

# UNION JACK OIL PLC

(AIM: UJO)

## Final Results for the Year Ended 31 December 2014

Union Jack Oil plc (“**Union Jack**” or the “**Company**”), an onshore oil and gas exploration company with a focus on drilling, development and investment opportunities in the United Kingdom hydrocarbon sector, is pleased to announce its audited results for the year ended 31 December 2014.

### Operational Highlights

- Discovery at Wressle-1 conventional exploration well
  - Good quality oil recovered from three stacked zones producing an unpumped aggregate of in excess of 700 barrels of oil equivalent per day gross
  - Extended Well Test to be conducted in the near future in order to confirm commerciality
- Planning consent granted in December 2014 for the drilling and any subsequent testing of the North Kelsey-1 exploration well
- Post period end planning consent was granted for the drilling and any subsequent testing of the Biscathorpe-2 exploration well

### Financial Highlights

- £3,486,000 of net proceeds raised through three placings
- Cash balance as at 15 May 2015 of £3,000,000
- Fully financed for the 2015 planned drilling programme

**David Bramhill, Executive Chairman, commented:** “The results of the Wressle-1 well have to date exceeded our expectations with all three reservoir objectives producing hydrocarbons to surface.

Looking beyond the Wressle-1 well and confirming its commerciality, we look forward to drilling the high potential Biscathorpe-2 well located within PEDL253 which resulted from a discovery by BP in respect of Biscathorpe-1 in 1987.

We remain adequately funded and the future of your Company remains bright.”

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## CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders of Union Jack Oil plc ("**Union Jack**" or the "**Company**"), the Annual Report and Financial Statements for the year ended 31 December 2014.

As a result of the fundraising activity undertaken in 2014 the Company is in a strong financial position with a cash balance of approximately £3.0 million at the time of writing. The Company is consequently adequately funded for the foreseeable future and is able to maintain its current planned drilling programme for 2015 and cover its working capital requirements without resorting to shareholders for additional funding. The oil and gas sector currently is faced with challenging times, however, given our focus on low cost onshore projects, this does not impact on any plans we have for future growth and we remain on course and intend to participate in the expected drilling of the Biscathorpe-2 and North Kelsey-1 wells in late 2015. In addition, the current environment provides the potential for opportunities to acquire, at good value, interests within new projects.

The Board's immediate preference and focus is on conventional projects where costs are manageable and monetisation of any discoveries can be achieved within a relatively short timeframe, utilising a simple development plan in most cases. Due to the low cost nature of these projects, onshore exploration within the UK remains an attractive prospect in a low oil price environment.

In addition to the financial stability of the Company, I am also very pleased that our first well, Wressle-1, in which the Company holds an 8.33% interest, has resulted in a discovery which is being fast-tracked in respect of potential monetisation and test production which is anticipated to provide a second half 2015 revenue contribution.

The Company's strategic objective remains focused on building a successful hydrocarbon exploration and development business, located primarily onshore in the United Kingdom, by acquiring interests in drill ready prospects, adding value and drilling them. We intend to continue to develop our portfolio of interests in drill ready prospects.

In the year under review there has been drilling activity on two projects, Wressle and Burton on the Wolds, located on PEDL180 and PEDL201 respectively. The highlight has been the discovery of hydrocarbons in respect of the Wressle-1 exploration well. Subsequent testing of the well has demonstrated the recovery of good quality oil and gas from three separate zones producing in excess of 700 barrels of oil equivalent per day gross resulting in the decision by the partnership comprising the operator Egdon Resources UK Limited ("**Egdon**"), Celtique Energie Petroleum Limited, Europa Oil and Gas plc and Union Jack to subject the well to an Extended Well Test ("**EWT**") in respect of the Ashover Grit and Penistone Flags formations in order to determine commerciality. Equipment for this operation is currently being sourced by the operator Egdon and the EWT tests are expected to commence in the very near future.

The Burton on the Wolds-1 exploration well, seeking conventional hydrocarbons, penetrated only thin sands in the primary reservoir objective, the Rempstone Sandstone group, and subsequently the well was plugged and the well-site will be restored to its original condition as agricultural land. However, PEDL201 remains of continued interest. Further independent and in-house reviews are planned for 2015 to evaluate the further potential of this licence block.

In June 2014, an independent technical review was executed by Molten Limited ("**Molten**") on behalf of the Company over the unconventional potential of the northern part of PEDL201 within the Widmerpool Gulf. The results of this work, using the SPE standard required for a Competent Persons Report, as set out in the AIM note for Mining and Oil and Gas Companies, indicated that the mean gross unrisked deterministic in place volumetric estimates approximate to 5.4 billion barrels of oil and over 2.7 trillion standard cubic feet of gas.

