

13 May 2019

**Union Jack Oil plc**  
**("Union Jack" or the "Company")**

**Final Results for the Year Ended 31 December 2018**

Union Jack Oil plc (AIM: UJO), a UK focused onshore hydrocarbon production, development and exploration company, is pleased to announce its audited results for the year ended 31 December 2018.

**Operational Highlights**

- Portfolio expanded with further selected asset value-accretive transactions in Wressle and Biscathorpe
- A 16.665% acquisition in PEDL183 containing the West Newton A-1 gas discovery with a Contingent Resource of 189 bcfe
- Increased proven reserves and level of resources
- The current drilling of the West Newton A-2 appraisal well

**Financial Highlights**

- Current cash balance in excess of £2.5 million, as at 1 May 2019
- Fully funded for all current drilling and testing requirements
- Production revenue increased by over 250%
- Company remains debt free

**David Bramhill, Executive Chairman, commented,**

"Union Jack's strategy remains consistent with the objective of the Board to build a successful and sustainable UK-focused, onshore hydrocarbon production and development business.

"Marked progress was made in the year under review and in the post balance sheet period, in particular, our acquisition of an interest in PEDL183 containing the West Newton A-1 gas discovery, where the West Newton A-2 appraisal well is currently underway, and our increased interest to 27.5% in the Wressle-1 discovery.

"My confidence in respect of Union Jack's future, since its incorporation, is at its optimum.

"The Company's future remains bright."

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In accordance with the AIM Rules - Note for Mining and Oil and Gas Companies, the information contained within this announcement has been reviewed and signed off by Graham Bull, Non-Executive Director, who has over 46 years of international oil and gas industry exploration experience. This announcement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. While the directors believe the expectation reflected within this announcement to be reasonable in light of the information available up to the time of approval of this announcement, the actual outcome may be materially different owing to factors either beyond the Company's control or otherwise within the Company's control, for example, owing to a change of plan or strategy. Accordingly, no reliance may be placed on the forward-looking statements

## 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 2018.

Union Jack's strategy remains consistent with the objective of the Board to build a successful and sustainable, UK-focused, onshore hydrocarbon production and development business. In this respect, we have delivered demonstrable growth and have expanded our portfolio with what we consider to be quality, high-value project interests with substantial upside potential in our focus areas of the East Midlands, Humber Basin and East Yorkshire. In addition, success in any one of our key assets would result in a significant market valuation of the Company.

Marked progress was made in the year under review and in the post balance sheet events period up to the signing of these financial statements, with the highlights being:

- enhanced our portfolio with selective, value-accretive transactions by increased interests in both Wressle and Biscathorpe
- acquired a 16.665% working interest in PEDL183 containing the material West Newton A-1 gas discovery with a Contingent Resource of 189 bcfe (billion cubic feet equivalent)
- increased our proven (1P), and proven plus probable (2P) reserves and materially increased our level of contingent and prospective resources
- increased production revenue by over 250%
- fully funded for all current drilling and testing requirements
- currently drilling the West Newton A-2 conventional appraisal well
- current cash balance in excess of £2.5 million, as at 1 May 2019
- debt free

### **PEDL183 WEST NEWTON A-1 GAS DISCOVERY (16.665%)**

During October 2018, Union Jack completed a farm-in to licence PEDL183, containing the West Newton A-1 gas discovery, with Rathlin Energy (UK) Limited, a subsidiary of Canadian registered Connaught Oil & Gas Ltd where, according to a Competent Person's Report prepared by Deloitte LLP in June 2017, there is in excess of 189 bcfe of 2C Contingent Resources within the Kirkham Abbey Shoal formation and further considerable potential prospective resource upside for oil within the deeper Cadeby Reef formation.

PEDL183 is located onshore UK, North of the Humber River, and also contains the town of Beverley, East Yorkshire. The licence area is within the western sector of the Southern Zechstein Basin and the West Newton A-1 gas discovery is on-trend with the prolific offshore Hewett gas complex.

The West Newton A-2 fully funded conventional appraisal well is currently being drilled using the BDF28 rig and the first target, the Kirkham Abbey Shoal formation, may have been penetrated and possibly reported upon by the time of publication of this Annual Report and Financial Statements.

There are a number of positives for the Company as a result of the West Newton acquisition including:

- farm-in terms were very attractive with no associated up-front or back cost payments, with all funding going towards drilling, licence costs and administration

- compelling, immediate and future economic value from a development of a gas discovery alone with the Operator's recently upgraded NPV10% in excess of US\$300 million
- proximity to existing gas pipelines and infrastructure
- significant Contingent Resources being added to the Company's resource inventory

Success at the West Newton A-2 appraisal well will result, in time, in the delivery of a major onshore gas development of which the value of our investment would be Company-changing and effectively transform Union Jack's future.

The Company is fully prepared for success in this venture and funds are in place for an extended well production testing programme and a possible 3D seismic programme over other structures which have been highlighted within the licence area.

### **PEDL180/PEDL182 WRESSLE DISCOVERY (27.5%)**

Located in Lincolnshire on the Western margin of the Humber Basin, PEDL180 and PEDL182 contain the substantial Wressle oil discovery, with proven reserves and significant upside, from which first commercial oil is expected to flow at a constrained rate of 500 barrels a day gross following successful planning approval.

During June 2018, the Company acquired a further 12.5% interest in PEDL180 and PEDL182 from Celtique Energie Petroleum Limited, increasing our holding in the project to a meaningful 27.5%. The acquisition platform involved no initial cash consideration and the deferred cost of £1.04 million is conditional on establishing first commercial production at Wressle.

