

JERSEY OIL&GAS

Annual Report

for the year ended 31 December 2019

Company Number: 07503957

A large, rugged rock formation in the North Sea, viewed from a boat. The rock is dark and layered, with a prominent peak. The water is dark blue with white foam from the boat's wake in the foreground. The sky is blue with some clouds.

**Sustaining Growth
in the North Sea**

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Jersey Oil and Gas (“JOG”) is a UK independent North Sea focused upstream oil and gas company, driving shareholder value through creative deal making and operational success.

Scale

- 142 mmboe of discovered oil net to JOG
- 232 mmboe of exploration potential net to JOG
- Progressing a major new development in the Greater Buchan Area
- Further upside from third party tie-back potential

Location

- Strategic location in a prolific part of the Central North Sea
- Close to multiple export routes
- Regional collaboration studies underway
- Potential for power from shore (low carbon electrification hub)

Value

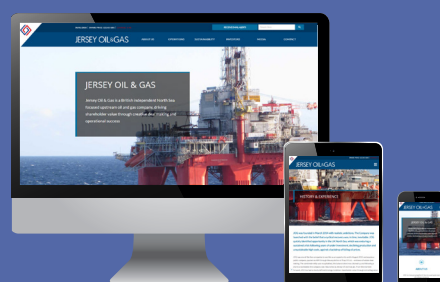
- Core development assets worth US\$1.2bn NPV10 (>US\$10/bbl)*
- Project lifetime undiscounted cash flows forecast to be in excess of US\$3bn*
- Significant value potential from modest investments to date
- Strong focus on Maximising Economic Recovery ('MER')

Quality

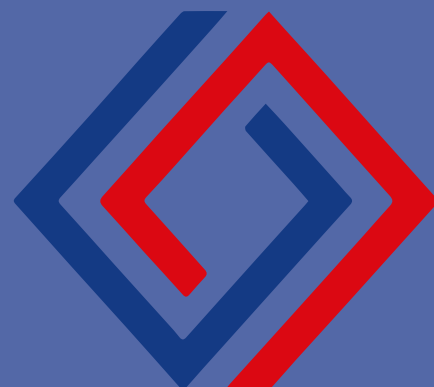
- Scale and breadth – 142 mmboe across five discovered assets
- Light crude oil (>30°API)
- Data – 36 years of production history in core asset
- High quality and experienced team

The front cover shows an image of Skellig Michael, an island off the south west coast of Ireland made up of fluvial and aeolian Old Red Sandstone; It is a contemporary geological analogue for what is now the Buchan oil field reservoir, which was also uplifted and exposed as an island for 30 to 40 million years during the Lower Cretaceous period.

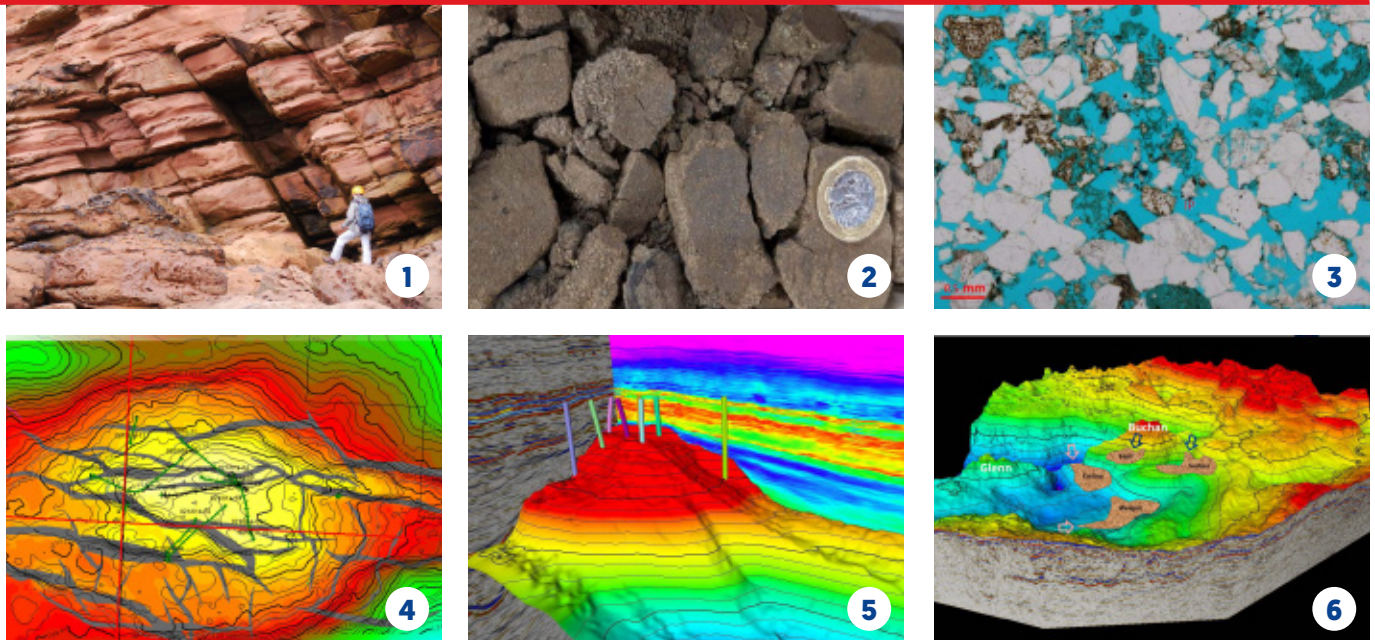
* See CPR details on p69



View more online at jerseyoilandgas.com



2019 HIGHLIGHTS



Figures 1-5 above [described on page 69] are indicative of the Company's in-depth approach to understanding the geology and reservoir characteristics and properties of the Buchan Field using outcrop, core and 3D seismic data, together with 36 years of production history, to build up-to-date reservoir models. Figure 6 provides a GBA perspective on the Buchan Field and neighbouring prospects.

GAME CHANGING AWARDS

31 SLR⁽¹⁾

Pre-application

- In-depth subsurface and facilities studies
- Created Area Hub plan
 - Collaboration with area stakeholders
 - Investigation into applicable technologies
 - Ensured alignment with OGA's MER strategy

Award of three licences, four blocks

Buchan & J2

- P2498 Blocks 20/5a & 21/1a
- 100% working interest and operatorship

Glenn

- P2499 Block 21/2a
- 100% working interest and operatorship

Zermatt

- P2497 Block 20/4c
- 100% working interest and operatorship

MATERIALITY

Discovered resources

- Five oil accumulations in close proximity
 - Buchan
 - Buchan Andrew
 - Verbier
 - J2
 - Glenn

Exploration potential

- Eight prospects and one lead
 - Verbier Deep
 - Verbier North
 - Wengen
 - Cortina
 - Capri
 - Zermatt
 - Chamonix
 - Courchevel
 - Meribel (lead)

CAPABILITY

Strength of team

- JOG has assembled a team with the right skills, experience and track record to implement its Greater Buchan Area ["GBA"] development plan
- Key team members have successfully developed other major North Sea projects including Buzzard, Golden Eagle, Tolmount, Gannett and Goliat
- JOG is building the in-house capability to develop and operate the GBA
- Additional expertise leveraged from the creation of a Board advisory panel

⁽¹⁾ 31 SLR refers to the 31st Supplementary Offshore Licensing Round. Further acronyms can be found on page 69.

AT A GLANCE

Investment proposition



Experienced management team


Jersey Oil and Gas is run by a management team of substance with over 100 years of combined experience operating, exploring and acquiring assets in the UK North Sea.

 Read more about **Our Team** on pages 24 to 25



Proven ability to explore


In addition to a wealth of UK North Sea exploration successes with former companies, Jersey Oil and Gas's management team was responsible for progressing exploration of the P2170 licence and has seen the licence through initial exploration success with the Verbier oil discovery. Our recent awards in the 31st Supplementary Offshore Licensing Round have added valuable exploration prospects to our existing asset base.

 Read more about **Performance** on pages 14 to 17

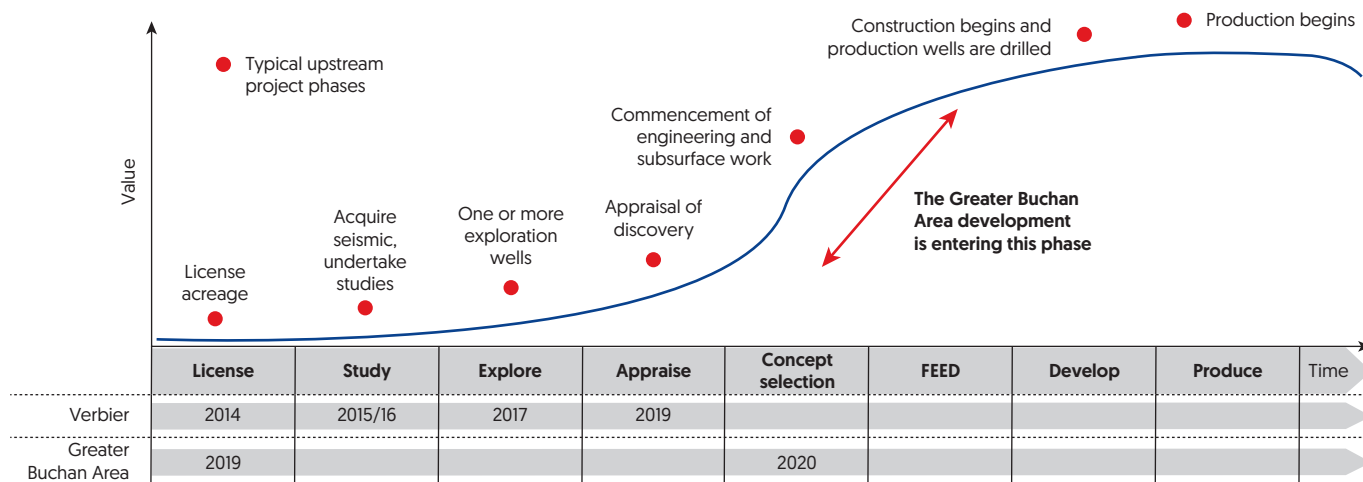


Proven ability to build a significant licence portfolio

Jersey Oil and Gas's team was responsible for the successful awards in the 31st Supplementary Offshore Licensing Round which provided JOG with a new large-scale Area Hub development and operatorship. This is a transformational step for the Company in its journey to becoming a significant E&P company.

 Read more about **Our Assets** on pages 14 to 17

Value creation – Jersey Oil and Gas has entered the phase of maximum value creation



Our Stakeholders – we believe in good corporate citizenship



Employees

- Health and safety
- Training
- Culture
- Ethics & values
- Wellbeing



Government/Regulator

- Communication
- Collaborate and consult
- Compliance



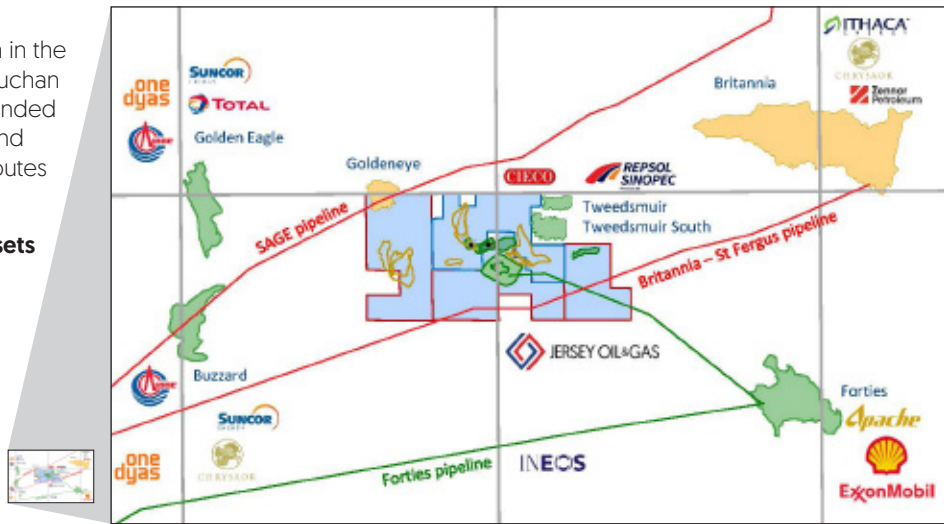
Suppliers

- Sustainable supply chain management
- Registered with FPAL supply chain
- Ethical procurement
- Establishing ESG criteria with suppliers

Our Assets

Located in the Outer Moray Firth in the Central North Sea, the Greater Buchan Area sits in a prolific basin surrounded by iconic fields such as Forties and Buzzard as well as established routes for export of oil and gas.


 Read more about **Our Assets** on pages 16 to 17

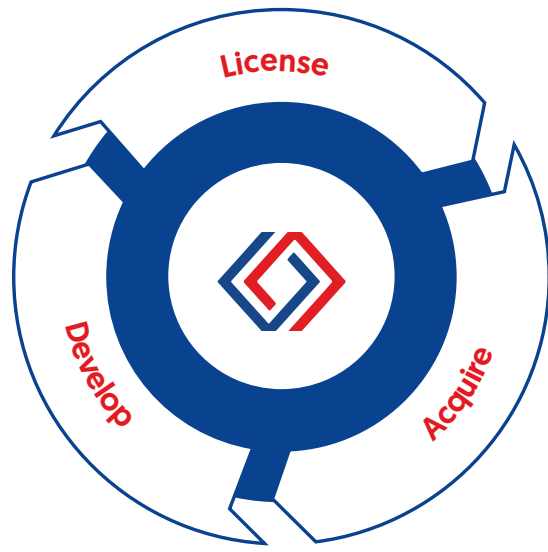


Buchan & Andrew	J2	Verbier	Glenn	Exploration
85 mmboe	20 mmboe	25 mmboe	14 mmboe	232 mmboe
100% W.I	100% W.I	88% W.I	100% W.I	88-100% W.I

Our Strategy

- **License – New Ventures**
Identify and license assets with potential
- **Acquire – Targeted M&A**
Acquisitions to build scale
- **Develop – Core Area Focus**
Develop GBA assets to deliver material value

 Read more about **Our Strategy** on page 11



Shareholders

- Communication
- Engagement
- Reporting



Community

- Contribute to economic growth
- Investment opportunities
- Support and educate
- Job creation
- ESG



Read more about **Our Stakeholders** on page 11

CHAIRMAN'S STATEMENT



This last year has been an exceptional one for Jersey Oil and Gas. We have increased our resource base over 30-fold, built an excellent project team and are progressing towards becoming a significant North Sea E & P company.”

Marcus Stanton

Non-Executive Chairman

Discovered Resources

142 mmboe*

[2018: 4.5 mmboe]

+3,020%

Exploration Prospects

232 mmboe*

[2018: 32 mmboe]

+625%

Prolific GBA

5 Discovered Fields

8 Exploration Prospects

4 Operated Licences

Overview

This past year has been an exceptional one for Jersey Oil and Gas ('JOG'). We started the year with an inventory of less than 5 million barrels of oil equivalent ('mmboe') discovered recoverable resources net to our 18% interest in the Verbier discovery located on Licence P2170. The year had potential for growth given we had an appraisal well planned at Verbier and were participating in the OGA's 31st Supplementary Offshore Licensing Round ('31 SLR'). We ended the year with more than 120 mmboe of discovered recoverable oil equivalent resources net to JOG. Post year end we took this figure to over 140 mmboe with our acquisition of Equinor's interest in Licence P2170 (Verbier), representing a 30-fold increase on our 2019 starting position, which was a transformational result for JOG.

For much of 2018 and the first half of 2019, we were working extensively on our application for further licence interests under the 31 SLR, a round solely dedicated to what is known as the Greater Buchan Area ('GBA'). I am glad to report that as a result of the JOG team's well thought out strategy, and planning detail for the development of the GBA, in July 2019 the Oil and Gas Authority ("OGA") announced the award to JOG

of two licences in the GBA surrounding our Verbier discovery. A further acreage award was made in August 2019, resulting in a total of three licence awards and four blocks, with each licence awarded on a 100% equity interest basis. Against this backdrop, the Verbier appraisal well drilled in 2019, did not encounter the anticipated Upper Jurassic sands. This was an unexpected result for us and, as a result, we lowered our estimate of gross recoverable resources for the Verbier discovery down to the lower end of the initial resource estimate of 25 mmboe [as estimated by Equinor following the initial discovery well result in October 2017]. Nonetheless, in our view there remains significant prospectivity (>160 mmboe gross) across the P2170 licence area and, subsequent to the year end, we were pleased to have acquired an additional 70% interest in this licence, bringing our total interest in Licence P2170 up to 88% on completion. This is particularly important to JOG given that Verbier and any other discoveries in the licence are within the heart of the GBA and therefore will be prime candidates for tying back to the planned Buchan hub, for which we are currently working on the concept select phase of this new development project.

* See page 14 for details.

Economic Environment

For 2019, Brent Crude Oil started the year trading at a price of approximately \$52 per barrel and ended the year at a price of \$65 per barrel, with a sizeable level of volatility in the second half of the year. Since then the spot oil price has fallen dramatically as a result of falling demand due to the Covid-19 outbreak and excess supply notwithstanding cuts from OPEC+. At the end of April 2020 Brent was trading at around \$23 per barrel.

As regards our own position, we do not currently have any production, nor do we have any debt. First oil from the GBA development project is currently planned for 2025 and we, along with all the major market commentators, believe that the effects of both the Covid-19 outbreak and the current reduction in demand for oil will have ended by that time, with the Brent spot price returning to materially higher levels. At the end of April 2020, the January 2025 forward price for Brent was approximately \$48 per barrel with prices increasing for longer term contracts and many market commentators looking at forward prices of \$60+.

As a result, we believe the best course of action is to carry on with the various workstreams needed to take the GBA project through, and past, the Concept Select phase.

Environmental, Social and Corporate Governance

We continue to embrace the energy transition and fully support the UK Government's commitment to net zero emissions by 2050, which the OGA are integrating into their regulatory policies. Nonetheless, we believe that these initiatives will take time to implement and that in the interim oil and gas will continue to be a vital part of the UK and broader global energy mix. Our role in this process is therefore to provide our energy product in a way that is best in class for both operational issues, such as health and safety, environmental compliance and our workplace needs and for longer term issues such as reducing the climate change risks

associated with our business, in addition to reducing the carbon emissions from developing the GBA. With a new greenfield development in the North Sea, we are well placed to use the latest engineering and operational techniques to bring down its carbon emissions, in a safe and efficient manner.

Our maiden statement on JOG's approach to Environmental, Social and Governance matters appears later in this Annual Report.

