2021 given their nature and short times to maturity.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

17 FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities measured at amortised cost	£
At 31 December 2022	
Trade payables	223,538
Other payables	409,433
Accruals	145,319
Total carrying value	778,290
At 31 December 2021	
Trade payables	242,910
Other payables	2,080,000
Accruals	67,693
Total carrying value	2,390,603

All of the above financial liabilities' carrying values approximate to their fair values at 31 December 2022 and 31 December 2021 given their nature and short times to maturity.

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

The Company measures credit risk on trade receivables 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 trade receivables as there has been no historical experience to indicate that these receivables are not recoverable. All outstanding trade receivables have been received prior to the balance sheet date and the credit risk is believed to be unchanged from previous years.

The Company has other receivables which are accrued royalty income. The company is in advanced negotiation to facilitate the payment through the arrangement of a manager to administer historic and then current and future funds. The credit risk is not considered to have changed since initial recognition.

Under IFRS 9 the 12 month expected credit losses have been considered on all of these receivables and these assessments resulted in no credit losses being recognised after taking into consideration the credit risk associated with the trade and other receivables.

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 £9,140,925 (2021: £8,091,826).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

18 FINANCIAL INSTRUMENT RISK EXPOSURE AND MANAGEMENT (CONTINUED)

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 2022 and 31 December 2021, on the basis of their earliest possible contractual maturity.

At 31 December 2022

	Total £	Within 2 months £	Within 2-6 months £	Greater than 6 months £
Trade payables	223,538	223,538	–	–
Other payables	409,433	–	–	409,433
Accruals	145,319	138,719	6,600	–
	778,290	362,257	6,600	409,433

At 31 December 2021

Trade payables	242,910	242,910	–	–
Other payables	2,080,000	–	2,080,000	–
Accruals	67,693	61,093	6,600	–
	2,390,603	304,003	2,086,600	–

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.

19 FINANCIAL COMMITMENTS

The Company had no financial commitments as at 31 December 2022 or 31 December 2021, other than those recognised in the Financial Statements and where Authority for Expenditure has been agreed with the Operator.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2022

20 TRADE AND OTHER PAYABLES

	31.12.22 £	31.12.21 £
Trade payables	223,538	242,910
Other payables	409,433	2,080,000
Accruals	145,319	67,693
	778,290	2,390,603

21 PROVISIONS

	Decommissioning and reinstatement provision £
As at 1 January 2021	803,772
Adjustment to provision estimates	1,059,010
Accretion of provision	13,976
At 31 December 2021	1,876,758
Adjustment to provision estimates	(190,500)
Accretion of provision	13,811
At 31 December 2022	1,700,069
At 31 December 2021	1,876,758

A provision has been made for decommissioning costs on productive fields. A 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 2024 and 2043.

Provisions created during the year, based on an independent review, 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 2022

22 CONTINGENT LIABILITIES

In respect of PEDL253 a contingent cash payment of £500,000 is due to Humber Oil & Gas Limited following receipt of planning consents for drilling the Biscathorpe-2Z side-track, testing and subsequent production in the event of drilling success. The Company is currently awaiting the results of a planning appeal and so do not consider this payment should be recognised in the statement of financial position.

23 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 £120,807 (2021: £120,721) in respect of consulting fees. £12,053 was outstanding at the year end (2021: £12,031).

Jayne Bramhill, spouse of David Bramhill, received the sum of £12,000 (2021: £12,000) from the Company in respect of IT maintenance and administration costs. No amounts were outstanding at the year end (2021: £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.

24 EVENTS AFTER THE BALANCE SHEET DATE

The following events have taken place after the year end:

During March 2023, the Board declared an interim dividend of 0.3 pence per ordinary share, with a London Stock Exchange ex-dividend date of Thursday 6 July 2023, a record date of Friday 7 July 2023 and payment date of Friday 28 July 2023.

The share buy-back programme has continued and since 1 January 2023 to 12 May 2023 a total of 2,350,000 ordinary shares were purchased and placed in Treasury. The number of ordinary shares held in Treasury as at 12 May 2023, is 3,050,000.