Union Jack's equity interest in this figure within the shale area would amount to approximately 540 million barrels of oil initially in place and 270 billion standard cubic feet of gas initially in place.

The Molten report offers excellent encouragement as to the potential value of our interest in PEDL201. However, there remains a considerable amount of work to be conducted before any hydrocarbons can be commercially produced and there is no certainty that any portion of this resource, if discovered, will be recoverable.

Our other existing projects are Biscathorpe within PEDL253 and North Kelsey within PEDL241 in each of which the Company holds a 10% interest. Given the current strength of the balance sheet and expectation that the Wressle-1 well will contribute revenues in the future, it is the Board's intention that the Company participates in the drilling of the Biscathorpe-2 and North Kelsey-1 exploration wells. Consequently, the Board will not exercise its withdrawal option under the supplemental farmout agreements signed in 2013.

The Biscathorpe prospect is considered to hold high potential by your Board and it has agreed in principle to acquire a further combined 2% interest from Egdon and Montrose Industries Limited bringing the Company's interest to 12% in a well with a mean Prospective Resource volume for the main reservoir objective, as calculated by Egdon, of 17.81 million barrels of oil.

North Kelsey-1 has four stacked reservoir objectives and is calculated by Egdon to have a mean Prospective Resource of 6.7 million barrels of oil.

Planning permission for the drilling of both wells has been granted and Egdon has indicated that these conventional wells should be drilled in Q4 2015.

A comprehensive overview of our projects can be found in the Review of Operations section in the Annual Report and Financial Statements.

## **Corporate and Financial**

During 2014 the Company raised £3,486,000 net through three placings. The proceeds of these placings will be used to fund the drilling of the Biscathorpe-2 and North Kelsey-1 exploration wells, Wressle-1 well testing, other projects and working capital.

SP Angel Corporate Finance LLP has been appointed the Company's joint broker alongside Shore Capital with immediate effect.

Administrative expenses for the year are effectively the same as those posted in 2013 before AIM admission costs. The balance sheet for the year shows cash and cash equivalents standing at the year end at £3.4 million (2013: £0.9 million). Net assets have risen to £4.1 million (2013: £0.9 million).

The Board intends to continue with the same low salary commitment and does not intend to provide management with share options until the Company is established as a production entity.

## **Board changes**

During the year we welcomed Graham Bull to the Board as a non-executive director, replacing Martin Durham who left to fill a full time appointment with Egdon Resources plc. It is a pleasure to be able to still continue to work with Martin on our joint projects. Graham is a geologist with 46 years of international oil and gas industry exploration experience. Graham has held positions with Chevron, Dome Petroleum, Siebens Oil and Gas and Poco Exploration.

In addition, Graham has operated as a geological adviser for EnCore Oil plc, Premier Oil plc, Cirque Energy and DSM Energy.

I would also like to take this opportunity to thank our advisers for their support during 2014. In addition, my thanks go to my fellow Board members Joe O'Farrell, Graham Bull and Ray Godson.

### **Share consolidation**

The Board has decided to undertake, subject to shareholder approval at the forthcoming AGM, a consolidation of the Company's share capital so that every 100 existing ordinary shares of 0.025p will be consolidated into one new ordinary share of 2.5p (the "**Share Consolidation**"). The directors believe that the Share Consolidation will help further improve the marketability of the Company's shares by creating a higher trading price per share which it is hoped will result in a narrowing of the spread between the bid and ask market price of the Company's shares. The proposal is set out in Resolution 8 in the Notice of AGM along with an Explanatory Note on the matter within the Annual Report and Financial Statements.

### **Summary**

The results of the Wressle-1 well have to date exceeded our expectations with all three reservoir objectives producing hydrocarbons to surface on test and I look forward to updating shareholders on progress in monetising the discovery in the coming months. The results of the EWTs are key to the declaration of commerciality and it will be interesting to determine the flow rates when under pump test rather than from non-induced flow tests that flowed oil and gas to surface.

Looking beyond the Wressle-1 well and confirming its commerciality, we look forward to drilling the high potential Biscathorpe-2 well located within PEDL253 which resulted in a discovery by BP in respect of Biscathorpe-1 in 1987. Planning permission has been granted for the Biscathorpe-2 exploration well and, if successful, the possible upside for Union Jack is high.