During 2018 we adopted the Quoted Companies Alliance Corporate Governance Code, which codifies our belief that a strong and transparent governance policy is a key ingredient to our success. Underlying this approach is the recognition that good corporate governance is based on culture rather than procedure.

A separate report on the principles that we strive to implement, without constraining the entrepreneurial spirit in which the Company was created, appears later in this report.

The Covid-19 Virus Outbreak

As will be well understood by all, countries, businesses, organisations, individuals and families are having to change the way they operate and behave following the Covid-19 virus outbreak. As a company, we continue to place the highest priority on the safety and wellbeing of our employees. As a result, all of our employees now work from home and will continue to do so until it is safe for them to return to an office environment.

This work from home approach is working well, with all employees continuing with their respective workstreams remotely, alongside a similar approach being adopted by our contractors. We currently see the GBA Concept Select key stages largely proceeding to their original timelines of summer 2020, although this may change, depending on how events unfold.

Outlook

JOG ended 2019 in a strong position, with substantial contingent and prospective reserves, which were then increased through the 2020 acquisition of an additional 70% interest in Licence P2170 [Verbier]. The GBA licences, which can now be regarded as including the Verbier licence area, should generate substantial cash flows once we reach first oil, which we currently estimate to be in 2025. We are moving ahead, at speed, through the planning phases of this development and, at the time of this statement, we will be approaching the concluding parts of the Concept Select phase. Nonetheless, the costs of developing the GBA area will be substantial and once we have passed through the key stages of Concept Select we will launch a process to attract industry partners and additional providers of capital in order to advance this important project, taking into account market conditions at that time.

We very much hope that the Covid-19 outbreak will pass, in due course. In the interim the safety of our employees remains our highest priority.

We believe that the current historically low oil price is not sustainable and that by the time we reach first oil for the GBA development project, oil prices will have returned to substantially higher levels, in part due to underinvestment in conventional growth projects.

On behalf of the Board, I would like to thank all of our employees, both old and new, for the continuing hard work that is being put into the development of the GBA, with all of us now working in difficult circumstances, outside of our normal office environment.

As always, I would also thank our Shareholders for their continuing support.



Marcus Stanton

Non-Executive Chairman
6 May 2020

CHIEF EXECUTIVE OFFICER'S REPORT



“Our efforts during 2019 resulted in transformational asset growth for our Company. The GBA Project promises to be the largest new area hub development in the UK Central North Sea in recent times.”

Andrew Benitz
Chief Executive Officer

Discovered Resources

30-fold

Uplift

Project Value*

US\$1.2bn

NPV(10%)

Project Value*

US\$3bn+

Free cash flow

Dear Shareholders,

Our efforts during 2019 resulted in transformational asset growth for our Company. Our winning application in the 31 SLR has provided our business with a vastly increased portfolio and the potential to develop a highly valuable business for all of our stakeholders. The GBA Project promises to be the largest new area hub development by reserves in the UK Central North Sea in recent times. JOG is now focused on the timely delivery of selecting the development concept for this major new area hub development that has an estimated current project value of \$1.2 bn. and has the potential to deliver free cash flow in excess of \$3 bn.

Having grown our discovered oil resources 30-fold, we are now operating a project which is estimated to contain net to JOG approximately 140 million barrels of discovered and recoverable oil and over 200 million barrels of highly prospective exploration upside. At the core of the GBA is the Buchan oil field that benefits from 36 years of production history and once production resumes on this field we estimate more than 80 million barrels of oil is yet to be recovered from this remarkable field, that was often referred to as the field that kept on delivering. We are making excellent progress on defining not only the core hub volumes that JOG owns, but also third-party regional volumes. We have established and are leading the Greater Buchan Area Joint

Integrated Studies Agreement ('JISA'). This agreement, between neighbouring field operators, will see JOG undertake and complete technical and commercial evaluation studies for a collaborative development of the wider GBA, together with other regional operators. The wider area contains discovered oil and gas resources in excess of 200 million barrels of oil equivalent.

A key objective of the JISA is to establish whether a collaborative development involving regional field operators would lead to a single new production hub in the area, potentially reducing development costs for all of the operators and delivering on the OGA's objective of Maximising Economic Recovery ('MER').

Our industry is at an inflexion point with respect to energy transition. We believe that oil and gas will remain an important part of the UK's energy mix for the foreseeable future and projects such as GBA will be a vital resource for retaining the UK's energy security as we transition to net zero. It is JOG's vision to provide cleaner, safer energy in the most responsible way. JOG is now a proud signatory of the United Nations Global Compact, the world's largest corporate sustainability initiative. We have put energy transition at the forefront of our strategic thinking, seeing this as an opportunity rather than a challenge, with the potential to unlock significant value in the GBA for JOG.

* See CPR details on page 69.



Fig 7 – Conceptual bridge-linked platform

Financial Results

JOG continues to benefit from a straightforward capital structure, with a strong cash position that more than covers our current contracted work programme for the Concept Select phase of the GBA Project. We have no debt and no decommissioning liabilities. Our pre-tax loss for the year amounted to £2.1m as compared to a £2.0m loss in 2018.

Cash at year end was £12.3m, down from £19.8m at the end of 2018, largely due to our share of the costs of drilling the Verbier appraisal well in 2019.

JOG remains fully funded to deliver the Concept Select work we are progressing on our GBA development and we have implemented cost saving initiatives to cut our 2020 budget guidance by more than £3m from £10.6m to £7.5m. The Company has sufficient working capital through to at least the end of 2021, prior to any proceeds from our planned sale of a part interest in our GBA Project, the process for which is expected to be launched later this year. Cost control continues to be monitored closely by our Board.

People

We continue to build a strong and focused team in order to progress the development of the GBA Project through to first oil or, more accurately, second oil, given the Buchan field's production history. These talented industry professionals bring many skills to JOG ranging from extensive North Sea

relevant field development experience through to expertise in health, safety, environment and social responsibility matters. The project team's experience has been gained from working on projects including Buzzard, Golden Eagle, Tolmount, Gannett and Goliat. This is further supplemented through the extensive project development track record of our recently appointed Board adviser. We welcome all of these individuals into the Company. We have also leased some new office space in London which enables our UK-based employees to work from the same location.

Looking Forward

Notwithstanding the very real challenges that Covid-19 is providing, JOG remains committed to building a profitable, full-cycle upstream oil and gas business. Fortunately the Government lockdown is having minimal impact on our activities, which are continuing apace despite working remotely.

JOG has delivered the GBA opportunity with a nimble and creative team, with a philosophy of a can-do attitude. We are building out the team capabilities with a broad range of industry and commercial skills and we are well placed to move forward and create further value for our Shareholders.

We are pleased to be active in an area where there is a proactive, industry-facing regulator, the OGA, and we are

fully aligned with the OGA's objective of MER, evidenced through our approach to progressing area collaboration initiatives across the wider GBA.

JOG has a very low current and historic carbon footprint. We have an opportunity to showcase the GBA Project as a low-carbon, sustainable development and highlight JOG as a leader in the UKCS on sustainability. We fully embrace the UK Government's initiative to be carbon net zero by 2050 and are actively investigating energy transition initiatives such as platform electrification and see the potential for GBA Project to not only be a new production hub, but potentially also a power hub. We are well placed to progress our development plans through Concept Select, before launching a process later this year to attract industry partners to join us in unlocking the significant value that exists within the GBA.

We are making good progress to deliver on our strategy, while adapting to an investment environment that is changing fast. We have an excellent team at JOG and I would like to thank them all for their continued dedication and relentless commitment to advancing our activities across our asset base.



Andrew Benitz
Chief Executive Officer
6 May 2020

STRATEGIC REPORT



fig 8 – Transocean Spitzbergen used to drill the Verbier discovery well



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Overview

Strategic Report

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Our Financials

ECONOMIC & INDUSTRY ENVIRONMENT



Macro Industry Environment Business Continuity in response to global pandemic

The world has been implementing aggressive measures to tackle the ongoing outbreak of Covid-19. JOG has rapidly recognised the growing uncertainty around growth and underlying business conditions.

JOG remains fully funded to deliver the Concept Select work we are progressing on our GBA development and we have implemented cost saving initiatives to cut our 2020 budget guidance by more than £3m from £10.6m to £7.5m. The Company has sufficient working capital through to at least the end of 2021, prior to any proceeds from our planned sale of a part interest in our GBA Project, the process for which is expected to be launched later this year. Cost control continues to be monitored closely by our Board.

Therefore, while it would be inappropriate to describe the situation as 'business as usual', we continue to work on the various workstreams required to achieve our stated goals and create long-term shareholder value, including advancing Concept Select for the GBA development which remains on track for delivery this summer. Given the nature

of our current workstreams, these can mostly be completed remotely by our team and contractors and therefore we have set up business continuity measures to enable our team to work from home to ensure that the safety of those in our employ remains a top priority.

Oil prices

Oil prices have been increasingly volatile since the beginning of 2020. Spot pricing has been making recent headlines with WTI front month contracts going into negative pricing territory for the first time. While this is clearly a concern, it is important to note the key drivers of this:

- From late 2016 OPEC+ agreed to reduce output to prevent prices from falling as US shale oil production grew to record highs
- In March 2020 the actions of both Saudi Arabia and Russia to gain market share resulted in oil price falls, as previous production cuts from the leading OPEC+ producers were reversed, exacerbating the oversupply issue
- Oil storage is currently at or nearing capacity in a number of global locations because of supply destruction caused by Covid-19 lockdowns.

Once lockdown restrictions start to be lifted, demand will begin to pick up. It is difficult to forecast how the supply/demand balance will behave as recovery begins. However, not all oil production that has, or will be shut in, will recover immediately. Many companies will struggle to survive debt burdens taken on at times of much higher prices and the investment rate in sustaining existing production, especially in the US shale basins, will fall. The results of these, and many other contributing factors, may result in a lack of new developments coming on stream in the next five years.

As oil companies seek to replace their declining production, they will look for new development opportunities that offer material volumes and which can deliver economic returns in lower oil price environments. Given the attractive economics of the GBA development (expected break-even costs <\$32/bbl, IRR >40% as per the October 2019 CPR), it has the potential to appeal to a wide range of buyers, not just existing regional players in the North Sea, but companies from much further afield too.

STRATEGY



Business Strategy

JOG has a two-pronged approach to its strategy. The first prong is a Core Area Strategy, with an intense focus on the area surrounding its principal asset to create and increase value in the licence and surrounding areas. This time last year our principal asset was Licence P2170 which contains the Verbier discovery. Our Core Area focus resulted in our pursuit of proximal acreage to P2170 in the 31 SLR. This strategy and focus has delivered a significant increase in scale and hence value of our core area. Our primary asset is now the Buchan field which sits across two blocks in the P2498 licence. This licence, together with the three surrounding licences which include P2170 forms our core area. The second prong is the pursuit and execution of asset or corporate acquisitions in the UK North Sea area. Both approaches aim to deliver strong Shareholder returns.

Greater Buchan Area: The four licences that make up JOG's interest in the GBA include Licence P2498 (the Buchan Blocks), Licence P2170 (Verbier), Licence P2497 (Zermatt) and Licence P2499 (Glenn) and represent our very significant resource base. In October 2019 we

published summary extracts from the CPR produced by Rockflow Resources Ltd that highlighted a mid-case technically recoverable resource volume of 94.7 MMstb net to JOG's interest in Licence P2498 and an associated post-tax net present value of US\$989m (including our then equity of 18% in Licence P2170).

Acquisition Strategy

Since JOG's inception, there has been a clear focus on acquisition opportunities. JOG has participated in a large number of processes. The Company's analysis begins with a technical evaluation. Subject to a positive technical assessment of the merits of the opportunity, it is then assessed commercially. The Company's approach is to ensure there is a balance in the risk/reward outlook of an opportunity and, as such, many of the opportunities assessed have not passed our combination of technical and/or commercial evaluations. For those opportunities that have progressed, most were within competitive processes. We have maintained our discipline relative to our technical and commercial assessments, including our in-house views of the macro environment (commodity prices,

foreign exchange risk and other macro considerations pertaining to the UK North Sea). While this prudent approach resulted in our being outbid on a number of opportunities, this discipline has ensured that we have not bought production at prices subsequently likely to be proven uncommercial. We intend to continue this prudent approach.

With the acquisition of the various GBA licences, our acquisition targets have become more focused. We are particularly interested in the acquisition of production that would assist our future funding requirements in relation to the GBA. The current macro environment may present some interesting acquisition opportunities that we, as a company unencumbered by debt or production, may be able to exploit beneficially.

As before, however, we continue to fully evaluate potential acquisitions and we are not prepared to pay prices which we believe to be unlikely to deliver a good return to Shareholders.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)

The oil and gas industry is uniquely positioned to develop efficient products and services, support innovation and facilitate knowledge sharing and collaboration as it seeks to fully support the energy transition. Within our operations, JOG fully embraces this energy transition and fully supports the UK Government's commitment to net-zero by 2050, which the OGA are integrating into their regulatory policies.

To ensure a just transition, we are embedding sustainability deep into our corporate strategies and operations. JOG is now a proud signatory of the UN Global Compact, the world's largest corporate sustainability initiative. By aligning our business objectives with the UN's values, we aim to support the advancement of their broader Global Goals. At the operational level, health and safety, environmental compliance and workplace wellness are at the core of this commitment. We have established a framework which will ensure the long-term resilience of our business to climate-

related risks, in addition to reducing carbon emissions directly attributable to the development of and production from the GBA.

Of particular note, as regards our activities in the GBA, we will not be using the old Buchan wells or facility and, as a result, this means the GBA will not only be environmentally safer but can be classified as a greenfield development, with no legacy environmental issues. We are well placed to use the latest engineering and operational techniques to bring down the carbon emissions associated with this development and oil and gas produced from it, safely and efficiently.

JOG is committed to an open and honest relationship with all our contractors and suppliers, delivering a Procurement and Supply Chain Management system that is responsible and professional. Our processes are aligned to the principles set out in the OGA's MER UK Supply Chain Delivery Programme.

During 2018 we adopted the Quoted Companies Alliance Corporate Governance Code, and it is our belief that a transparent and robust governance policy is a key component to our success. As a business, we recognise that good corporate governance is based on culture rather than procedure.

We are working closely with the OGA and our contractors to introduce technologies that may enable the GBA development to be at the forefront of the energy transition, as well as being a new area hub with potential for regional industry collaboration to ensure the Maximum Economic Recovery [MER] of resources in the area.

As a fundamental deliverable for Concept Select for the GBA development project, JOG contracted a leading engineering consultancy, to evaluate power solutions for the GBA. The study assessed various modes of sustainable power generation for the Buchan hub and the potential for distribution of electric power to



other regional oil installation operators, existing and planned, from Buchan, as a regional power hub. Phase 1 of this study evaluated and confirmed the technical feasibility of platform electrification.

JOG believes that the energy transition is about evolving the energy mix to be as sustainable as possible. JOG is developing ESG criteria to be applied corporately and to the Greater Buchan Area Project. Our governing principles are outlined below:

- Applying appropriate criteria to all of our activities to ensure JOG is environmentally conscientious
- Respectful treatment of all within JOG’s operating community
- Honest and transparent business practices

JOG will make ESG part of its regular reporting to shareholders and will report on ESG criteria that the Company is pursuing.

The UN Global Compact is driving business ambition and innovation to help ensure meaningful private sector contributions towards the achievement of the Sustainable Development Goals [‘SDG’].

To deliver impact at scale, the UN Global Compact is working with business to raise awareness, showcase best practice and support meaningful target-setting.

For JOG, ESG and SDG means:

- Raising Awareness of ESG and SDG internally and within our stakeholders
- Continually increasing our ESG and SDG capabilities and delivery
- Inspiring ESG and SDG activities through good business practice
- Engaging in policy dialogue on ESG and SDG

- Building multi-stakeholder partnerships with ESG and SDG as fundamental drivers
- Establishing internal goals and creating a public ESG and SDG strategy with objectives and commitments that are relevant to our organisation.

We are aligned with the Davos Manifesto which states: ‘A company is more than an economic unit generating wealth. It fulfils human and societal aspirations as part of the broader social system. Performance must be measured not only on the return to shareholders, but also on how it achieves its environmental, social and good governance objectives.’



BUSINESS REVIEW AND FUTURE ACTIVITIES

The principal activity of the Company is that of an upstream oil and gas business in the United Kingdom. The Company is a public limited company with share capital incorporated in England and Wales (company number 07503957) and is quoted in London on the AIM market of the London Stock Exchange (“AIM”) under the designation JOG.

The Company is required by the Companies Act 2006 to set out in this report a review of the business of the Group during the year ended 31 December 2019 and the position of the Group at the end of the year, as well as the principal risks and uncertainties facing the Group. The information that fulfils these requirements, including discussion of the business and future developments, is set out in the Chief Executive Officer’s Report, the Chairman’s Statement and the Strategic Report.

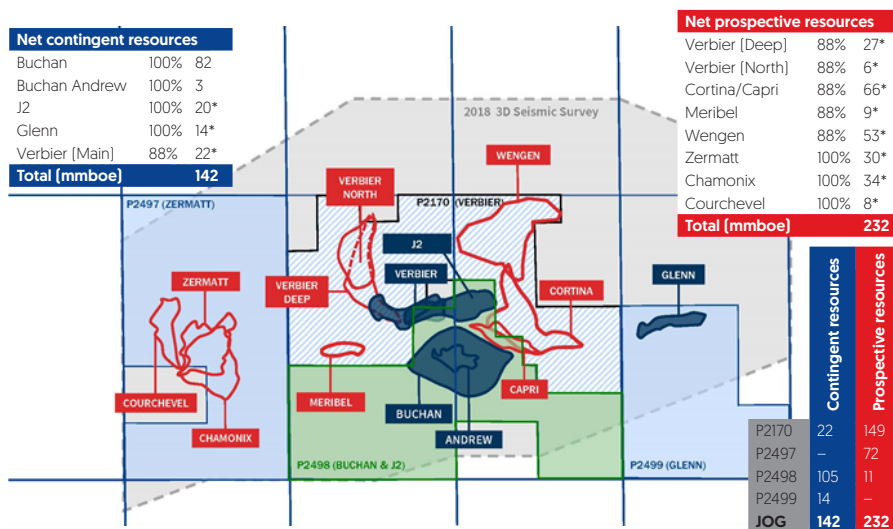
Highlights of 2019

Secured Company-defining increase in resource base from 31 SLR awards.