During May 2023, the Management negotiated price and terms of condition for the sale of the Company's 2.5% interest in the Claymore Area Royalty Agreement. The Company has subsequently disposed of this asset with full payment received.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (the “AGM”) of Union Jack Oil plc (the “Company”) will be held in the George White Suite at The Bristol Hotel, Prince Street, Bristol BS1 4QF on 22 June 2023 at 11.00 a.m. to consider and, if thought fit, pass the following resolutions, of which resolutions numbered 1 to 6 will be proposed as ordinary resolutions and resolution numbered 7 will be proposed as a special resolution:

ORDINARY RESOLUTIONS

1 Report and accounts

To receive the audited annual accounts of the Company for the year ended 31 December 2022, 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 Raymond Godson 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 £2,821,648 (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.

6 Directors’ authority to repurchase shares

That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 5 pence each (“Ordinary Shares”) provided that:

- (a) the maximum number of Ordinary Shares authorised to be purchased is 11,286,589;
- (b) the minimum price which may be paid for any such Ordinary Share is 5 pence;

(c) the maximum price which may be paid for an Ordinary Share shall be the higher of:

- (i) 105% of the average of the middle market quotations for an Ordinary Share derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day on which the share is contracted to be purchased, and
- (ii) an amount equal to the higher of the price of:
 - (A) the last independent trade of an Ordinary Share; and
 - (B) the highest current independent bid for an Ordinary Share, as derived from the London Stock Exchange Trading System; and

(d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

SPECIAL RESOLUTIONS

7 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, and/or by way of a sale of treasury shares (in accordance with Section 573 of the Act), 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 £2,821,648 (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: 12 May 2023

Registered Office: 6 Charlotte Street, Bath BA1 2NE

EXPLANATORY NOTES RELATING TO RESOLUTIONS

Resolution 1 - Report and accounts

All quoted companies are required by law to lay their annual accounts before a general meeting of the Company, together with the directors' reports and auditors' report on the accounts. At the AGM, the directors will present these documents to the shareholders for the financial year ended 31 December 2022.

Resolutions 2 - Re-election of director

These resolutions concern the re-election of Raymond Godson who retires at the meeting by rotation in accordance with the Company's articles of association.

Resolutions 3 and 4 - Auditors

Resolution 3 concerns the re-appointment of BDO LLP as auditors until the conclusion of the next general meeting at which accounts are laid, that is, the next Annual General Meeting.

Resolution 4 authorises the directors to fix the auditors' remuneration.

Resolution 5 – Directors' authority to allot shares

This resolution grants the directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £2,821,648, representing approximately 50% of the nominal value of the issued ordinary share capital of the Company as at the date of this AGM notice.

Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company.

Resolution 6 – Authority to repurchase shares

This resolution authorises the board to make market purchases of up to 11,286,589 ordinary shares (representing approximately 10% of the Company's issued ordinary shares as at the date of this AGM notice). Shares so purchased may be cancelled or held as treasury shares. The authority will expire at the end of the next Annual General Meeting of the Company or 15 months from the passing of the resolution, whichever is the earlier.

The minimum price that can be paid for an ordinary share is 5p being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

Resolution 7 – Directors' power to issue shares for cash

This resolution authorises the directors to allot equity securities for cash other than in accordance with the statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The authorisation is limited to a maximum nominal amount of £2,821,648, representing approximately 50% of the nominal value of the issued ordinary share capital of the Company as at the date of this AGM notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company.

The Company may hold any shares it buys back "in treasury" and then sell them at a later date for cash rather than simply cancelling them. Any such sales are required to be made on a pre-emptive, pro-rata basis to existing shareholders unless shareholders agree by special resolution to disapply such pre-emption rights. Accordingly, in addition to giving the directors power to allot unissued ordinary shares on a non pre-emptive basis, resolution 7 will also give directors power to sell ordinary shares held in treasury on a non- pre-emptive basis, subject always to the limitations noted above.

The directors consider that the power proposed to be granted by resolution 7 is necessary to retain flexibility, although they do not have any intention at the present time of exercising such power.

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 20 June 2023 (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 A member who is entitled to attend, speak and vote at the AGM may appoint a proxy to attend, speak and vote instead of him. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A proxy need not be a member of the Company but must attend the AGM in order to represent you. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the AGM (although voting in person at the AGM will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the AGM or another person as a proxy. You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.
- 3 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 20 June 2023. 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.
- 4 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 20 June 2023. 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.

Notice of Annual General Meeting

NOTES (CONTINUED)

- 5 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.
- 6 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 4 and 5) 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.
- 7 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 plc

6 Charlotte Street,
Bath BA1 2NE,
England

Telephone: +44 (0) 1225 428139

Email: info@unionjackoil.com

Twitter: [@unionjackoilplc](https://twitter.com/unionjackoilplc)

Web: www.unionjackoil.com