We also continue to evaluate PEDL201 in respect of the prospectivity of the licence block.

Finally, in relation to our existing projects the Board believes North Kelsey, located on PEDL241, which has four stacked prospects as targets, provides several further chances for a successful discovery.

The Company is also seeking other quality projects, with a focus on UK onshore, in which to become involved as partners. We remain adequately funded and the future of Union Jack remains bright.

**David Bramhill**

Executive Chairman

15 May 2015

# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	31.12.14 £	31.12.13 £
<b>Revenue</b>	–	–
Administrative expenses before AIM admission costs	(551,056)	(514,470)
AIM admission costs	–	(199,406)
<b>Total administrative expenses</b>	<b>(551,056)</b>	<b>(713,876)</b>
<b>Operating loss</b>	<b>(551,056)</b>	<b>(713,876)</b>
Finance income	4,702	5,025
<b>Loss before taxation</b>	<b>(546,354)</b>	<b>(708,851)</b>
Taxation	(902)	(69)
<b>Loss for the financial year</b>	<b>(547,256)</b>	<b>(708,920)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	(547,256)	(708,920)
<b>Loss per share</b>		
Basic and diluted loss per share (pence)	(0.04)	(0.12)

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 DECEMBER 2014

	31.12.14 £	31.12.13 £
Loss for the financial year	(547,256)	(708,920)
Other comprehensive income	–	–
<b>Total comprehensive loss for the financial year</b>	<b>(547,256)</b>	<b>(708,920)</b>

# BALANCE SHEET

AS AT 31 DECEMBER 2014

	31.12.14 £	31.12.13 £
<b>Assets</b>		
<b>Non-current assets</b>		
Exploration and evaluation assets	832,100	44,294
Investments	20,000	20,000
	852,100	64,294
<b>Current assets</b>		
Trade and other receivables	33,238	40,673
Cash and cash equivalents	3,474,320	867,207
	3,507,558	907,880
<b>Total assets</b>	<b>4,359,658</b>	<b>972,174</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	260,974	71,262
	260,974	71,262
<b>Total liabilities</b>	<b>260,974</b>	<b>71,262</b>
<b>Net assets</b>	<b>4,098,684</b>	<b>900,912</b>
<b>Capital and reserves attributable to the Company's equity shareholders</b>		
Called up share capital	2,475,811	2,079,201
Share premium account	3,282,848	–
Share-based payments reserve	349,833	284,263
Retained earnings	(2,009,808)	(1,462,552)
<b>Total equity</b>	<b>4,098,684</b>	<b>900,912</b>



## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Share capital £	Retained earnings £	Share premium £	Share-based payment reserve £	Total £
Balance at 1 January 2013	607,451	(142,573)	–	14,716	479,594
<b>Changes in equity</b>					
Issue of share capital	1,471,750	–	–	–	1,471,750
Share issue costs	–	(611,059)	–	–	(611,059)
Total comprehensive income	–	(708,920)	–	–	(708,920)
Share-based payment charge	–	–	–	269,547	269,547
<b>Balance at 31 December 2013</b>	<b>2,079,201</b>	<b>(1,462,552)</b>	<b>–</b>	<b>284,263</b>	<b>900,912</b>
Balance at 1 January 2014	2,079,201	(1,462,552)	–	284,263	900,912
<b>Changes in equity</b>					
Issue of share capital	396,610	–	3,847,302	–	4,243,912
Share issue costs	–	–	(564,454)	–	(564,454)
Total comprehensive income	–	(547,256)	–	–	(547,256)
Share-based payment charge	–	–	–	65,570	65,570
<b>Balance at 31 December 2014</b>	<b>2,475,811</b>	<b>(2,009,808)</b>	<b>3,282,848</b>	<b>349,833</b>	<b>4,098,684</b>

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	31.12.14 £	31.12.13 £
<b>Cash flow from operating activities</b>	(354,811)	(688,949)
<b>Cash flow from investing activities</b>		
Purchase of intangible assets	(787,806)	(44,294)
Purchase of investments	–	(20,000)
Interest received	4,702	5,025
<b>Net cash used in investing activities</b>	(783,104)	(59,269)
<b>Cash flow from financing activities</b>		
Proceeds on issue of new shares	4,243,912	1,471,750
Cost of issuing new shares	(498,884)	(341,512)
<b>Net cash generated from financing activities</b>	3,745,028	1,130,238
<b>Net increase in cash and cash equivalents</b>	2,607,113	382,020
Cash and cash equivalents at beginning of financial year	867,207	485,187
<b>Cash and cash equivalents at end of financial year</b>	3,474,320	867,207

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

## 1 ACCOUNTING POLICIES

### *Basis of Preparation*

Whilst the financial information in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRS”), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs shortly.