- 120 mmboe of 2C discovered net recoverable oil equivalent resources
- 91 mmboe of exploration potential
- 3 new licences, 4 new blocks
- 100% equity interests and Operatorship

The Verbiere appraisal well result was an unexpected result not encountering the anticipated Upper Jurassic sands. This meant we lowered our estimate of gross recoverable resources for Verbiere down to the lower end of the initial resource estimate of 25 mmboe.

Development ready with exploration upside



* Management estimates as at January 2020

Fig 9 – JOG Greater Buchan Area discoveries, prospects and leads volumes are reviewed and approved by Ronald Lansdell, COO of JOG, a qualified Geologist and Fellow of the Geological Society, who has over 40 years’ relevant experience within the sector.

Recruited a highly capable project team to progress development planning.

- A multi-disciplinary project team which reports to Ron Lansdell [COO] and is led by Stephen Kirby, a senior project manager with experience from two of the North Sea’s most successful developments in the last 15 years in Buzzard and Golden Eagle
- The team has a wealth of North Sea experience gained from Super-Majors, Majors, Oilfield Service companies and large independents

Sanctioned key contracts with subsurface, facilities and engineering specialists including Rockflow, Petrofac, RPS and KBR.

Published summary extracts from a new CPR produced by Rockflow Resources Ltd that focused on the Buchan, Buchan Andrew and J2 discoveries and the Capri prospect providing third party validation of the resource potential of the Buchan blocks [Licence P2498], key constituents of our GBA resource base.

Cash Position: Ended 2019 with £12.3m, which sees the Company fully funded for the Concept Select phase of the GBA Project and until at least the end of 2021, based on our current contracted work programme on the GBA Project and current company G&A levels.

Post Year End Developments

Acquisition of Equinor’s stake in Licence P2170 containing the Verbiere discovery

- An additional 18 mmboe of 2C discovered net recoverable oil equivalent resources
- An additional 119 mmboe of prospective resources
- No upfront cash consideration
- Deferred contingent consideration of two modest payments on Field Development Plan [‘FDP’] sanction and first oil and then a reducing revenue royalty over the first 35 mmbbls of oil produced from on-block volumes net to the acquired interest [see p17 for more details].

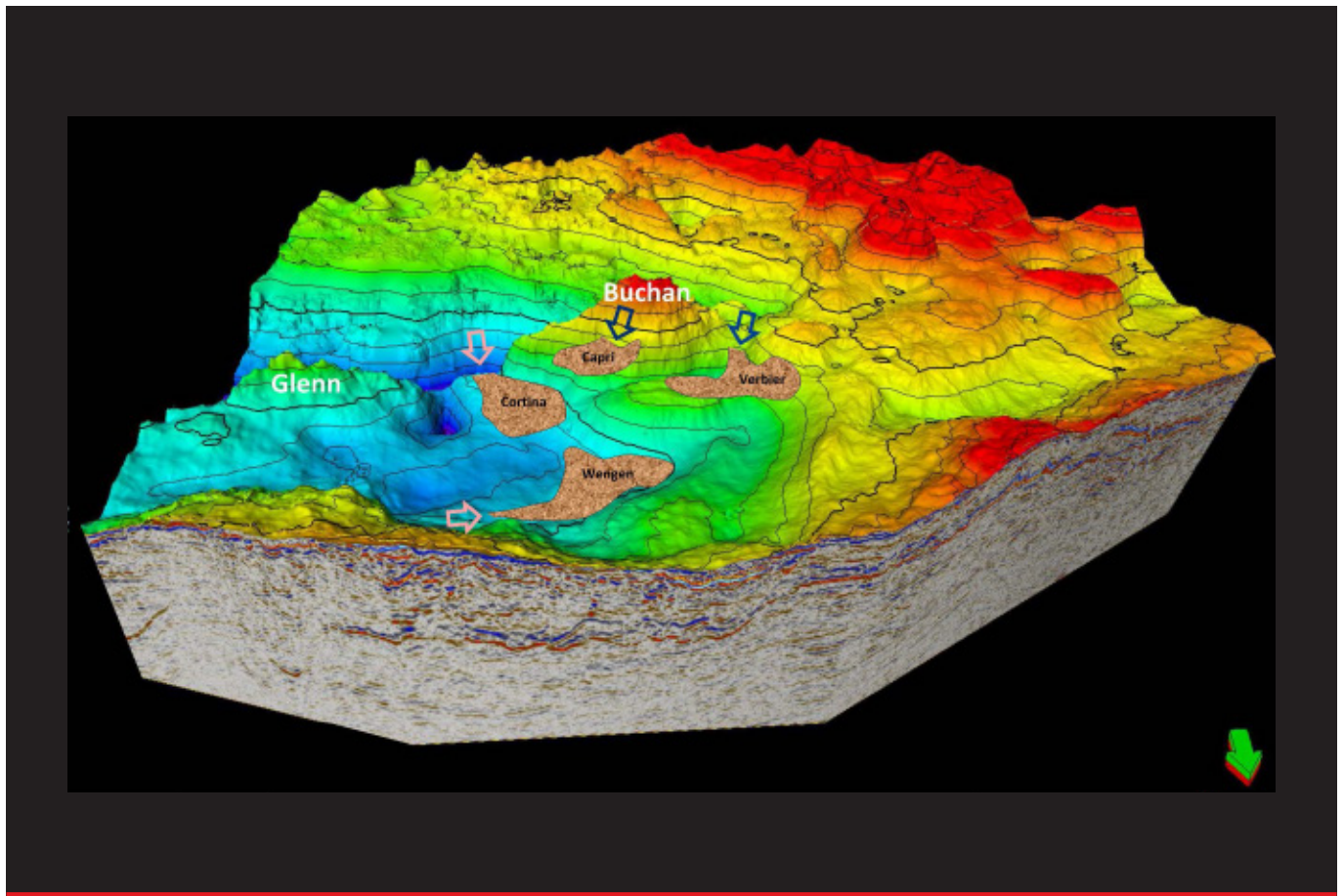


Fig 10 – The P2170 discovery and prospects in relation to the Buchan Field

Operations

In January 2019, the OGA launched the 31 SLR. Known as the Greater Buchan Area [‘GBA’], the blocks offered in the 31 SLR surround our existing Licence P2170, where the Company made the Verbier oil discovery in October 2017. We referred to this in our 2018 annual accounts and recognised the potential for a new area hub development to produce the material discovered oil volumes that exist within the GBA. Looking at the GBA in an area-wide context has been part of JOG’s strategic thinking for the past two years and it was this foresight that has helped to transform the Company to where it is today.

During the first half of 2019, the Verbier appraisal well was drilled. While not successful, the data and information acquired during the drilling of the appraisal well combined with the interpretation of the final processed volume of PGS 3D seismic data has increased our confidence in the depositional model and hence distribution of the Verbier reservoir sands and enhanced our understanding of further prospectivity in the P2170 licensed acreage. Although this was a temporary setback for the Company, we

subsequently acquired a dominant asset ownership with significant discovered resources, across the Greater Buchan Area.

In July 2019 JOG was awarded 100% working interests and operatorship of two licences in the OGA’s 31 SLR. Subsequent to our initial award we were awarded a further licence containing the Glenn oil discovery in August 2019. The acreage awarded in connection with the 31 SLR includes the Buchan oil field and the J2 and Glenn oil discoveries, together with additional high potential exploration prospects, and is contiguous with JOG’s existing interest in Licence P2170, that contains the Verbier discovery. These awards that have added significant proven oil accumulations are by far the most significant event for JOG since its inception.

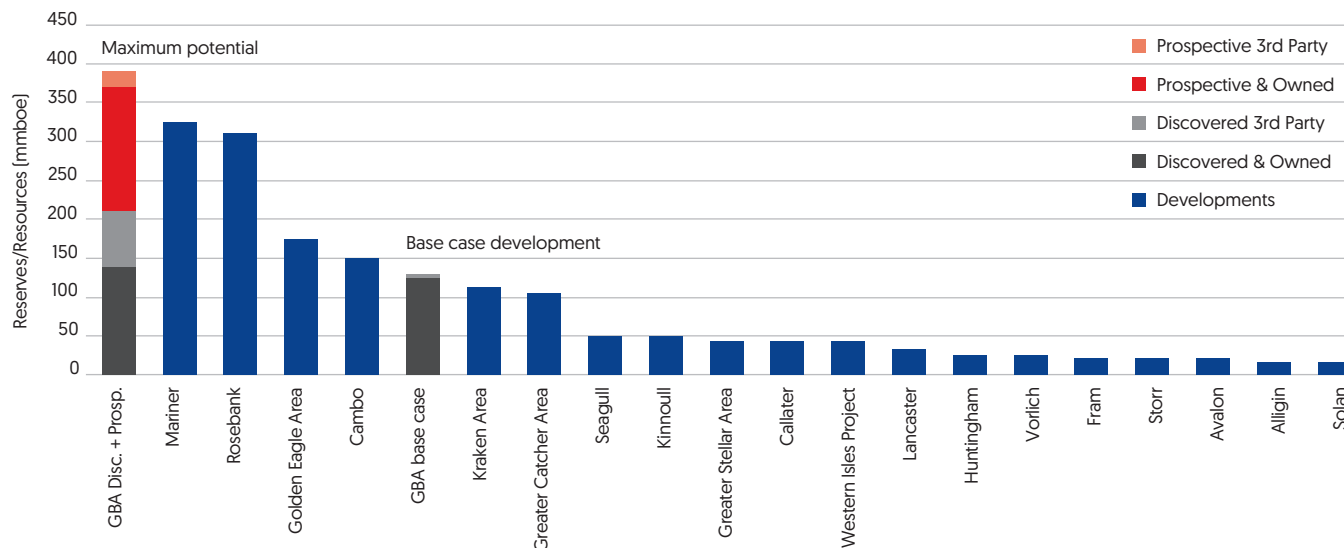
Concurrent with the awards we began assembling a highly experienced in-house project team with extensive regional oil and gas project development experience. This team will provide operatorship of the project and will manage the third party contractors. In October 2019, JOG was pleased to announce the award of key contracts to Rockflow Resources Ltd [‘Rockflow’]

and Petrofac Facilities Management Limited [‘Petrofac’]. Rockflow, working closely with the JOG team, is providing subsurface evaluation and Petrofac is providing facilities and well studies for the concept selection phase of the GBA development project. Our current estimate for the conclusion of the Concept Select phase is during summer 2020.

In October 2019, JOG published the key findings of a Competent Person’s Report containing an independent assessment of resource and valuation estimates in relation to certain oil and gas interests held by the Company in the GBA. This was completed by Rockflow. These assets include the significant resources of the Buchan Devonian oil field, the J2 and Buchan Andrew oil discoveries and the Capri prospect. The highlights of this study concluded Technically Recoverable Oil Resource Volumes of 94.7 MMstb net to JOG, with a mid case Contingent Resource valuation (NPV10) of Licence P2498, together with a valuation of JOG’s 18% share of the Verbier discovery of £791m (US\$989m).

BUSINESS REVIEW AND FUTURE ACTIVITIES

The Greater Buchan Area in context



Source: Wood Mackenzie except for Greater Buchan Area data which are management estimates. Base case includes Buchan, Buchan (Andrew), J2 and Verbier @ 25 mmbbl.

The GBA Assets

The principal asset within the Greater Buchan Area is the Buchan oil field. It was discovered in the mid-1970s and was brought on stream by BP in 1981 with nine development wells. Initial production peaked at 54,537 bopd. A cumulative total of 148 million barrels ["mmbbls"] of oil were produced under natural depletion, with aquifer support, until May 2017, when the Buchan Alpha production facility was no longer compliant with the required Safety Case. Buchan oil is light [33.5° API] with a low GOR [285 scf/bbl]. A number of in-depth studies, compiled since 2014, have demonstrated a strong case for the economic attractiveness of the Buchan field and for bringing it back into production. JOG has worked for over two years studying the Buchan field and we, together with our Competent Person (Rockflow), have estimated, in agreement with earlier studies, that over 80 million barrels of oil remain to be produced from the field. The reservoir is a Devonian fluvial sandstone, variable in quality with porosities of up to 28%. Buchan can now be described as a conventional, fractured sandstone reservoir. The oil production is from a dual matrix porosity and fracture system. Production from 1991 until 2017 was at a relatively constant pressure of around 2,500 psi. Making use of our new 3D seismic data and the resulting static and dynamic reservoir models, we will

target our development wells to optimise production.

The GBA is located in the heart of the UK Central North Sea ["CNS"]. To the north is the SAGE gas pipeline, to the south is the Forties oil pipeline and the area is surrounded by some of the most iconic fields that have helped establish the North Sea's reputation as a major hydrocarbon province. JOG had the foresight in 2018 to pre-fund a major 3D seismic survey covering the Buchan field and the surrounding 1,000km² of acreage. The survey overlays all of the discoveries and prospects in the acreage we applied for and which we were subsequently awarded in the 31 SLR. The final, fully processed data was received by JOG in July 2019 and we are pleased to observe a good improvement in the image quality and enhanced resolution. This data has been of significant benefit as we progress our subsurface work across all our acreage.

Oil was also discovered in the Buchan discovery well in 1974, in the shallower Andrew Sandstone reservoir. The trap consists of a low relief, four way dip closure. This proven accumulation is being evaluated for production through the Buchan hub.

The J2 oil discovery is some 2 km north of Buchan and was discovered in 2006. The J2 structure and reservoir are

currently being evaluated as a potential tie-back opportunity to the Buchan hub. Further evaluation studies and potential development plans for the J2 Sgiath Formation oil discovery will be run concurrently with our plans for Buchan.

The Glenn oil discovery is located some 6 km to the east of Buchan and is another potential tie-back opportunity to the Buchan hub. The Glenn oil accumulation is contained in a faulted horst structure with oil entrapped within late Jurassic, shallow marine Sgiath Formation sands. JOG has estimated that 14 million barrels of oil could be produced from Glenn. The licence in respect of Block 21/2a comprises a two-year Initial Term with certain firm work obligations, principally comprising geotechnical studies, with a drill or drop well obligation at the end of the term.

In addition to the above discovered oil volumes, JOG was awarded block 20/4c, to the west of the Verbier licence area, where JOG has mapped Upper Jurassic prospects, Zermatt and Chamonix. These are stacked prospects with combined prospective resources estimated to be in excess of 60 mmbbls, together with the Courchevel lead, which is a deeper, Sgiath reservoir target. The licence working terms include a drill or drop obligation, to be exercised at the end of the term.

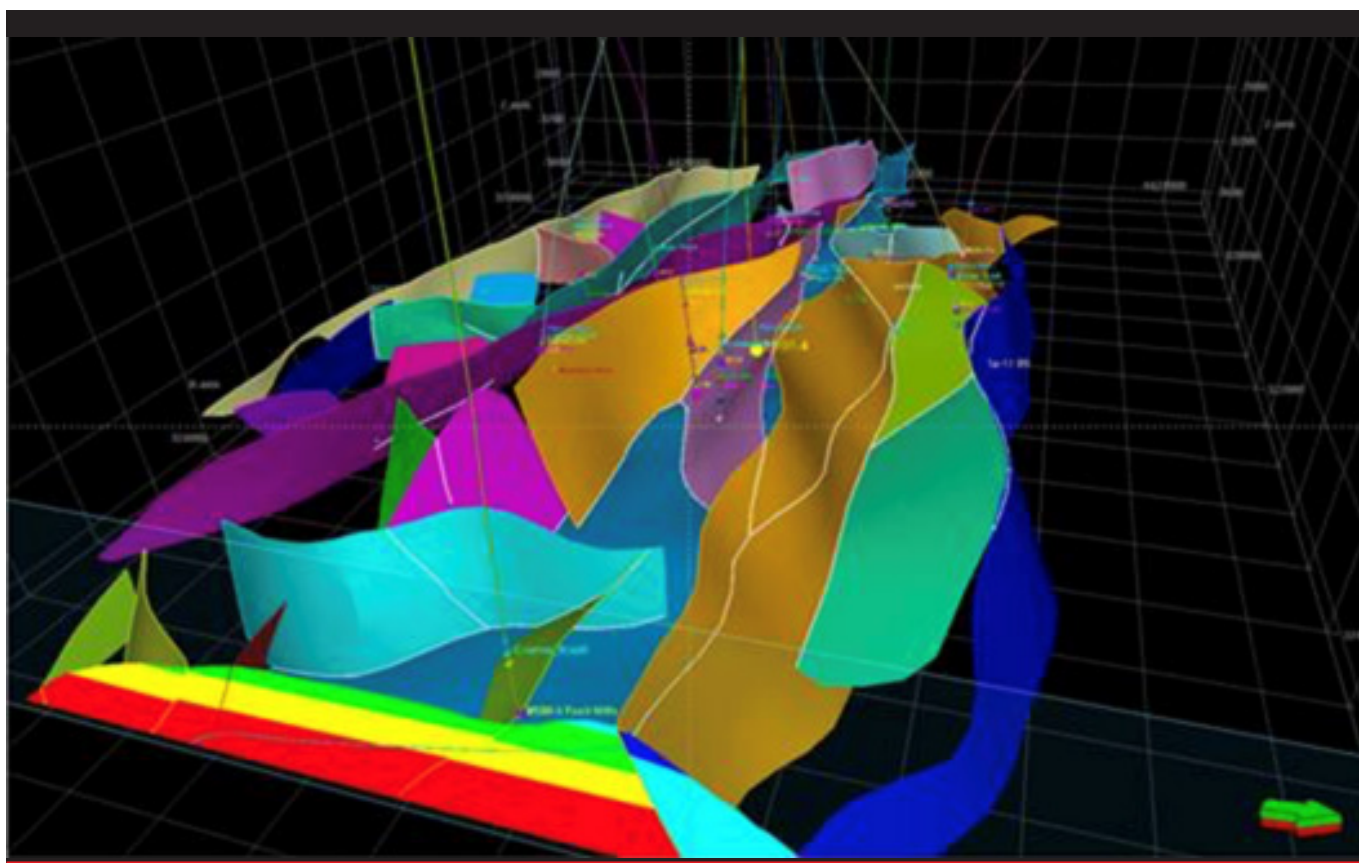


Fig 11 – Buchan Field fault model

P2170 – Verbier Licence Area Acquisition of Equinor UK’s interest in Licence P2170

Post year end and during January 2020, JOG announced that it had entered into a conditional Sale and Purchase Agreement (“SPA”) to acquire operatorship of, and an additional 70% working interest in, Licence P2170 [Blocks 20/5b and 21/1d] (“Licence P2170”) from Equinor UK Limited (“Equinor”).

The consideration for the Acquisition consists of two milestone payments and a royalty based on potential future oil volumes produced from the Verbier Upper Jurassic [J62-J64] reservoir oil discovery [the “Verbier Field”], as further detailed below.

Milestone Payments:

- US\$3m upon the UK’s OGA sanctioning an FDP for the Verbier Field
- US\$5m upon first oil from the Verbier Field

The earliest of the milestone payments in respect of the Acquisition is not currently anticipated being payable before the start of 2022.

Royalty Terms:

A gross revenue royalty on the oil production generated from the Verbier Field calculated on a 70% working interest for on-block volumes at the following levels:

- 5% for the first 12 million barrels of oil produced and sold
- 4% for the subsequent 13 million barrels of oil produced and sold
- 2% for the next 10 million barrels of oil produced and sold

Acquiring these additional discovered oil volumes enhances JOG’s project value considerably and at the same time strengthens our plan to bring Verbier into future production through the GBA hub development. On completion of the Acquisition, JOG will assume operatorship and secure a further 70% interest in Licence P2170 from Equinor, taking its total working interest in the licence to 88%.

For JOG, the Acquisition will add an estimated 17.5 million barrels of discovered oil volumes to its existing resource base within the GBA. The Verbier discovery is located 6km to the North West of Buchan and, following completion of the Acquisition, JOG will

own and operate all of the three initial core components of its planned Buchan hub development, being the Buchan oil field, together with the J2 and Verbier oil discoveries.

In the Competent Person’s Report (‘CPR’) completed by Rockflow Resources Limited for JOG in October 2019, the gross post-tax cash flow associated with a Verbier Field tie-back to Buchan was assessed to be US\$72m. This Acquisition consequently adds an estimated US\$506m of post-tax cash flow to JOG and the estimated NPV of the GBA development project, net to JOG increases to US\$1.2bn, with the estimated post-tax cash flow increasing to US\$3.1bn.

Other Licence Activity

On 28 May 2019 JOG was pleased to announce that it had agreed terms with Total E&P UK Limited (‘TEPUK’) in relation to TEPUK’s termination of its 2013 farm-in to licence P2032 [Blocks 21/8c, 21/9c, 21/10c, 21/14a and 21/15b]. By way of a full and final settlement, JOG received £750,000 from TEPUK.

FINANCIAL REVIEW



Our cash comfortably funds the Company through its currently contracted work programme of Concept Select, after which we will launch a sales process to attract industry partners to join us in unlocking the significant value of the GBA.”

Vicary Gibbs
Chief Financial Officer

Cash

£12.3m

[2018: £19.8m]

Debt

£0.0m

[2018: £0.0m]

Admin Expenses

£2.2m

[2018: £1.4m]

Cash Resources and Short-Term Investments

JOG's cash position was £12.3m as of 31 December 2019. Our cash comfortably funds the Company through its currently contracted work programme of Concept Select, after which we will launch a sales process to sell a proportion of our equity in the Greater Buchan Area licences. Based on current estimates our cash therefore funds us through to at least the end of 2021. This provides us ample time for realising significant proceeds from a sales process to secure funds to progress the project work through to submission of a Field Development Plan and to progress the Project through to first oil and beyond.

Debt

JOG currently has no debt.

Consolidated Statement of Comprehensive Income

The Group had no trading revenues in 2019 but did receive £750,000 of other income as a result of the settlement agreement with Total E&P UK Limited in relation to TEPUK's termination of its 2013 farm-in to licence P2032. Cost of Sales includes expenditure on new licensing round activities and various data and service costs associated with these activities.

Administrative Expenses

2019 saw increases in the Group's cost base as we began to build out our project team expanding the size and capabilities of the Company commensurate with the requirements of operatorship of the GBA development project. The Group continues to remain lean and cost efficient, which leads to us having annual administrative expenses of approximately £2.2m. While this is an increase over the prior year it is a necessary increase in order to build the twin foundations of an operatorship focused project team and a business management infrastructure capable of growing to manage the demands of a much larger company.

During the year we also incurred modest costs on acquisition processes that were terminated or which we were not able to successfully conclude.



KPIs

The Group’s Key Performance Indicators [‘KPIs’] are split into two groups. Firstly, our financial KPIs, which relate to cash and administration and operating expenditure, and second, our non-financial KPIs which relate to operational activities including HSSE.

Given the nature of our business, it is critical that we monitor and manage our cash very carefully and maintain financial flexibility to recapitalise the balance sheet as and when required, while at all times being able to honour our commitments and progress our business in the interest of Shareholders. On a similar note, our administration and operating expenditure needs to be kept within budget and within a range that is appropriate to the size and operations of the Group. HSSE is our most important non-financial KPI, due to the importance we place on the protection of the environment and the safety of our employees.

Annual General Meeting

The Annual General Meeting will be held on 3 June 2020. In the light of restrictions in place arising from the Covid-19 outbreak that prevent physical meetings of more than two people taking place we, in accordance with current best practice, will look to hold a shortened AGM followed by a form of Company presentation to be posted on our website. Further details will be provided in the Notice of Meeting.

Outlook

The Directors consider that the Group remains appropriately capitalised for its current asset base. It is well managed, with an efficient, effective and scalable cost base, and remains well placed to pursue our current stated strategy.

On behalf of the Board

Vicary Gibbs

Chief Financial Officer
6 May 2020

RISKS



The Group operates in an environment that has substantial risks, albeit ones that it aims to mitigate and manage. These risks have to be carefully balanced to maximise the chances of providing attractive returns for our Shareholders. The Company has a well-developed and discussed Risk Register. It is updated on a regular basis and discussed at regular points throughout the year. The most recent discussion was at a February 2020 Board meeting.

Financial Risks

<ul style="list-style-type: none"> • Availability of capital 	<p>The Group relies on external funding for its own cash reserves; however, our cash reserves are depleted by Group overheads and required capital expenditure on assets. Budgets and cash flow projections, taking into account a range of cost projections and development scenarios, are prepared and updated regularly, circulated to all Directors and reviewed at Board meetings.</p> <p>The Company raised funds towards the end of 2017 and expects to be able to operate within its existing cash reserves through to the end of 2021, based on current committed spending on the GBA and current G&A levels.</p> <p>Close relationships are maintained with banks and the investor community as the Group will require further capital to progress its development activities.</p> <p>Given the scale of the Greater Buchan Area development, the Group will likely require capital from multiple sources. As has been publicly stated, the Company intends to run a sales process to sell part of its equity interests in the GBA post completion of Concept Select to bring in funds for its share of development costs. Given the inherent value of the GBA development it is currently anticipated that this will provide a material component of the Company's overall funding needs for development, with further capital being raised post the introduction of an asset partner.</p>
<ul style="list-style-type: none"> • Volatility in macroeconomic conditions 	<p>The Group currently has no income exposure to oil or gas price fluctuations, as there is no production currently accruing to the Company from its asset portfolio.</p> <p>As a buyer of products and services, the Company faces both risks and opportunities from economic volatility.</p>
<ul style="list-style-type: none"> • Cost overruns and inflation 	<p>The Group insures the risks appropriate for the Group's needs and circumstances. In particular, events like the drilling of the Verbier appraisal well carry inherent financial and operational risks and these are insured, where possible, under specific policies with major insurers.</p>
<ul style="list-style-type: none"> • Adverse taxation and legislative changes 	<p>The Group is exposed to changes in the UK tax regime and supports the work of industry bodies in influencing government policy to encourage investment in oil exploration and production, in addition to the management of tax planning and compliance.</p>
<ul style="list-style-type: none"> • Regulatory and compliance risks 	<p>The Group manages its regulatory and compliance risk through the employment of sufficient competent personnel and through retaining suitably proficient advisers.</p>

Financial Risks

- Co-venturer**
 Close relationships are maintained with key co-venturers and counterparties. An assessment of financial capability is a major assessment of suitability and will be a key consideration in any negotiations.
- Adverse foreign exchange movements and other counterparty risk**
 The Group has had exposure to US Dollar and Norwegian Krone exchange rate risk through historic service provision costs paid from Sterling denominated cash deposits. At present the Group holds almost all its available cash resources in Sterling, although we have kept a close eye on modelling and matching our potential future exposure to our liabilities, as part of the Board's ongoing business risk appraisal process.

Operational Risks

- Loss of key employees**
 The Group recognises that to achieve its long-term strategy it will need to continue to take an active approach to identify, attract and retain the skills and expertise needed and to incentivise employees appropriately. The oil and gas sector is a particularly expensive sector in which to operate from a personnel perspective. The Group tries to ensure that we are leanly but appropriately staffed, with a focus on technical capability and that employees are working under contracts that provide the Group with a degree of protection, should people leave our employ. Through the employment of high quality staff and contractors, we believe we can mitigate many of the risks associated with our operations. Subsurface risks and uncertainties are mitigated through the rigour of internal and external peer reviews and documented in a Competent Persons' Report.
- Delay and cost overrun on projects, including weather related delays**
- HSSE incidents**
- Exploration and appraisal well failures**
- Co-venturer and other counterparty risk**
 The Group typically holds shared equity in its assets. The Group is now operator of licences and is building up its knowledge and experience, including HSE and the necessary engineering skills for Concept Select and exploration activities, as appropriate for current and planned activities. Co-venturer risks, relating to their ability to fund their own share of developments and manage projects to effectively cover other operational risks, is also mitigated by the scale and reputation of the Company's JV co-venturers. These risks, together with relationships with government and regulators, are regularly reviewed by the Board.
- Delays to exploration well programme execution**
 Full operational risk cover and advice is provided through the Group's insurance brokers. The Group monitors and evaluates all aspects of HSSE performance and has adopted continuous improvement business practices and processes, monitored and evaluated at every level of the organisation. The Group will continue to conduct its operations in a responsible manner that protects the health, safety and security of employees, contractors and the public and minimises the impact on the environment.
- Failure of third-party services**
- Inherent geological risks and uncertainties**

Strategic and External Risks and Opportunities

- Movement and conditions in capital markets**
 The Group competes with other exploration and production companies, some of whom have much greater financial resources, for the identification and acquisition of oil and gas licences and properties. The market price of hydrocarbon products can be volatile and is not within the control of the Group.
- Commercial misalignment with, or default of co-venturers**
 The successful progression of the Group's oil and gas assets depends not only on technical success, but also on the ability of the Group to obtain appropriate funds through equity financing, debt financing, farm-outs and other means. The availability of funding may continue to be influenced by macroeconomic events, such as oil price fluctuations or the overall state of the economy, both of which remain outside the control of the Group. There is no assurance that the Group will be successful in obtaining the required financing going forward. The Group's financial risk management policies are set out in note 4.
- Material oil price movements**
 The Company does not see Brexit having a significant impact on its business. The global oil market is not forecast to be significantly directly impacted by an exit of the UK from the EU and there is significant demand for oil domestically. Access to overseas personnel and equipment may be affected to a greater or lesser extent, depending on the precise Brexit outcome.
- Material changes in projected abandonment costs of oil and gas fields**
 There is no absolute assurance that the Group's ongoing activities will be successful. At the current time, the Group has several active licence interests, which it considers to have good reserves potential and prospects. However, exploration, appraisal and development licences come with some degree of risk and there may be an uncertainty over the future success and potential commercialisation of these assets. The Group also intends to expand its portfolio through the acquisition of producing assets in the future to provide asset diversification.
- Brexit**
 The risks and opportunities set out above and herein are not exhaustive and additional risks, uncertainties and opportunities may arise or become material in the future. Any of these risks, as well as other risks and uncertainties discussed in this report, could have a material adverse effect on the business.
- Global pandemics**
 The Company has implemented revised working practices to protect all personnel and to minimise the impact of Covid-19 on key workstreams. Given workstreams in 2020 are predominantly desktop based there is minimal impact currently. Potential macro impacts of Covid-19 in the longer term are likely capital related and are discussed above.

OUR GOVERNANCE



fig 12 – Little Skellig and Skellig Michael



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Overview

Strategic Report

Our Governance

Our Financials

BOARD OF DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:



Marcus Stanton
Non-Executive Chairman

Marcus Stanton has extensive experience in the oil & gas and banking industries and has been a Non-Executive Director of a number of AIM quoted companies over the past 20 years, including Velosi Group Limited (international oil and gas services), Cardinal Resources plc (oil and gas E&P) and chairman of JOG since 2015. Marcus qualified as a Chartered Accountant at Arthur Andersen, where he worked in the oil and gas division. Previously held banking roles include Chief Operating Officer of Global Capital Markets, Robert Fleming & Co. and Director, Corporate Finance, at Hill Samuel & Co. Marcus also provides expert evidence on banking transactions, both in the UK and overseas. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Chartered Fellow of the Chartered Institute for Securities and Investment. He is Chairman of the Jersey Oil and Gas plc Audit Committee and a member of its Remuneration and Nomination Committees. Marcus graduated from Oriel College, Oxford. Marcus keeps his skill set up to date through meetings with chairmen of other AIM listed companies, membership of the Quoted Companies Alliance, attendance at North Sea oil and gas industry events and the continued professional development requirements of the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities and Investment.



Andrew Benitz
Chief Executive Officer

Andrew Benitz was a Founding Director of Jersey Oil and Gas E&P Ltd (now a subsidiary of Jersey Oil and Gas plc) and has over 17 years' experience in financial markets and company management. Prior to co-founding Jersey Oil and Gas, Andrew was Chief Executive Officer and Director at Longreach Oil and Gas Ltd, a TSX-V quoted company. He joined Longreach in 2009 as Chief Operating Officer when it was a small private company and oversaw the company's growth, building a significant portfolio of oil and gas assets in Morocco. Prior to his move into industry, Andrew worked at Deutsche Bank AG as an Analyst within the Oil and Gas Investment Banking Group as well as within the Equity Capital Markets team, where he worked on a broad range of oil and gas M&A transactions, together with equity and equity-related financings. Andrew is also founder and Director of Titan Properties SL, a real estate business in Spain. He completed his undergraduate studies at Edinburgh University graduating with a Bachelor of Commerce (Honours). Andrew keeps his skill set up to date through regular meetings with other oil and gas executives, regular communication with financial advisers and attendance at North Sea oil and gas industry events.



Ron Lansdell
Chief Operating Officer

Ron Lansdell is Chief Operating Officer and a founder director of Jersey Oil and Gas. Previously he was VP E&P at Longreach Oil and Gas responsible for exploration in Morocco. Ron held a number of senior technical and commercial roles during a 13 year career at Eni. These roles included roles in Nigeria, Kazakhstan and exploration management in the Atlantic Margin UK, Faroes and Ireland. He began his career in 1972 in seismic data acquisition and processing, initially at Digicon and then at CGG in London, before joining Elf in Norway and then BHP Petroleum as Exploration Coordinator, Western Australia.

Ron spent nine years with Elf (in Norway, France and Syria) and then joined QP as Chief Geophysicist in Qatar before joining Eni. Ron graduated in geology from the University of London. He is a member of the IOD, PESGB and a Fellow of The Geological Society. Through his Society and Institute memberships, Ron keeps himself regularly updated on technical commercial and governance issues.



Vicary Gibbs
Chief Financial Officer

Vicary Gibbs is a corporate financier with over 20 years' experience advising oil and gas companies. He began his career at Robert Fleming & Co. in their London oil and gas team. During his career he subsequently worked for a variety of different Investment Banks' oil and gas teams including Deutsche Bank (London and Houston), Bank of America, Hawkpoint and BMO Capital Markets.

Vicary's extensive experience includes a multitude of sell-side and buy-side asset and corporate M&A deals, strategic advisory, restructuring, privatisation and capital raising transactions. Vicary has a BA in Business Administration.

Vicary keeps his skill set up to date through regular meetings with other oil and gas executives, attendance at North Sea oil and gas industry events and through attendance at workshops and on courses run by leading accountancy and legal firms.



Frank Moxon
Non-Executive Director

Frank Moxon has over 30 years' experience as a corporate financier and financial adviser to companies, from start-ups to over £3bn in size, in a wide range of industry sectors. However, he has specialised for over 20 years in oil & gas and mining. He has held a number of senior management roles within the financial services industry and, in addition to being senior independent director at Cove Energy Plc, has been a director of various oil & gas and mining companies listed in London, Australia and Canada. Frank is currently also a non-executive director of AIM-quoted Harvest Minerals Ltd and of East of England Co-operative Society. He has a BSc in Economics and is a Chartered Honorary Fellow of the Chartered Institute for Securities & Investment, a Fellow of the Energy Institute and of the Institute of Materials, Minerals & Mining and a member of the Petroleum Exploration Society of Great Britain. He is chairman of the Jersey Oil and Gas plc Remuneration and Nomination Committees and a member of its Audit Committee.

Frank keeps his skill set up to date through attendance at North Sea oil and gas industry and Quoted Companies Alliance events and satisfaction of the continuing professional development requirements of the Energy Institute, the Institute of Materials, Minerals and Mining (which has an oil & gas division) and the Chartered Institute for Securities & Investment.

CORPORATE GOVERNANCE REPORT

Introduction

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

As a company quoted on AIM, JOG is also required to comply with a recognised corporate governance code. At the current stage of the Company's development, the Board believes it appropriate for the Group to comply with the QCA Corporate Governance Code (the 'QCA Code'), which is a code designed for growing companies and provides an effective and proportionate governance framework that is reflective of the Group's culture and values. The Chairman of the Board has the responsibility to ensure these policies and procedures are in place and operate effectively.

The Board of Directors

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

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

The Chairman's role is part-time, and he is a Non-Executive Director. His key responsibility is the leadership of the Board and this is primarily effected through regular Board meetings as well as contact with other Board members and interested parties between Board meetings. The Chairman is also responsible for the establishment of

sound corporate governance principles and practices.

The Chief Executive Officer is responsible for the day-to-day running of the Group's operations and for implementing the strategy agreed by the Board. He plays a pivotal role in developing and reviewing the strategy in consultation with the Board and in executing it with the support of the other Directors.

The Chief Operating Officer is responsible for: a) the licence-related activities of the Group; b) the development of our Environmental, Social and Corporate Governance policies and activities; c) maintaining and applying the Group's Health, Safety, Security and Environment (HSSE) Policy; and d) in conjunction with the Chief Financial Officer, the Group's policies and procedures relating to risk management.

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

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

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

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

There is a formal schedule of matters specifically reserved for the Board, in addition to the formal matters required to be considered by the Board under the Companies Act. This list includes matters relating to: a) strategy and policy; b) acquisition and divestment

proposals; c) approval of major capital investments; d) risk management policy; e) proposals from the Audit Committee, the Remuneration Committee and the Nomination Committee; f) significant financing matters; and g) statutory reporting to shareholders.