The financial information as set out does not constitute the Company’s statutory accounts for the periods ended 31 December 2014 or 31 December 2013, but is derived from those accounts. Statutory accounts for 31 December 2013 have been delivered to the Registrar of Companies and those for 31 December 2014 will be delivered following the Company’s Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

### *Significant Accounting Policies*

The accounting policies and methods of computation followed in these financial statements are consistent with those as published in the Company’s Annual Report and Financial Statements for the year ended 31 December 2014.

The Annual Report and Financial Statements are available from the Company Secretary at the Company’s registered office, 6 Charlotte Street, Bath BA1 2NE or on the Company’s website [www.unionjackoil.com](http://www.unionjackoil.com).

### *Going Concern*

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

The Company’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman’s Statement, Review of Operations and the Strategic Report. The directors’ forecasts demonstrate that the Company will meet its day to day working capital and share of estimated drilling costs over the forecast period from the cash held on deposit. The principal risk to the Company’s working capital position is drilling cost overruns. The Company has sufficient funding to meet planned drilling expenditures and a level of contingency. Taking account of these risks, sensitised forecasts show that the Company should be able to operate within the level of funds currently held. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## 2 LOSS PER SHARE

The Company has issued warrants over ordinary shares which could potentially dilute basic earnings per share in the future.

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

During the current and prior year the Company had warrants in issue. At 31 December 2014 the company has 335,652,548 warrants. These warrants have not been taken into account when calculating the diluted loss per share as their impact was anti-dilutive. Therefore the basic and diluted loss per share are the same.

<b>Loss per share</b>	<b>2014 Pence</b>	<b>2013 Pence</b>
Loss per share from continuing operations	(0.04)	(0.12)

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

<b>Loss per share</b>	<b>2014 £</b>	<b>2013 £</b>
Loss used in the calculation of total basic and diluted earnings per share	(547,256)	(708,920)

<b>Number of shares</b>	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	1,558,344,760	585,020,400

The Company has 831,680,400 deferred shares. These have not been included within the calculations of basic shares above on the basis that IAS 33 defines an ordinary share as an equity instrument that is subordinate to all other classes of equity instruments. Any residual interest in the assets of the Company would not currently, on liquidation, go to the deferred shareholders, hence they are not currently considered subordinate. These deferred shares, being potential ordinary shares, have not been taken into account when calculating the diluted loss per share as their impact was anti-dilutive.

### 3 RECONCILIATION OF LOSS TO CASH GENERATED FROM OPERATIONS

	31.12.14 £	31.12.13 £
Loss before taxation	(546,354)	(708,851)
Finance income	(4,702)	(5,025)
Income taxes paid	(902)	(69)
	(551,958)	(713,945)
Decrease/(Increase) in trade and other receivables	7,435	(15,109)
Increase in trade and other payables	189,712	40,105
Cash used in operations	(354,811)	(688,949)

### 4 SHARE CAPITAL

Allotted and issued: Number	Class	Nominal value	31.12.14 £	31.12.13 £
2,418,120,570 (31 December 2013: 831,680,400)	Ordinary	0.025p	604,530	–
Nil (31 December 2013: 831,680,400)	Ordinary	0.25p	–	2,079,201
831,680,400 (31 December 2013: nil)	Deferred	0.225p	1,871,281	–
Total			2,475,811	2,079,201

#### Allotments during the year

In March 2014 288,888,889 ordinary shares were issued at 0.225p and in June 2014 560,284,640 ordinary shares were issued at 0.25p.

Also 666,666,641 ordinary shares were issued by the Company at 0.3p in September 2014.

In addition, warrants for 30,900,000 shares were exercised in July 2014, and in October 2014 warrants for 39,700,000 were exercised.

Issue costs have been recognised in the share premium account. £65,570 of the issue costs was in the form of warrants, hence there was no cash impact.

### 5 EVENTS AFTER THE BALANCE SHEET DATE

The following event has taken place after the year end:

In January 2015, 280,600,000 warrants issued on 22 July 2013, exercisable at 0.30p, expired and were cancelled from the Company's Warrant Register.

**6 COPIES OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS**

The Annual Report and Financial Statements will shortly be posted to shareholders and is now available on the Company's website [www.unionjackoil.com](http://www.unionjackoil.com).