At each Annual General Meeting one third of the Directors are subject to reappointment by rotation, as are Directors who have been appointed during the year.

The QCA Code recommends that non-executive directors serve up to a maximum of nine years, in order to maintain their independence from the executive members of the Board. In this connection, Mr Stanton (Non-Executive Chairman of JOG), was first appointed a non-executive director of Trap Oil in 2011 and took on the role of non-executive Chairman in 2014, following the departure of the then Chairman, Chief Executive Officer and Chief Operating Officer. Mr. Stanton was responsible for the rationalisation of the Company's operations and the subsequent reverse takeover by JOG in 2015. For corporate governance purposes the Board of JOG regards the nine year period relating to Mr. Stanton as effectively commencing with the acquisition of JOG and formation of the enlarged Group on AIM (in 2015), which introduced a new Chief Executive Officer, a new Chief Operating Officer and a new set of controlling Shareholders.

Post period end Dr Chris Haynes was appointed as a Board adviser. Mr Haynes is a non-executive director of Woodside Petroleum Limited and Worley Limited. Chris has a wealth of experience gained from a 39-year career with the Shell Group of Companies and their affiliates where, in 2008, Chris assumed responsibility for the delivery of Shell's major upstream projects worldwide. The Board and the Company will benefit from his oversight and advice.

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

Board Effectiveness

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

The Group currently undertakes an annual remuneration review, for all Directors and staff, in the last quarter of each year. For the 2019 year, a formal Board evaluation process was undertaken that was led by the Chairman, assisted by the Company Secretary. Individual directors responded to a very detailed questionnaire covering numerous aspects of the effectiveness of the Board's performance as a unit, as well as that of its committees and the individual directors. The results of this questionnaire were compiled into a formal report that was reviewed and discussed by the Board. Whilst the overall results of the report were encouraging in that the consensus was that the Board, its committees and individual directors were felt to be performing well, a number of improvement recommendations were made. These recommendations concerned how we measure the performance of the Company in the light of our newly acquired licence interests, responding to cyber threats and how to improve information flows across the Board. These improvement recommendations have now been implemented and/or are in the process of being put in place.

Board Committees

The Company operates an Audit Committee, a Remuneration Committee and a Nomination Committee, each comprised of Non-Executive Directors.

Audit Committee

CHAIR: Marcus Stanton [Non-Executive Chairman] **OTHER MEMBER:** Frank Moxon [NED]

Both members of the Audit Committee are regarded as having recent and relevant financial expertise.

Under its terms of reference, the Audit Committee is required to meet at least twice a year, at which Executive Directors may attend by invitation, and its responsibilities include:

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

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

Remuneration Committee

CHAIR: Frank Moxon [NED] **OTHER MEMBER:** Marcus Stanton [Non-Executive Chairman]

Under its terms of reference, it is required to meet at least twice a year and its responsibilities include:

- Determining and agreeing with the Board the broad policy for the remuneration of the Executive Directors;
- Determining the individual remuneration package of each Executive Director;
- Reviewing all share incentive plans; and
- Recommending option grants for the Executive Directors and other employees, as considered appropriate.

No Director is involved in deciding their own remuneration. The Non-Executive Directors' remuneration is decided by the Executive Directors.

Nomination Committee

CHAIR: Frank Moxon [NED] **OTHER MEMBER:** Marcus Stanton [Non-Executive Chairman]

Under its terms of reference, it is required to meet at least twice a year and its responsibilities include:

- Evaluating the balance of skills, experience and diversity on the Board; and
- Approving candidates for Board vacancies, save for the appointment of the Chairman of the Board or the Chief Executive Officer, which are matters for the whole Board.

Due to the size of the Company, no meetings of the Nomination Committee were held during 2019 as its functions have been properly carried out as part of the work of the Remuneration Committee and the Board.

CORPORATE GOVERNANCE REPORT

Board and Committee Attendance in 2019

	Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Non-Executive Directors								
M J Stanton	7	7	2	2	5	5	–	–
F H Moxon	7	7	2	2	5	5	–	–
Executive Directors								
J A Benitz	7	7	–	–	–	–	–	–
R J Lansdell	7	7	–	–	–	–	–	–
V J Gibbs	7	7	–	–	–	–	–	–

Corporate Culture

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

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

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

Internal Control

The Board is responsible for the Group's system of internal control and for regular reviews of its effectiveness.

These internal procedures include:

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

This system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Risk Management

As for the previous year, given the current size of the Company, it was considered preferable for risk management to be the responsibility of the Board as a whole, rather than a sub-committee. As part of this process, the Company's Risk Register is now formally maintained by the Chief Operating Officer and presented at every Board meeting.

Environmental, Social and Governance

This is an area we have focused on, very intently, during 2019 particularly as we seek to develop our licence interests in the Greater Buchan Area. Although this is formally led by the Chief Operating Officer, all of the Directors actively contribute to these three key aspects of how we run our business activities.

Further details of our activities in this important part of our business are included in our maiden Environmental, Social and Governance report.



Health & Safety

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

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

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

In addition, certain operational HSSE goals were established by our joint venture operator for our joint venture projects. These goals are set in the context of compliance with existing legislation and industry best practice.

Management at all levels provide visible and active leadership within the Group promoting a positive HSSE culture and a common understanding of its expectations.

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

Relations with Shareholders

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

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

The Board also encourages Shareholders to participate in the Annual General Meeting, at which members of the Board are available to answer questions and present a summary of the year’s activity and the corporate outlook for the Group. This year, given Covid-19, there are restrictions in place that prevent physical attendance. Please see details relating to this year’s AGM in the Notice of Meeting.

Ongoing Review of Corporate Governance

We continue to review our corporate governance policies and procedures, particularly in the light of our development of the Greater Buchan Area and taking into account the new staff employed by the Company to achieve this. These corporate governance policies and procedures will continue to be reviewed as our business develops, and/or in response to further regulatory and other relevant guidance.



Marcus Stanton
Non-Executive Chairman
6 May 2020

DIRECTORS' REPORT

The Directors present their report together with the audited Group and Company financial statements for the year ended 31 December 2019.

Results and Dividends

The Group's loss for the year was £2.1m [2018: loss of £2.0m]. The Directors do not recommend the payment of a dividend [2018: Nil].

Directors' interests

The beneficial and other interests of the Directors holding office during the year and their families in the shares of the Company at 31 December 2019 were:

Directors' interests

	As at 31 December 2019 1p Ordinary Shares		As at 31 December 2018 1p Ordinary Shares	
	Shares	Options	Shares	Options
Non-Executive Directors				
M J Stanton	70,000	101,570	39,192	81,570
F Moxon	84,935	55,000	84,935	40,000
Executive Directors				
J A Benitz	627,142	430,000	627,142	360,000
R J Lansdell	1,000,000	430,000	925,000	360,000
S J Richardson Brown [resigned 14/11/18]	–	250,000	21,391	250,000
V J Gibbs [appointed 14/11/18]	16,500	190,000	4,447	150,000

Directors' Third Party Indemnity Provisions

The Company maintained during the year and to the date of approval of the financial statements indemnity insurance for its Directors and Officers against liability in respect of proceedings brought by third parties, subject to the terms and conditions of the Companies Act 2006.

Share Capital

At 31 December 2019, 21,829,227 [2018: 21,829,227] ordinary shares of 1p each were issued and fully paid. Each ordinary share carries one vote.



fig 13 – Skellig Michael

Substantial Shareholders

At 31 December 2019, notification had been received by the Company of the following who had a disclosable interest in 3% or more of the nominal value of the ordinary share capital of the Company:

Hargreaves Lansdown Asset Mgt.	12.22%
Mr Richard Griffiths	7.79%
Halifax Share Dealing	6.82%
Interactive Investor	6.41%
Mr RJ Lansdell	4.58%
Legal & General Investment Mgt.	4.55%
Barclays Wealth	4.43%
A J Bell Securities	4.16%
SVM Asset Mgt.	3.35%
Janus Henderson Investors	3.21%
Share Centre Investment Mgt.	3.12%

Except for Mr Lansdell, none of the Directors hold 3% or more of the nominal value of the ordinary share capital of the Company. As at 31 December 2019, the Company had not been notified of any other person who had an interest in 3% or more of the nominal value of the ordinary share capital of the Company.

Up-to-date details and changes of substantial shareholders are contained on the Company's website (www.jerseyoilandgas.com).

Employees

The business depends upon maintaining a highly qualified and well-motivated workforce and every effort is made to achieve a common awareness of the financial and economic factors affecting performance. The Group is committed to being an equal opportunities employer and engages employees with a broad range of skills and backgrounds.

Nominated Adviser and Stockbrokers

The Company's Nominated Adviser is Strand Hanson Limited and its Joint Brokers are Arden Partners plc and BMO Capital Markets.

Financial Instruments

The Group's principal financial instruments comprise cash balances, short-term deposits and receivables or payables that arise through the normal course of business. The Group does not have any derivative financial instruments. The financial risk management of the Group is disclosed in note 4.

Going Concern

The Company is required to have sufficient resources to cover the expected running costs of the business for a period of at least 12 months after the issue of these financial statements. Further to completion of the detailed studies in connection with the GBA Concept Select contracted work programmes, there are currently no firm work commitments on any of the Group's licences, other than ongoing Operator overheads and licence fees. Other work that the Company is undertaking in respect of the GBA licences and surrounding areas is modest relative to its current cash reserves. The Company's current cash reserves are therefore expected to more than exceed its estimated liabilities for at least 12 months following the date of issue of the financial statements. Based on these circumstances, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the Company's consolidated financial statements.

Board Committees

Information on the Audit Committee, Remuneration Committee and Nomination Committee is included in the Corporate Governance section, the Audit Committee Report and the Remuneration Report contained in this Annual Report.

Disclosure of Information to the Auditors

Each of the Directors at the date of approval of this report confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
2. Each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as Auditors will be proposed at the forthcoming Annual General Meeting at a fee to be agreed in due course by the Audit Committee and the Directors.

Annual General Meeting

The Annual General Meeting will be held on 3 June 2020. Please see specific details as stated in the Notice of Meeting.

On behalf of the Board



Vicary Gibbs

Chief Financial Officer
6 May 2020

AUDIT COMMITTEE REPORT



“ Our key work during 2019 and into the current year has been to oversee the management of our cash resources whilst building up a first class team of industry professionals to develop the Greater Buchan Area.”

Marcus Stanton
Non-Executive Chairman

Introduction

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

Membership and meetings held

The Audit Committee is chaired by Marcus Stanton and its other member is Frank Moxon (both Non-Executive Directors). The Committee met twice during 2019, linked to events in the Company's financial calendar. In order to encourage greater understanding and involvement in the work of the Audit committee, the Chief Executive Officer, the Chief Financial Officer and the Chief Operating Officer attended each of these meetings. The external audit partner also attended the meeting held in connection with the Company's Report and Accounts for the year ended 31 December 2018. In addition, informal meetings of the Audit Committee were held during the year.

Role of the Audit Committee

The Terms of Reference for the Audit Committee, which have been prepared in accordance with the QCA Code, provide for the Committee's main responsibilities to include:

- Monitoring the independence and objectivity of the Auditors,
- Reviewing and approving the external auditor's terms of engagement, scope of work, fees, the findings arising from the external audit work and external audit performance,

- Monitoring the integrity of the Group's published financial information,
- Reviewing the risk identification and risk management processes of the Group, and
- Reviewing the Group's procedures to prevent bribery and corruption in addition to ensuring that appropriate whistleblowing arrangements are in place.

Internal Audit

Due to the current size of the Company the audit committee obtain sufficient oversight over the operations through engagement with the Company and attendance of board meetings. it is therefore not considered appropriate to have an internal audit function.

Key Areas of Focus

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

- Review of the 2018 Annual Report and the accounting for our licence interests,
- Review of the interim results for the six months ended 30 June 2019,
- Review of the 2020 cash budget and beyond, including any impact from Covid-19.
- The appointment of a new audit partner at PwC, the previous audit partner having served the maximum term permitted under auditing standards regarding independence

and objectivity,

The Committee also considered the independence and objectivity of the PwC audit function. No non-audit services were provided during 2019 and with Bruce Collins's first year as Engagement Leader due to the mandatory partner rotation requirements the Committee is of the view that PwC could continue to be considered independent.

Management of Risk

As in previous years, it was decided to continue with the Company practice of the oversight of risk, and risk management, being the responsibility of the Board as a whole, rather than a sub-committee. This is put into effect by the preparation of a Risk Register, maintained by the Chief Operating Officer, which is presented and discussed at every Board meeting.

Committee Evaluation

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

Marcus Stanton
Non-Executive Chairman
6 May 2020

REMUNERATION REPORT



It was a transformational year. JOG is now a larger and more complicated business than it was at the start of 2019.”

Frank Moxon

Chairman of the Remuneration Committee

Introduction

This Remuneration Report has been prepared by the Remuneration Committee and approved by the Board. The Committee is committed to transparent and quality disclosure. Our report for 2019 sets out the details of the remuneration policy for the Directors, describes its implementation and discloses the amounts paid during the year. The remuneration report has not been audited.

Membership and meetings held

The Remuneration Committee is chaired by Frank Moxon and its other member is Marcus Stanton (both Non-Executive Directors). The Committee met five times during 2019.

Remuneration policy

The Committee aims to ensure that total remuneration is set at an appropriate level for the Group and its operations.

The objectives and core principles of the remuneration policy are to ensure:

- remuneration levels support the Group strategy;
- an appropriate link between performance and reward;
- alignment of Directors, senior management and Shareholder interests;
- linking of long-term incentives to Shareholder returns;
- recruitment, retention and motivation of individuals with the skills, capabilities and experience to achieve Group objectives; and
- good teamwork by enabling all employees to share in the success of the business.

There are four possible elements that can make up the remuneration packages for Executive Directors, senior management and employees:

- basic annual salary or fees;
- benefits in kind;
- discretionary annual bonus; and
- a long-term incentive plan, the Jersey Oil and Gas plc 2016 Enterprise Management Incentive and Unapproved Share Option Plan (the “Share Option Plan”).

Performance of the Company in 2019

During 2019, the Verbier appraisal well [Licence P2170] did not produce its anticipated result and JOG therefore lowered its estimate of gross recoverable resources for the Verbier discovery to the lower end of the operator’s initial 2017 resource estimate of 25mmboe. Nevertheless, it was a transformational year for JOG as extensive work carried out for much of 2018 and the first half of 2019 resulted in the award to it of four licences in the GBA under the 31 SLR. These awards, which include the Buchan oil field, the J2 and Glenn discoveries and several high potential exploration prospects, all contiguous with Licence P2170, are by far the most significant event for JOG since its inception. As a result, JOG’s discovered net recoverable resources increased during the year from circa 5 mmboe to 120 mmboe. JOG has subsequently been working on developing its interests in the GBA into a major new area hub development with an estimated value of \$1.2 billion. This has required an expansion of JOG’s technical team and the management of considerable external technical and other project development expertise. Although not yet reflected in its share price, JOG is now a larger and more complicated business that it was at the start of 2019.

REMUNERATION REPORT

Key activities for 2019

- Reviewed remuneration of Executive Directors including recommending increases in the salary levels of JA Benitz, RJ Lansdell and VJ Gibbs effective November 2019;
- Reviewed 2019 Company performance and recommended discretionary bonuses of 40% of salary to JA Benitz and RJ Lansdell and of 27% of salary to VJ Gibbs in December 2019;
- Reviewed long-term incentives and made recommendations for option awards in January 2019 across the Company (including to Executive Directors);
- Approved the vesting of the third tranche of share options granted in April 2017 and the second tranche of certain share options granted in January 2018, the relevant performance condition having been deemed by the Committee to have been met; and
- The Committee, advised and assisted by the Company Secretary, reviewed the relevant documentation for the Company's annual Board and Committee evaluation process which was subsequently completed in January 2020.

Advisers

H2glenfern Limited ("h2glenfern") were appointed in 2017 to act as independent adviser to the Committee. During 2019 h2glenfern carried out a review of executive remuneration and share awards, produced a salary benchmarking report and updated their review towards year end. The Committee is of the view that h2glenfern provides independent remuneration advice to the Committee and does not have any connections with the Group that may impair its independence. H2glenfern reported directly to the Committee and provided no other services to the Company.

Basic salary

The basic salaries of Executive Directors are normally determined by the Committee around the end of each year with any changes usually taking effect from 1 January of the following year (although in 2019 this was brought forward to 1 November reflecting salary levels historically well below those of JOG's peer group and a step change in the Company's operations following its significant success in the 31 SLR). Salaries are reviewed and adjusted taking into account individual performance, market factors and sector conditions. The 2019 salary changes were effected in the context of the need to recruit a number of senior individuals to progress the GBA project and to maintain an appropriate differential in the salaries of the Company's lead executives.

The salaries of JA Benitz and RJ Lansdell at 1 January 2019 were both £165,000. Following the Committee's review of H2glenfern's salary benchmarking report these were increased by 52% in November 2019 to £250,000 for both individuals. The salary of VJ Gibbs at 1 January 2019 was £150,000. This was increased by 47% in November 2019 to £220,000. The new salaries of JA Benitz and RJ Lansdell were set within the lower quartile of the salaries of lead executives at companies included in the benchmarking report. The new salary of VJ Gibbs was set below the median level for CFO roles

Benefits in kind and cash equivalents

Benefits provided to Executive Directors during the year comprised life and income protection insurance and private health insurance. JA Benitz, RJ Lansdell and VJ Gibbs take an 8% cash alternative to a 10% matching pension contribution offering.

Discretionary bonuses

A cash bonus award for performance during 2019 was made to Executive Directors and most staff at the end of the year.

In the light of the progress the Company made during the year, including the successes of the 31st Supplementary Offshore Licensing Round, the Remuneration Committee recommended annual bonuses of £100,000 each be awarded to JA Benitz and RJ Lansdell, and £60,000 to VJ Gibbs.

Share Option Plan

Under the terms of the Company's 2016 Enterprise Management Incentive and Unapproved Share Option Plan, Directors and employees are eligible for awards. EMI options are subject to an aggregate limit of £3m and an individual limit of £250,000 by market value of shares. Performance conditions are not required but options can be granted with performance conditions, vesting schedules or both. Performance conditions can apply to individual tranches within grants. Performance conditions can be amended, provided they are still deemed a fair measure of performance and not materially more easy or difficult to satisfy as a result. Upon any change of control, all options vest in full and any performance conditions are not applied.

The following awards were made to Directors during 2019.

Director	Position	Date of Grant	Number of New Options Granted	Exercise Price Per Share (pence)	Exercise Period	Total Options Held Following This Grant
Andrew Benitz	Chief Executive Officer	17/1/2019	70,000	175	7 Years	430,000
Ronald Lansdell	Chief Operating Officer	17/1/2019	70,000	175	7 years	430,000
Vicary Gibbs	Chief Financial Officer	17/1/2019	40,000	175	7 years	190,000
Marcus Stanton	Non-Executive Chairman	17/1/2019	20,000	175	5 years	101,570
Frank Moxon	Non-Executive Director	17/1/2019	15,000	175	5 years	55,000

Executive Directors' service contracts

The principal termination provisions of the Executive Directors' service contracts, as amended by any relevant deed of variation, are summarised below. Executive Directors' service contracts are available to view at the Company's registered office.

	J A Benitz	R J Lansdell	V J Gibbs
Effective contract date	11.03.19	11.03.19	11.03.19
Unexpired term	Rolling contract	Rolling contract	Rolling contract
Notice period	12 months save that, in certain circumstances (including material changes to contract terms or non-consensual relocation), the Executive may provide 30 days' notice.	12 months save that, in certain circumstances (including material changes to contract terms or non-consensual relocation), the Executive may provide 30 days' notice.	12 months

Non-Executive Directors' fees

The Non-Executive Directors receive a fee for carrying out their duties and responsibilities. The level of such fees is set and reviewed annually by the Board, excluding the Non-Executive Directors. The Non-Executive Directors do not currently receive additional fees for acting as members of the Board's various committees. During 2019, the fee for the Chairman was £55,000 and the annual fee for the Non-Executive Director was £35,000. In November 2019 these fees were increased to £65,000 and £45,000 respectively.

Non-Executive Directors' letters of appointment

The principal termination provisions of the Non-Executive Directors' letters of appointment, as amended by any relevant deed of variation, are summarised below. Non-Executive Directors' letters of appointment are available to view at the Company's registered office.

	F H Moxon	M J Stanton
Date of appointment	11.03.19	11.03.19
Unexpired term	Rolling contract	Rolling contract
Notice period	3 months	3 months
Loss of office compensation	No	No

REMUNERATION REPORT

Directors' Emoluments

Presented in £'000	Year ended 31 December 2019					Year ended 31 December 2018				
	Salary ¹ or fees	Pension	Benefits	Bonus	Total	Salary ¹ or fees	Pension	Benefits	Bonus	Total
Executive Directors										
J A Benitz	194	–	2	100	296	158	8	1	10	177
R J Lansdell	194	–	7	100	301	162	–	–	10	172
S J Richardson Brown (resigned 14.11.18)	–	–	–	–	–	115	17	2	–	134
V J Gibbs (appointed 14.11.18)	175	–	4	60	239	22	–	–	–	22
	563	–	13	260	836	457	25	3	20	505
Non-Executive Directors										
M J Stanton	57	–	–	–	57	50	–	–	–	50
F H Moxon	36	1	–	–	37	30	–	–	–	30
	93	1	–	–	94	80	–	–	–	80
Total Directors	656	1	13	260	930	537	25	3	20	585

1. Salary includes an 8% cash contribution as an alternative to a matching 10% pension contribution if elected.

Options held by Directors serving at 31 December 2019 are set out below.

	At 1 Jan 2018 '000s	Issued '000s	Exercised '000s	Lapsed '000s	At 31 Dec 2018 '000s	Issued '000s	Exercised '000s	Lapsed '000s	At 31 Dec 2019 '000s
Executive Directors									
J A Benitz									
At 110.0p (note 1) (exercisable by 29.11.21)	180	–	–	–	180	–	–	–	180
At 200.0p (note 2) (exercisable by 29.01.25)	–	180	–	–	180	–	–	–	180
At 175.0p (note 6) (exercisable by 17.01.26)	–	–	–	–	–	70	–	–	70
	180	180	–	–	360	70	–	–	430
R J Lansdell									
At 110.0p (note 1) (exercisable by 29.11.21)	180	–	–	–	180	–	–	–	180
At 200.0p (note 2) (exercisable by 29.01.25)	–	180	–	–	180	–	–	–	180
At 175.0p (note 6) (exercisable by 17.01.26)	–	–	–	–	–	70	–	–	70
	180	180	–	–	360	70	–	–	430
V J Gibbs									
(appointed 14.11.18) At 172.0p (note 4) (exercisable by 14.11.25)	–	150	–	–	150	–	–	–	150
At 175.0p (note 6) (exercisable by 17.01.26)	–	–	–	–	–	40	–	–	40
		150			150	40			190

	At 1 Jan 2018 '000s	Issued '000s	Exercised '000s	Lapsed '000s	At 31 Dec 2018 '000s	Issued '000s	Exercised '000s	Lapsed '000s	At 31 Dec 2019 '000s
Non-Executive Directors									
M J Stanton									
At 4,300.0p [note 5] [exercisable by 12.03.21]	2	–	–	–	2	–	–	–	2
At 110.0p [note 1] [exercisable by 29.11.21]	40	–	–	–	40	–	–	–	40
At 200.0p [note 3] [exercisable by 29.01.23]	–	40	–	–	40	–	–	–	40
At 175.0p [note 7] [exercisable by 17.01.24]	–	–	–	–	–	20	–	–	20
	42	40	–	–	82	20	–	–	102
F H Moxon									
At 110.0p [note 1] [exercisable by 29.11.21]	20	–	–	–	20	–	–	–	20
At 200.0p [note 3] [exercisable by 29.01.23]	–	20	–	–	20	–	–	–	20
At 175.0p [note 7] [exercisable by 17.01.24]	–	–	–	–	–	15	–	–	15
	20	20	–	–	40	15	–	–	55
Total	422	570	–	–	992	215	–	–	1,207

Notes:

- Granted on 29 November 2016 under the Share Option Plan. Options vest in equal portions over a three-year period from the date of grant. One third vested immediately, one third vested on 29 November 2017 and the remaining third on 29 November 2018. The Share Options are exercisable at any time up to 29 November 2021 and if not exercised by that date will lapse.
- Granted on 29 January 2018 under the Share Option Plan. Options vest entirely on the third anniversary of their date of grant subject to satisfaction of certain performance conditions. Subject to vesting, the Share Options are exercisable at any time up to 29 January 2025 and if not exercised by that date will lapse.
- Granted on 29 January 2018 under the Share Option Plan. Options vest entirely on the third anniversary of their date of grant and have no performance conditions. Subject to vesting, the Share Options are exercisable at any time up to 29 January 2023 and if not exercised by that date will lapse.
- Granted on 14 November 2018 under the Share Option Plan. Options vest entirely on the third anniversary of their date of grant subject to satisfaction of certain performance conditions. Subject to vesting, the Share Options are exercisable at any time up to 14 November 2025 and if not exercised by that date will lapse.
- Granted on 13 March 2011 under an Individual Option Agreement. The options (to the extent that they have not lapsed) may be exercised at any time after the date of grant.
- Granted on 17 January 2019 under the Share Option Plan. Options vest in three equal tranches (one, two and three years from the date of grant) and are subject to the satisfaction of certain performance conditions to be determined and interpreted at the discretion of the Remuneration Committee. Subject to vesting and such performance conditions being met, these options are exercisable for up to seven years from their date of grant and will lapse if not exercised by such date.
- Granted on 17 January 2019 under the Share Option Plan. Options vest in three equal tranches (one, two and three years from the date of grant) and have no performance conditions. Subject to vesting, these options are exercisable for up to five years from their date of grant and will lapse if not exercised by such date.

Shareholder feedback

The objective of this report is to communicate the remuneration of the Directors and how this is linked to performance. In this regard the Board is committed to maintaining an open and transparent dialogue with Shareholders and is always interested to hear their views on remuneration matters.



Frank Moxon
Chairman of the Remuneration Committee
6 May 2020

DIRECTORS' RESPONSIBILITIES

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors of Jersey Oil and Gas plc ("Directors") [the "Company"] are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year for the Company together with its subsidiaries, [the "Group"]. Under that law, the Directors have prepared financial statements for the Group and Company, each in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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



Vicary Gibbs

Chief Financial Officer
6 May 2020

INDEPENDENT AUDITORS' REPORT

to the members of Jersey Oil and Gas Plc

Report on the audit of the financial statements

Opinion

In our opinion, Jersey Oil and Gas Plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Company statements of financial position as at 31 December 2019; the Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall group materiality: £231,000 (2018: £242,000), based on 1% of total assets.
- Overall company materiality: £225,000 (2018: £239,500), based on an allocation of group materiality.
- We have performed a full scope audit of Jersey Petroleum Limited, the component which holds all licenses held by the group, and the plc entity. Both components were selected due to their size and risk.
- No audit work was performed outside of the UK.
- No other component auditors or firms were involved in reporting for the purposes of the consolidated opinion.
- Going Concern.
- Impact of COVID-19 on the financial statements.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITORS' REPORT

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Going Concern

At 31 December 2019 the group holds £12.3 million of cash and cash equivalents. Given the group does not generate any revenue and currently has no financing facilities, there is a risk that the cash held is not sufficient to meet the group's estimated liabilities for a period of at least 12 months after the date of the financial statements.

Under accounting standards the Directors' are required to make an assessment on whether the Company can continue as a going concern for at least 12 months after the date of the financial statements. Please refer to note 2 in the consolidated financial statements for management's conclusions regarding going concern.

This key audit matter relates to both the group and the company financial statements.

How our audit addressed the key audit matter

We performed the following procedures to address the risk:

- We obtained and challenged management's future budgets and cash flows that underpin the going concern assessment, corroborating committed costs to underlying support and challenging the reasonableness of baseline operating costs, including the impact of COVID-19.
- We held discussions with both finance and operational management regarding the future development plans.
- We challenged management's downside scenarios incorporated into their going concern assessment, which incorporates a plausible but unlikely overspend prior to additional financing being obtained. We concluded that in their plausible downside scenario the group will continue to have sufficient cash reserves for at least 12 months after the date of approval of the financial statements.

Please refer to the "Conclusions relating to going concern" paragraph below for our conclusions on this matter.

Impact of COVID-19 on the Financial Statements

During the course of the audit both management and the group engagement team have considered the impact that the ongoing COVID-19 pandemic has had on the groups' activities, the financial statements and the oil price environment.

The group's assessment has concluded that there is minimal impact to current activities as the group can continue to work towards concept select remotely. However, due to the significance of the pandemic the group has concluded it is appropriate to disclose the impact as a non-adjusting post balance sheet event in the financial statements.

As a result of the impact of the pandemic on the wider financial markets and economic environment, we have determined that the impact of COVID-19 should be a key audit matter.

This key audit matter relates to both the group and the company financial statements.

We performed the following procedures to address the impact that COVID-19 has on the financial statements:

- We held discussions with senior management about the impact this has on the Greater Buchan Area development plan.
- We considered the impact that COVID-19 may have on the carrying value of assets, concluding that despite the reduction in oil price post year end, management's assessment was conducted in accordance with IAS 36 Impairment of assets and is based on oil price assumptions as at 31 December 2019.
- We considered the impact COVID-19 has on management's going concern assessment. This includes consideration of the impact of the resulting drop in oil price. Given the group does not plan to achieve first oil until 2025, we concur with management's view that sensitivities at current oil prices would not be appropriate.

We concluded that management's assessment on the impact of COVID-19 on the financial statements is reasonable, and the disclosure in note 23 of the financial statements as a non-adjusting post balance sheet event is reasonable.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

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

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

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

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	Company financial statements
Overall materiality	£231,000 [2018: £242,000].	£225,000 [2018: £239,500].
How we determined it	1% of total assets.	Allocation of group materiality.
Rationale for benchmark applied	A benchmark of total assets is deemed to be the most appropriate measure used by shareholders in assessing the performance of the group. This is based on users of the financial statements focusing on the recoverable value of assets on the balance sheet and the cash balance as this is what will fund future development.	The allocation reflects the Company's relative contribution to the Group's total assets capped at overall Group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £50,000 and £225,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £11,550 [Group audit] [2018: £12,100] and £11,550 [Company audit] [2018: £11,975] as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

INDEPENDENT AUDITORS' REPORT

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs [UK] require us also to report certain opinions and matters as described below.

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs [UK] will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

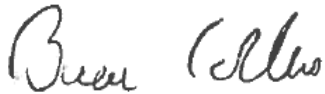
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Bruce Collins

[Senior Statutory Auditor]

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Aberdeen

6 May 2020

OUR FINANCIALS



Fig 14 – Little Skellig and Skellig Michael



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Overview

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	2019 £	2018 £
Revenue	3	–	–
Cost of sales		(666,053)	(609,925)
Gross loss		(666,053)	(609,925)
Other income	6	750,000	12,037
Loss on sale of assets		(17,975)	–
Administrative expenses		(2,237,429)	(1,447,383)
Operating loss		(2,171,457)	(2,045,271)
Finance income	7	106,867	48,971
Finance expense	7	(419)	–
Loss before tax	8	(2,065,009)	(1,996,300)
Tax	9	–	–
Loss for the year		(2,065,009)	(1,996,300)
Total comprehensive loss for the year		(2,065,009)	(1,996,300)
Total comprehensive loss for the year attributable to:			
Owners of the parent		(2,065,009)	(1,996,300)
Loss per share expressed in pence per share:			
Basic	10	(9.46)	(9.15)
Diluted	10	(9.46)	(9.15)

The total comprehensive loss for the year was derived wholly from continuing operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 £	2018 £
Non-current assets			
Intangible assets	11	10,092,564	4,306,589
Property, plant and equipment	12	13,661	30,264
Right-of-use assets	13	164,125	–
Deposits		28,420	–
		10,298,770	4,336,853
Current assets			
Trade and other receivables	14	428,310	80,594
Cash and cash equivalents	15	12,318,536	19,782,511
		12,746,846	19,863,105
Total assets		23,045,616	24,199,958
Equity			
Called up share capital	16	2,466,144	2,466,144
Share premium account		93,851,526	93,851,526
Share options reserve	20	1,928,099	1,491,019
Accumulated losses		(75,727,888)	(73,662,879)
Reorganisation reserve		(382,543)	(382,543)
Total equity		22,135,338	23,763,267
Liabilities			
Non-current liabilities			
Lease liabilities	18	154,208	–
		154,208	–
Current liabilities			
Trade and other payables	17	742,166	436,691
Lease liabilities	13	13,904	–
		756,070	436,691
Total liabilities		910,278	436,691
Total equity and liabilities		23,045,616	24,199,958

The financial statements on pages 46 to 48 were approved by the Board of Directors and authorised for issue on 6 May 2020. They were signed on its behalf by Vicary Gibbs – Chief Financial Officer.



Vicary Gibbs

Chief Financial Officer
6 May 2020

Company Registration Number: 07503957

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Called up share capital £	Share premium account £	Share options reserve £	Accumulated losses £	Reorganisation reserve £	Total equity £
At 1 January 2018	2,466,144	93,851,526	1,231,055	[71,666,579]	[382,543]	25,499,603
Loss and total comprehensive loss for the year	–	–	–	[1,996,300]	–	[1,996,300]
Share-based payments	–	–	259,964	–	–	259,964
At 31 December 2018 and 1 January 2019	2,466,144	93,851,526	1,491,019	[73,662,879]	[382,543]	23,763,267
Loss and total comprehensive loss for the year	–	–	–	[2,065,009]	–	[2,065,009]
Share-based payments	–	–	437,080	–	–	437,080
At 31 December 2019	2,466,144	93,851,526	1,928,099	[75,727,888]	[382,543]	22,135,338

The following describes the nature and purpose of each reserve within owners' equity:

Reserve	Description and purpose
Called up share capital	Represents the nominal value of shares issued
Share premium account	Amount subscribed for share capital in excess of nominal value
Share options reserve	Represents the accumulated balance of share-based payment charges recognised in respect of share options granted by the Company less transfers to accumulated deficit in respect of options exercised or cancelled/lapsed
Accumulated losses	Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income
Reorganisation reserve	Amounts resulting from the restructuring of the Group at the time of the Initial Public Offering (IPO) in 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Cash used in operations	22	(1,769,004)	[2,698,361]
Net interest received	7	106,867	48,971
Net interest paid	7	(419)	–
Net cash used in operating activities		(1,662,556)	[2,649,390]
Cash flows from investing activities			
Proceeds on sale of tangible assets		3,603	–
Purchase of intangible assets	11	(5,785,975)	[2,948,630]
Purchase of tangible assets	12	(19,047)	[34,879]
Net cash used in investing activities		(5,801,419)	[2,983,509]
Net cash generated from financing activities		–	–
Decrease in cash and cash equivalents	22	(7,463,975)	[5,632,899]
Cash and cash equivalents at beginning of year	22	19,782,511	25,415,410
Cash and cash equivalents at end of year	22	12,318,536	19,782,511

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. General information

Jersey Oil and Gas plc [the "Company"] and its subsidiaries [together, the "Group"] are involved in the upstream oil and gas business in the UK.

The Company is a public limited company incorporated and domiciled in the United Kingdom and quoted on AIM, a market operated by London Stock Exchange plc. The address of its registered office is 10 The Triangle, ng2 Business Park, Nottingham, NG2 1AE.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of Accounting

These financial statements have been prepared under the historic cost convention, in accordance with International Financial Reporting Standards and IFRS IC interpretations as adopted by the European Union ["IFRSs"] and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Going Concern

The Company is required to have sufficient resources to cover the expected running costs of the business for a period of at least 12 months after the issue of these financial statements. Further to completion of the detailed studies in connection with the GBA Concept Select contracted work programmes, there are currently no firm work commitments on any of the Group's licences, other than ongoing Operator overheads and licence fees. Other work that the Company is undertaking in respect of the GBA licences and surrounding areas is modest relative to its current cash reserves. The Company's current cash reserves are therefore expected to more than exceed its estimated liabilities for at least 12 months following the date of issue of the financial statements. Based on these circumstances, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the Company's consolidated financial statements.

Changes in Accounting Policies and Disclosures

[a] New and amended standards adopted by the Company:

At the start of the year the following standards were adopted:

- IFRS 16, 'Leases';
- Prepayment Features with Negative Compensation – Amendments to IFRS 9;
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19; and
- Interpretation 23 'Uncertainty over Income Tax Treatments'.

The Group had to change its accounting policies as a result of adopting IFRS 16. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. The Group adopted the practical expedient available to not apply IFRS 16 to leases less than £5,000 in value or less than 12 month in lease term. The other amendments listed above did not have any impact on the amounts recognised in prior periods. At 1 January 2019 the Group had no lease arrangements applicable for IFRS 16 so no transition adjustment was recognised.

[b] Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Significant Accounting Judgements and Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities at the date of the financial statements. If in future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The Group's accounting policies make use of accounting estimates and judgements in the following areas:

- The assessment of the existence of impairment triggers [note 11].
- The estimation of share-based payment costs [note 20].

Impairments

The Group tests its capitalised exploration licence costs for impairment when facts and circumstances suggest that the carrying amount exceeds the recoverable amount. The recoverable amounts of Cash Generating Units are determined based on fair value less costs of disposal calculations. There were no impairment triggers in 2019 and no impairment charge has been recorded.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

2. Significant accounting policies continued

Share-Based Payments

The Group currently has a number of share schemes that give rise to share-based charges. The charge to operating profit for these schemes amounted to £437,080 (2018: £259,964). For the purposes of calculating the fair value of the share options, a Black-Scholes option pricing model has been used. Based on past experience, it has been assumed that options will be exercised, on average, at the mid-point between vesting and expiring. The share price volatility used in the calculation is based on the actual volatility of the Company's shares, since 1 January 2017. The risk-free rate of return is based on the implied yield available on zero coupon gilts with a term remaining equal to the expected lifetime of the options at the date of grant.

Basis of Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern their financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de facto control. De facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other Shareholders give the Group the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the Group ceases to have control.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2. Significant accounting policies continued

Acquisitions, Asset Purchases and Disposals

Acquisitions of oil and gas properties are accounted for under the purchase method where the acquisitions meet the definition of a business combination.

Transactions involving the purchase of an individual field interest, farm-ins, farm-outs, or acquisitions of exploration and evaluation licences for which a development decision has not yet been made that do not qualify as a business combination, are treated as asset purchases. Accordingly, no goodwill or deferred tax arises. The purchase consideration is allocated to the assets and liabilities purchased on an appropriate basis. Proceeds on disposal (including farm-ins/farm-outs) are applied to the carrying amount of the specific intangible asset or development and production assets disposed of and any surplus is recorded as a gain on disposal in the Consolidated Statement of Comprehensive Income.

Exploration and Evaluation Costs

The Group accounts for oil and gas exploration and evaluation costs using IFRS 6 "Exploration for and Evaluation of Mineral Resources". Such costs are initially capitalised as Intangible Assets and include payments to acquire the legal right to explore, together with the directly related costs of technical services and studies, seismic acquisition, exploratory drilling and testing. The Group only capitalises costs as intangible assets once the legal right to explore an area has been obtained. The Group assesses the intangible assets for indicators of impairment at each reporting date.

Potential indicators of impairment include but are not limited to:

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- substantive expenditure on further exploration for and evaluation of oil and gas reserves in the specific area is neither budgeted nor planned.
- exploration for and evaluation of oil and gas reserves in the specific area have not led to the discovery of commercially viable quantities of oil and gas reserves and the entity has decided to discontinue such activities in the specific area.
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

In the event an impairment trigger is identified the Group performs a full impairment test for the asset under the requirements of IAS 36 *Impairment of assets*. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Cost of Sales

Within the statement of comprehensive income, costs directly associated with generating revenue are included in cost of sales. The Group only capitalises costs as intangible assets once the legal right to explore an area has been obtained, any costs incurred prior to the date of acquisition are recognised as cost of sales within the Statement of Comprehensive Income.

Property, Plant and Equipment

Property, plant and equipment is stated at historic purchase cost less accumulated depreciation. Asset lives and residual amounts are reassessed each year. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation on these assets is calculated on a straight-line basis as follows:

Computer & office equipment 3 years

Leases

Until this financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

2. Significant accounting policies *continued*

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise any lease with a value of £5,000 or less.

Joint Ventures

The Group participates in joint venture/operation agreements with strategic partners. The Group accounts for its share of assets, liabilities, income and expenditure of these joint venture agreements and discloses the details in the appropriate Statement of Financial Position and Statement of Comprehensive Income headings in the proportion that relates to the Group per the joint venture agreement.

Investments

Fixed asset investments in subsidiaries are stated at cost less accumulated impairment in the Company's Statement of Financial Position and reviewed for impairment if there are any indications that the carrying value may not be recoverable.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes party to the contractual provisions of the instrument. The Group does not have any derivative financial instruments.

Cash and cash equivalents include cash in hand and deposits held on call with banks with a maturity of three months or less.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit loss. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss will be recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. Subsequent recoveries of amounts previously provided for are credited against administrative expenses in the Consolidated Statement of Comprehensive Income.

Trade payables are stated initially at fair value and subsequently measured at amortised cost.

Exceptional Items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2. Significant accounting policies continued

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred taxation liabilities are provided, using the liability method, on all taxable temporary differences at the reporting date. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date.

Foreign Currencies

The functional currency of the Group is Sterling. Monetary assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the reporting date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. Gains and losses arising on retranslation are recognised in the Consolidated Statement of Comprehensive Income for the year.

Employee Benefit Costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to contributions.

Share-Based Payments

Equity settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity settled employee benefits reserve.

Equity settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Exercise proceeds net of directly attributable costs are credited to share capital and share premium.

Other Income

Other income relates to proceeds received from settlements and is only recognised in the statement of comprehensive income when it is virtually certain the economic benefits will flow to the Group.

Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3. Segmental reporting

Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors.

The Board considers that the Group operates in a single segment, that of oil and gas exploration, appraisal, development and production, in a single geographical location, the North Sea of the United Kingdom and do not consider it appropriate to disaggregate data further from that disclosed.

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

During 2019 and 2018 the Group had no turnover. During the 2019 year the Group did receive £750,000 from TEPUK in relation to TEPUK's termination of its 2013 farm-in to licence P2032 (Blocks 21/8c, 21/9c, 21/10c, 21/14a and 21/15b), which has been recognised in the Income Statement as Other Income. [2018: £12,037] from carried cost reimbursements from co-venturers which is also shown in Other Income.

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for the year ended 31 December 2019

4. Financial risk management

The Group's activities expose it to financial risks and its overall risk management programme focuses on minimising potential adverse effects on the financial performance of the Group. The Company's activities are also exposed to risks through its investments in subsidiaries and it is accordingly exposed to similar financial and capital risks as the Group.

Risk management is carried out by the Directors and they identify, evaluate and address financial risks in close co-operation with the Group's management. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange risks and investing excess liquidity.

Credit Risk

The Group's credit risk primarily relates to its trade receivables. Responsibility for managing credit risks lies with the Group's management.

A debtor evaluation is typically obtained from an appropriate credit rating agency. Where required, appropriate trade finance instruments such as letters of credit, bonds, guarantees and credit insurance will be used to manage credit risk.

The Group also has a number of joint venture arrangements where co-venturers have made commitments to fund certain expenditure. Management evaluate the credit risk associated with each contract at the time of signing and regularly monitor the creditworthiness of our partners.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they become due. The Group manages its liquidity through continuous monitoring of cash flows from operating activities, review of actual capital expenditure programmes, and managing maturity profiles of financial assets and financial liabilities.

Capital Risk Management

The Group seeks to maintain an optimal capital structure. The Group considers its capital to comprise both equity and net debt.

The Group monitors its capital needs on the basis of suitability of the type of capital available at a given stage to the quantum required for that stage of its asset base. Earlier stage assets [pre-production] typically require equity rather than debt given the absence of cash flow to service debt. As the asset mix becomes biased to production then typically more debt is available. The Group seeks to maintain progress in developing its assets in a timely fashion. Given the Group's current cash position is insufficient to progress its assets to first oil it will be seeking to bring an industry partner into its assets in return for a capital [equity] contribution. This may be in the form of either cash or payment of some or all the Group's development expenditures. As the development progresses towards first oil, debt becomes available and will be sought in order to enhance equity returns. JOG's debt today is nil.

The Group monitors its capital structure by reference to its net debt to equity ratio. Net debt to equity ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings less cash and cash equivalents. Total equity comprises all components of equity.

The ratio of net debt to equity as at 31 December 2019 is Nil [2018: Nil].

Maturity analysis of financial assets and liabilities

Financial Assets

	2019 £	2018 £
Up to 3 months	439,014	80,595
3 to 6 months	10,704	–
Over 6 months	171,137	–
	620,855	80,595

Financial Liabilities

	2019 £	2018 £
Up to 3 months	718,614	436,691
3 to 6 months	1,274	–
Over 6 months	165,574	–
	885,462	436,691

5. Employees and Directors

	2019 £	2018 £
Wages and salaries	1,519,588	956,915
Social security costs	138,859	76,119
Share-based payments (note 20)	437,080	259,964
Other pensions costs	31,462	66,984
	2,126,989	1,359,982

Other pension costs include employee and Company contributions to money purchase pension schemes.

The average monthly number of employees during the year was as follows:

	2019 £	2018 £
Directors	5	5
Employees – Finance	1	1
Employees – Technical	5	5
	11	11

	2019 £	2018 £
Directors' remuneration	914,933	557,341
Directors' pension contributions to money purchase schemes	1,012	24,702
Benefits	13,108	2,992
	929,053	585,035

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

	2019 £	2018 £
Money purchase schemes	1	2

Information regarding the highest paid Director is as follows:

	2019 £	2018 £
Aggregate emoluments and benefits	300,500	167,800
Share-based payments	40,810	54,088
Pension contributions	–	7,500
	341,310	229,388

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

Key management compensation

Key management includes Directors [Executive and Non-Executive] and the Company Secretary in 2018. In 2019 the Company secretarial services were outsourced following the retirement of this employee at the end of January 2019. The compensation paid or payable to key management for employee services is shown below:

	2019 £	2018 £
Wages and short-term employee benefits	917,183	584,341
Share-based payments (note 20)	371,449	118,423
Pension contributions	1,262	30,702
	1,289,894	733,466

6. Other income

	2019 £	2018 £
Settlement agreement with Total E&P UK Limited	750,000	–
Carried costs reimbursement	–	12,037
	750,000	12,037

Carried costs reimbursement: Reimbursement of well-related costs received as a result of a carried interest arrangement.

Settlement agreement with Total E&P UK Limited: Funds received from TEPUK in relation to TEPUK's termination of its 2013 farm-in to Licence P2032 (Blocks 21/8c, 21/9c, 21/10c, 21/14a and 21/15b), received in May 2019.

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7. Net Finance Income

	2019 £	2018 £
Finance income:		
Interest received	106,867	48,971
	106,867	48,971
Finance costs:	(419)	–
Net finance income	106,448	48,971

8. Loss before tax

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

	2019 £	2018 £
Depreciation tangible assets	14,067	4,615
Depreciation right-of-use asset	3,568	–
Auditors' remuneration – audit of parent company and consolidation	51,800	35,000
Auditors' remuneration – audit of subsidiaries	18,700	12,500
Auditors' remuneration – non-audit work	–	8,700
Foreign exchange (gain)/loss	(2,722)	9,678

9. Tax

Reconciliation of tax charge

	2019 £	2018 £
Loss before tax	(2,065,009)	(1,996,300)
Tax at the domestic rate of 19% [2018: 19%]	(392,352)	(379,297)
Capital allowances in excess of depreciation	(1,121,121)	(589,363)
Expenses not deductible for tax purposes and non-taxable income	110,834	51,292
Deferred tax asset not recognised	1,402,639	917,368
Total tax expense reported in the Consolidated Statement of Comprehensive Income	–	–

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2019 or for the year ended 31 December 2018.

The Group has not recognised a deferred tax asset due to the uncertainty over when the tax losses can be utilised. At the year end the usable tax losses within the Group were approximately £39m.

10. Loss per share

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

Diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

	Loss attributable to ordinary shareholders £	Weighted average number of shares	Per share amount (pence)
Year ended 31 December 2019			
Basic and Diluted EPS			
Basic and Diluted	(2,065,009)	21,829,227	(9.46)
Year ended 31 December 2018			
Basic and Diluted EPS			
Basic and Diluted	(1,996,300)	21,829,227	(9.15)

11. Intangible assets

	Exploration costs £
Cost	
At 1 January 2018	1,533,200
Additions	2,948,630
At 31 December 2018	4,481,830
Additions	5,785,975
At 31 December 2019	10,267,805
Accumulated amortisation	
At 1 January 2018	175,241
Charge for the year	–
Amortisation on disposal	–
At 31 December 2018	175,241
At 31 December 2019	175,241
Net book value	
At 31 December 2019	10,092,564
At 31 December 2018	4,306,589
At 31 December 2017	1,357,959

During 2019, the Group retained an 18% equity interest in licence P2170 (Verbier) and was awarded three additional licences with 100% working interests in the OGA's 31 SLR, Licence P2498 (Buchan and J2), Licence P2499 (Glenn) and Licence P2497 (Zermatt).

In line with the requirements of IFRS 6, we have considered whether there are any indicators of impairment on the exploration and development assets. Based on our assessment, as at 31 December 2019 there are not deemed to be indicators that the licences are not commercial and the carrying value of £10,092,564 continues to be supported by ongoing exploration work on the licence area with no further impairments considered necessary.

12. Property, plant and equipment

	Computer and office equipment £
Cost	
At 1 January 2018	125,786
Additions	34,879
At 31 December 2018	160,665
Additions	19,047
Disposals	(36,130)
At 31 December 2019	143,582
Accumulated Depreciation	
At 1 January 2018	125,786
Charge for the year	4,615
At 31 December 2018	130,401
Charge for the year	14,067
Disposals	(14,547)
At 31 December 2019	129,921
Net book value	
At 31 December 2019	13,661
At 31 December 2018	30,264
At 31 December 2017	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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13. Leases

Amounts Recognised in the Statement of financial position

	2019 £	2018 £
Right-of-use assets		
Buildings	164,125	–
Equipment	–	–
Vehicles	–	–
Other	–	–
	164,125	
Lease liabilities		
Current	13,904	–
Non-current	154,208	–
	168,112	

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3%.

At 1 January 2019 the Group held no leases which required restating.

Amounts Recognised in the Statement of comprehensive income

	2019 £	2018 £
Depreciation charge of right-of-use asset		
Buildings	3,568	–
Equipment	–	–
Vehicles	–	–
Other	–	–
	3,568	–
Interest expenses (included in finance cost)	(419)	–

14. Trade and other receivables

	2019 £	2018 £
Current:		
Trade receivables (net)	–	–
Other receivables	135,548	67
Value added tax	171,344	63,818
Prepayments	121,418	16,709
	428,310	80,594

As at 31 December 2019 there were no trade receivables past due nor impaired. There are no expected credit losses recognised on these balances.

15. Cash and cash equivalents

	2019 £	2018 £
Unrestricted cash in bank accounts	4,318,536	19,782,511
Cash in 65-day notice bank accounts	8,000,000	–
	12,318,536	19,782,511

The cash balances are placed with a creditworthy financial institution.

16. Called up share capital

	Class	Nominal value	2019 £	2018 £
Issued and fully paid:				
21,829,227 (2018: 21,829,227)	Ordinary	1p	2,466,144	2,466,144

17. Trade and other payables

	2019 £	2018 £
Current:		
Trade payables	399,791	142,565
Accrued expenses	131,706	140,932
Other payables	74,298	130,905
Taxation and Social Security	136,371	22,289
	742,166	436,691

18. Non-current Liabilities

	2019 £	2018 £
Non-current:		
Lease liabilities	154,208	–
	154,208	–

19. Contingent liability

In accordance with a 2015 settlement agreement reached with the Athena Consortium, although Jersey Petroleum Limited remains a Licensee in the joint venture, any past or future liabilities in respect of its interest can only be satisfied from the Group's share of the revenue that the Athena Oil Field generates and up to 60% of net disposal proceeds or net petroleum profits from the Group's interest in the P2170 licence which is the only remaining asset still held that was in the Group at the time of the agreement with the Athena Consortium who hold security over this asset. Any future repayments, capped at the unpaid liability associated with the Athena Oil Field, cannot be calculated with any certainty, and any remaining liability still in existence once the Athena Oil Field has been decommissioned will be written off. A payment was made in 2016 to the Athena Consortium in line with this agreement following the farm-out of P2170 [Verbier] to Equinor and the subsequent receipt of monies relating to that farm-out.

JOG is currently contesting a fee for an uplift payment of \$479,240 with TGS-NOPEC Geophysical Company ASA [TGS]. In February 2018 JOG licensed 185 sq km of TGS MF CFI 3D seismic data. In November 2018 the P2170 Licence Group made a mandatory relinquishment of part of the P2170 acreage including an area that subsequently became block 20/5a.

In July 2019, JOG was awarded in the 31 SLR, as part of Licence P2498, Block 20/5a. TGS consider that as a consequence of that award an uplift payment is due. JOG disputes the validity of the uplift payment given that the TGS 3D data was obtained for use by the Verbier owners for the sole purpose of locating the Verbier appraisal well. The data was not used by the Group for the 31 SLR application and the licence granted under Clause 2 of the Supplemental Agreement does not apply to individual use by JOG. The Master Licence Agreement ('MLA') between TGS and JOG applies to the use of data by a 'Related Entity', such as Jersey Petroleum Ltd, and permits its use. In the MLA the Related Entity becomes bound when it uses the data and by doing so would trigger the uplift liability. The JOG subsidiary did not use the data and so has not become bound to pay the uplift.

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20. Share-based payments

The Group operates a number of share option schemes. Options are exercisable at the prices set out in the table below. Options are forfeited if the employee leaves the Group through resignation or dismissal before the options vest.

Equity settled share-based payments are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based upon the Group's estimate of shares that will eventually vest.

The Group's share option schemes are for Directors, Officers and employees. The charge for the year was £437,080 (2018: £259,964) and details of outstanding options are set out in the table below.

Date of Grant	Exercise price [pence]	Vesting date	Expiry date	No. of shares for which options outstanding at 1 Jan 2019	Options issued	Options Exercised	Options lapsed/non vesting during the year	No. of shares for which options outstanding at 31 Dec 2019
Mar 2011	100	Vested	Mar 2021	3,164	–	–	–	3,164
Mar 2011	4,300	Vested	Mar 2021	5,809	–	–	–	5,809
Mar 2011	4,300	Mar 2014	Mar 2021	4,355	–	–	–	4,355
Mar 2011	4,300	Mar 2015	Mar 2021	5,809	–	–	–	5,809
Jul 2011	4,300	Jul 2011	Jul 2021	523	–	–	–	523
Jul 2011	4,300	Jul 2012	Jul 2021	523	–	–	–	523
Jul 2011	4,300	Jul 2014	Jul 2021	523	–	–	–	523
Dec 2011	2,712	Dec 2012	Dec 2021	1,650	–	–	–	1,650
Dec 2011	2,712	Dec 2014	Dec 2021	1,650	–	–	–	1,650
May 2013	1,500	May 2014	May 2023	9,500	–	–	–	9,500
May 2013	1,500	May 2015	May 2023	9,500	–	–	–	9,500
Nov 2016	110	Nov 2016	Nov 2021	246,667	–	–	–	246,667
Nov 2016	110	Nov 2017	Nov 2021	246,667	–	–	–	246,667
Nov 2016	110	Nov 2018	Nov 2021	246,667	–	–	–	246,667
Apr 2017	310	Apr 2017	Apr 2022	20,000	–	–	–	20,000
Apr 2017	310	Apr 2018	Apr 2022	20,000	–	–	–	20,000
Apr 2017	310	Apr 2019	Apr 2022	20,000	–	–	–	20,000
Jan 2018	200	Jan 2021	Jan 2025	420,000	–	–	–	420,000
Jan 2018	200	Jan 2018	Jan 2023	76,666	–	–	–	76,666
Jan 2018	200	Jan 2019	Jan 2023	76,667	–	–	–	76,667
Jan 2018	200	Jan 2020	Jan 2023	76,667	–	–	–	76,667
Nov 2018	172	Nov 2021	Nov 2025	150,000	–	–	–	150,000
Jan 2019	175	Jan 2020	Jan 2026	–	88,333	–	–	88,333
Jan 2019	175	Jan 2021	Jan 2026	–	88,333	–	–	88,333
Jan 2019	175	Jan 2022	Jan 2026	–	88,333	–	–	88,333
Jan 2019	175	Jan 2020	Jan 2024	–	11,667	–	–	11,667
Jan 2019	175	Jan 2021	Jan 2024	–	11,667	–	–	11,667
Jan 2019	175	Jan 2022	Jan 2024	–	11,667	–	–	11,667
Apr 2019	200	Jan 2021	Jan 2025	–	120,000	–	–	120,000
Total								2,063,007

The weighted average fair value of options granted during the year was determined using the Black–Scholes valuation. The significant inputs into the model were the mid-market share price on the day of grant as shown above and an annual risk-free interest rate of 2%. The volatility measured at the standard deviation of continuously compounded share returns is based on a statistical analysis of daily share prices from the date of admission to AIM to the date of grant on an annualised basis. The weighted average exercise price for the options granted in 2019 was 182 pence, the weighted average remaining contractual life of the options was 5 years, the weighted average volatility rates was 62.86% and the dividend yield was nil. For schemes and scheme rules, please refer to the Remuneration Report.

21. Related undertakings and ultimate controlling party

The Group and Company do not have an ultimate controlling party or parent Company.

Subsidiary	% owned	County of Incorporation	Principal Activity	Registered Office
Jersey North Sea Holdings Ltd	100%	England & Wales	Non-Trading	1
Jersey Petroleum Ltd	100%	England & Wales	Oil Exploration	1
Jersey E & P Ltd	100%	Scotland	Non-Trading	2
Jersey Oil Ltd	100%	Scotland	Non-Trading	2
Jersey Exploration Ltd	100%	Scotland	Non-Trading	2
Jersey Oil & Gas E & P Ltd	100%	Jersey	Management services	3

Registered Offices

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

22. Notes to the consolidated statement of cash flows

Reconciliation of loss before tax to cash used in operations

	2019 £	2018 £
Loss for the year before tax	(2,065,009)	(1,996,300)
Adjusted for:		
Amortisation, impairments, depletion and depreciation	14,067	4,615
Depreciation right-of-use asset	3,568	–
Share-based payments (net)	437,080	259,964
Loss on disposal of assets	17,980	–
Finance costs	419	–
Finance income	(106,867)	(48,971)
	(1,698,762)	(1,780,692)
(Increase)/Decrease in trade and other receivables	(543,829)	275,513
Increase/(Decrease) in trade and other payables	473,587	(1,193,182)
Cash used in operations	(1,769,004)	(2,698,361)

Cash and cash equivalents

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

Year ended 2019

	31 Dec 2019 £	1 Jan 2019 £
Cash and cash equivalents	12,318,536	19,782,511

Year ended 2018

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

Analysis of net cash

	At 1 Jan 2019 £	Cash flow £	At 31 Dec 2019 £
Cash and cash equivalents	19,782,511	(7,463,975)	12,318,536
Net cash	19,782,511	(7,463,975)	12,318,536

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2019

23. Post balance sheet events

On 27 January 2020 JOG entered into a conditional Sale and Purchase Agreement (SPA) to acquire operatorship and an additional 70% working interest on Licence P2170 (Blocks 20/5b and 21/1d) from Equinor UK Limited. The consideration for the Acquisition consists of two milestone payments and a royalty based on potential future oil volumes produced and sold from the Verbier Upper Jurassic (J62-J64) reservoir oil discovery (the Verbier Field).

Contingent payments of:

- US\$3 million upon sanctioning by the UK's Oil & Gas Authority ("OGA") of a Field Development Plan ("FDP") in respect of the Verbier Field; and US\$5 million upon first oil from the Verbier Field
- Certain royalty payments on the first 35 million barrels of oil produced and sold from the Verbier Field calculated on the basis of a 70% working interest for on-block volumes

In February 2020 a new lease agreement was signed for offices in 10 Arthur Street, London EC4R 9AY, this is a 19 month lease which expires in September 2021. The total rent for the property is £109,000 per annum.

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil and gas as a result of the Covid-19 outbreak. Furthermore, recent global developments and uncertainty in oil supply in March and April have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact on the progress of our GBA development project.

The Group consider all matters above to be non-adjusting post balance sheet events.

24. Availability of the annual report 2019

A copy of this Annual Report will be made available for inspection at the Company's registered office during normal business hours on any weekday. The Company's registered office is at 10 The Triangle, ng2 Business Park, Nottingham NG2 1AE. A copy can also be downloaded from the Company's website at www.jerseyoilandgas.com. Jersey Oil and Gas plc is registered in England and Wales with registration number 7503957.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 £	2018 £
Non-Current Assets			
Investments in subsidiaries	4	–	–
Current assets			
Trade and other receivables	6	10,908,099	4,361,509
Cash and cash equivalents	7	12,197,617	19,590,948
		23,105,716	23,952,457
Total assets		23,105,716	23,952,457
Equity			
Called up share capital	8	2,466,144	2,466,144
Share premium account		93,851,526	93,851,526
Share options reserve		1,928,094	1,491,014
Accumulated losses		(75,670,918)	(74,199,213)
Total equity		22,574,846	23,609,471
Liabilities			
Current liabilities			
Trade and other payables	9	530,870	342,986
Total liabilities		530,870	342,986
Total equity and liabilities		23,105,716	23,952,457

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent Company is not presented as part of these financial statements. The parent Company's loss for the year was £1,471,705 [2018: Loss £1,422,263].

The financial statements on pages 63 and 64 were approved by the Board of Directors and authorised for issue on 6 May 2020. They were signed on its behalf by Vicary Gibbs – Chief Financial Officer.



Vicary Gibbs

Chief Financial Officer

6 May 2020

Company Registration Number: 07503957

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Called up share capital	Share premium account	Share options reserve	Accumulated losses	Total equity
At 1 January 2018	2,466,144	93,851,526	1,231,050	(72,776,950)	24,771,770
Total comprehensive loss for the year	–	–	–	(1,422,263)	(1,422,263)
Transactions with owners (share-based payments)	–	–	259,964	–	259,964
At 31 December 2018	2,466,144	93,851,526	1,491,014	(74,199,213)	23,609,471
Total comprehensive loss for the year	–	–	–	(1,471,705)	(1,471,705)
Transactions with owners (share-based payments)	–	–	437,080	–	437,080
At 31 December 2019	2,466,144	93,851,526	1,928,094	(75,670,918)	22,574,846

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note	2019 £	2018 £
Cash flows from operating activities			
Cash used in operations	11	(256,628)	(392,611)
Net cash used in operating activities		(256,628)	(392,611)
Cash flows from investing activities			
Interest received		106,872	48,970
Net cash generated from investing activities		106,872	48,970
Cash flows from financing activities			
Loans to subsidiary companies		(7,243,575)	(5,332,834)
Net cash used in financing activities		(7,243,575)	(5,332,834)
(Decrease)/increase in cash and cash equivalents	11	(7,393,331)	(5,676,475)
Cash and cash equivalents at beginning of year	11	19,590,948	25,267,423
Cash and cash equivalents at end of year	11	12,197,617	19,590,948

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

1. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards.

These financial statements have been prepared under the historic cost convention, in accordance with International Financial Reporting Standards and IFRS IC interpretations as adopted by the European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on a going concern basis. The significant accounting judgements and estimates are consistent with those set out in note 2 to the consolidated financial statements. The principal accounting policies adopted are consistent with those set out in note 2 to the consolidated financial statements. The financial risk management strategy for the Company is consistent with that set out in note 4 to the consolidated financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Going Concern

The Company is required to have sufficient resources to cover the expected running costs of the business for a period of at least 12 months after the issue of these financial statements. Further to completion of the detailed studies in connection with the GBA Concept Select contracted work programmes, there are currently no firm work commitments on any of the Group's licences, other than ongoing Operator overheads and licence fees. Other work that the Company is undertaking in respect of the GBA licences and surrounding areas is modest relative to its current cash reserves. The Company's current cash reserves are therefore expected to more than exceed its estimated liabilities for at least 12 months following the date of issue of the financial statements. Based on these circumstances, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing the Company's consolidated financial statements.

2. Employees and directors

	2019 £	2018 £
Wages and salaries	792,422	523,862
Social security costs	122,185	60,498
Share-based payments	437,080	259,964
Other pensions costs	18,295	50,769
	1,369,982	895,093

Other pension costs include employee and Company contributions to money purchase pension schemes.

The average monthly number of employees during the year was as follows:

	2019	2018
Directors	5	5
Employees – Finance	1	1
Employees – Technical	4	4
	8	8

	2019 £	2018 £
Directors' remuneration	327,933	217,741
Directors' pension contributions to money purchase schemes	1,012	16,603
Benefits	3,650	1,252
	332,595	235,596

Two directors of the Company are remunerated by another entity in the Group. The Directors' have deemed it not possible to apportion their remuneration to the Company.

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

	2019	2018
Money purchase schemes	1	1

Information regarding the highest paid Director is as follows:

	2019 £	2018 £
Aggregate emoluments and benefits	238,250	117,214
Pension contributions	–	16,603
	238,250	133,817

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

3. Loss of parent company

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

The parent Company's loss for the year was £1,471,705 [2018: Loss £1,422,263].

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

4. Investment in subsidiaries

	2019 £	2018 £
Company – shares in subsidiary undertakings:	–	–

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

The subsidiary undertakings at 31 December 2019 were as follows:

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

* Registered address: 10 The Triangle, ng2 Business Park, Nottingham, NG2 1AE

** Registered address: 6 Rubislaw Terrace, Aberdeen, AB10 1XE

*** Registered address: First Floor, 17 The Esplanade, St Helier, Jersey, JE2 3QA

5. Property, plant and equipment

	Office equipment £
Cost	
At 1 January 2018	94,793
At 31 December 2018	94,793
At 31 December 2019	94,793
Accumulated depreciation	
At 1 January 2018	94,793
At 31 December 2018	94,793
At 31 December 2019	94,793
Net book value	
At 31 December 2019	–
At 31 December 2018	–
At 31 December 2017	–

6. Trade and other receivables

	2019 £	2018 £
Current:		
Value Added Tax	169,857	39,360
Amounts due from Group undertakings	10,680,745	4,306,589
Prepayments	57,497	15,560
	10,908,099	4,361,509

The balances above were assessed for recoverability under the expected credit loss model. There is no expected credit loss on these balances. The amounts due from Group undertakings are not interest bearing, and are repayable on demand. In 2018 a provision of £408,811 was made to amounts due from Group undertakings. The provision is measured using management's best estimate of the expected credit loss for the balance after considering the proposed repayment plan.

7. Cash and cash equivalents

	2019 £	2018 £
Cash at bank	12,197,617	19,590,948

8. Called up share capital

Issued and fully paid:

Number:	Class	Nominal value	2019 £	2018 £
21,829,227 [2018: 21,829,227]	Ordinary	1p	2,466,144	2,466,144

9. Trade and other payables

	2019 £	2018 £
Current:		
Amounts due to Group undertakings	211,678	211,678
Trade payables	94,859	–
Other payables	121,418	2,917
Accrued expenses	102,915	128,391
	530,870	342,986

Amounts shown as Current: Amounts due to Group undertakings – are repayable on demand.

10. Related party disclosures and ultimate controlling party

The Group and Company do not have an ultimate controlling party or parent Company.

Subsidiary	% owned	County of Incorporation	Principal Activity	Amount due (to)/from subsidiaries	
				2019 £	2018 £
Jersey North Sea Holdings Ltd	100%	England & Wales	Non-Trading	(211,676)	[211,676]
Jersey Petroleum Ltd	100%	England & Wales	Oil Exploration	10,680,745	4,306,589
Jersey E & P Ltd	100%	Scotland	Non-Trading	–	–
Jersey Oil Ltd	100%	Scotland	Non-Trading	(1)	[1]
Jersey Exploration Ltd	100%	Scotland	Non-Trading	(1)	[1]
Jersey Oil & Gas E & P Ltd	100%	Jersey	Management services	–	–

The Company lends cash to Jersey Oil & Gas E&P Ltd to fund salaries and other administrative costs. The balance outstanding at the end of the year from Jersey Oil & Gas E&P Ltd £2,371,207 [2018: £1,501,788] has been fully provided for as a doubtful debt given the nature of the company which does not generate revenue and the balance is not expected to be recovered.

The Company provides funding to Jersey Petroleum Limited to fund commitments due on its operations and licences. Historically these have been provided for in full as those licences were not deemed commercial. Following the historical drilling on Verbier the Company believes that the funding provided for this licence to be fully recoverable as the licence is commercially viable. The total amount of funding provided to Jersey Petroleum Limited amounts to £78,109,749 [2018: £71,735,593] of which £66,371,145 [2018: £67,429,004] is provided for as a doubtful debt with the remaining balance being the funding provided in respect of the Verbier licence.

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

During the year the Company also charged a management fee to Jersey Petroleum Limited amounting to £1,414,327 [2018: £985,652].

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

11. Notes to the Company statement of cash flows

Reconciliation of loss before income tax to cash used in operations

	2019 £	2018 £
Loss for the year before tax	(602,287)	(1,422,263)
Adjusted for:		
[Reversal of impairment]/impairment of receivables from subsidiaries (note 10)	–	1,026,245
Provision for write-off of loan interest	211,154	130,161
Share-based payments (net)	437,080	259,964
Finance income	(318,026)	(179,131)
	(272,079)	(185,024)
(Increase)/decrease in receivables (note 6)	(172,434)	21,252
Increase/(decrease) in trade and other payables (note 9)	187,885	(228,839)
Cash used in operations	(256,628)	(392,611)

Cash and cash equivalents

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

	31 Dec 2019 £	1 Jan 2019 £	
Cash and cash equivalents	12,197,617	19,590,948	
	31 Dec 2018 £	1 Jan 2018 £	
Cash and cash equivalents	19,590,948	25,267,423	
	At 1 Jan 2019 £	Cash flow £	At 31 Dec 2019 £
Cash and cash equivalents	19,590,948	(7,393,331)	12,197,617
Net cash	19,590,948	(7,393,331)	12,197,617

FIGURE REFERENCES

Fig 1, page 1

Outcrop of faulted Old Red Sandstone.

Fig 2, page 1

Oil-stained core from a Buchan well.

Fig 3, page 1

Photomicrograph of a thin-section from a Buchan well. Porosity highlighted in blue.

Fig 4, page 1

The Buchan Field reservoir map from the new 3D seismic showing faulting.

Fig 5, page 1

The Buchan Field. Cut-away showing seismic and shut-in wells.

Fig 6, page 1

The P2170 discovery and prospects in relation to the Buchan Field.

Fig 7, page 7

Conceptual bridge-linked platform

Fig 8, page 8/9

Transocean Spitzbergen used to drill the Verbier appraisal well

Fig 9, page 14

JOG GreaterBuchan Area discoveries, prospects and leads

Fig 10, page 15

The P2170 discovery and prospects in relation to the Buchan Field

Fig 11, page 17

Buchan Field fault model

Fig 12, page 22/23

This image, together with the image on the front cover and images on p30, p44/45 shows Skellig Michael, an island off the south west coast of Ireland made up of fluvial and aeolian Old Red Sandstone. It is a contemporary geological analogue for what is now the Buchan oil field reservoir, which was also uplifted and exposed as an island for 30 to 40 million years during the Lower Cretaceous period.

Fig 13, page 30

Skellig Michael – see Fig 12

Fig 14, page 44/45

Skellig Michael – see Fig 12

GLOSSARY

31 SLR 31st Supplementary Offshore Licensing Round. This refers to the process by which the OGA offered licences for award in the GBA during 2019.

bbl Barrel of oil

CNS Central North Sea

CPR Competent Persons' Report. The independent CPR was completed by Rockflow Resources and JOG published it in October 2019 – see www.jerseyoilandgas.com for further details on volumes and values. The base case for volumes and values, referred to within this annual report, are based on forecast oil prices of \$62.5/bbl and are escalated in line with inflation.

Company Jersey Oil and Gas plc.

ESG Environmental, social and corporate governance. ESG refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

FDP Field Development Plan.

FPAL Achilles FPAL identifies, evaluates and provides pre-qualification information about suppliers on behalf of major buyers in oil & gas.

GBA Greater Buchan Area. Refers to the licences including and surrounding the Buchan field, namely licences P2498, P2170, P2499.

GOR Gas to Oil ratio

Group Refers to Jersey Oil and Gas plc and its subsidiaries.

HSSE Health, Safety, Security and Environment

IRR Internal Rate of Return

JOG Jersey Oil and Gas plc

MER Maximising Economic Recovery. The strategy at the forefront of the OGA's stewardship of the UK North Sea.

MLA Master Licence Agreement

mmbbls Million barrels of oil

mboe Million barrels of oil equivalent.

MMstb Million stock tank barrels, Stabilised oil at the surface after associated gas has escaped.

NPV Net present value

OGA Oil and Gas Authority. The Oil and Gas Authority's role is to regulate, influence and promote the UK oil and gas industry in order to maximise the economic recovery of the UK's oil and gas resources.

OPEC+ Organisation of Petroleum Exporting Countries (14 member countries and a further 10 Non-OPEC nations, including Russia, form OPEC+)

SCF Standard Cubic Feet (of gas)

SDG Sustainable development goals



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