This acquisition had an immediate positive impact on Union Jack by increasing its 2P reserves and 2C resource base by 83% to in excess of 855,000 barrels of oil equivalent.

The justification for the Company increasing its interest in Wressle is the transformative economic impact it will have, as we believe that when commercial production is established at Wressle, it would provide net cash flows to Union Jack of circa US\$3.5 million per annum in the current oil price environment. After taking operating costs into consideration, estimated to be below US\$15 per barrel, such revenues would propel Union Jack into a material cash generating oil production company. In further support of the acquisition, the economics are robust and net asset value accretive down to an oil price of US\$35 per barrel.

During 2018, two new applications were made to North Lincolnshire Council ("NLC") to extend the planning term for PEDL180 and PEDL182 and to obtain permission for development of the Wressle-1 discovery.

The application to extend the planning term was denied by the NLC's Planning Committee despite being recommended for approval by NLC's Planning Officer.

A subsequent appeal was submitted to the Planning Inspectorate and we were informed in January 2019 that the appeal had been successful and an extension to the planning term had been granted for a further year by the Planning Inspector.

Not unsurprisingly, the second and revised application for development of the Wressle-1 discovery was again denied by NLC's Planning Committee, despite recommendation to allow development by its own Planning Officer and his positive conclusions within his report being confirmed by external independent technical consultants and experts (JBA Consulting) engaged by NLC to carry out a robust review of the revised application. To quote JBA Consulting within its independent report to the NLC,

it stated, *“In comparison with the previous applications, in the new documentation the main weaknesses identified by the Inspector appear to have been addressed or can be addressed in planning conditions”*.

An appeal submitted to the Planning Inspectorate by the Operator on behalf of the joint venture partners will be heard by the Planning Inspector on 5 November 2019.

A Queen’s Counsel has been appointed to assist our appeal to obtain permission for development of this conventional oil producing project that would be beneficial, not only to the many companies which have invested in this venture, but also to the surrounding community as supported and vindicated by the “Economic Growth Plan for North Lincolnshire”, launched by NLC at the House of Lords in November 2018.

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

The oil that Wressle produced would contribute to these industries and benefit the region as a whole, and further afield in the UK. The oil produced at Wressle would also help offset international oil imports typically shipped over long distances and Wressle oil would be refined nearby in Immingham, keeping trucking and transportation to a minimum, reducing the carbon footprint and greenhouse gas emissions.

### **PEDL253 BISCATHORPE (22%)**

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

Over a century ago, Henry Ward Beecher, the American social reformer and speaker quoted *“One’s best success comes after their greatest disappointments”*.

This statement reflects Union Jack’s thoughts in respect of the result of the drilling of the Biscathorpe-2 well, the results of which were reported upon during February 2019, and more importantly the future and potential success and remaining upside within the PEDL253 licence area.

Biscathorpe, in the opinion of Union Jack’s management, remains one of the UK’s largest onshore un-appraised conventional hydrocarbon prospects.

In 1987, British Petroleum drilled the Biscathorpe-1 conventional exploration well and encountered a thin, oil-saturated section of the sandstone reservoir. The targeted Basal Westphalian sandstone reservoir was expected to thicken at the Biscathorpe-2 well location North of the crest of the “structural high”.

Following the completion of drilling and logging operations at Biscathorpe-2, preliminary analysis indicated that the primary objective, the Basal Westphalian Sandstone, was not encountered as the well was drilled high to prognosis and did not thicken as expected in the pre-drill model.

The Biscathorpe 'play' has not been properly tested by the Biscathorpe-2 well, with the results indicating the targeted sandstone has the potential to be more thickly developed to the North and North-East of the Biscathorpe-2 location away from what appears to be a more extensive than expected palaeo-high.

Union Jack's independent technical team is greatly encouraged by the significant elevated gas readings and shows from logging supported by calculated oil saturations in the Dinantian Carbonate over an interval in excess of 500 feet which included a suite of gas indications C1 to C5 and nC5 indicative of an effective petroleum system existing in close proximity to the Biscathorpe-2 well. Union Jack has commissioned an independent geochemical evaluation of the gas shows, the results of which will confirm whether the gas ratios are consistent with oil associated gases.

The open-hole section of the well has now been sealed and the well suspended to retain the option for a potential future side-track following the receipt of a new sub-surface model once the new well data is integrated following the re-processing and re-mapping of the existing 3D seismic data.

Union Jack retains its enthusiasm for the upside potential within PEDL253 and looks forward to reporting on events in respect of the licence during 2019.

#### **PEDL143 WEALD BASIN (FORMERLY HOLMWOOD) (7.5%)**

During Q3 of 2018, the previous Operator, Europa Oil & Gas Limited ("Europa") announced that the relevant Government body had not renewed the lease containing the site of the proposed Holmwood-1 conventional exploration well. Following this decision, the Operator withdrew its planning application to drill Holmwood-1. The well site has been reinstated to its original condition and the value of the intangible asset has been fully impaired by £205,308.

In April 2019, Union Jack reached agreement with the new Operator, UK Oil & Gas PLC ("UKOG") to sell its 7.5% interest in PEDL143 for a consideration of £112,500. Payment in UKOG shares allows Union Jack to not only benefit from UKOG's increased interest in PEDL143, but also exposure to UKOG's wider Weald Basin assets and other projects. Completion is subject to Oil and Gas Authority approval.

This disposal will allow Union Jack to concentrate on its focus areas of the East Midlands, Humber Basin and East Yorkshire, where we hold interests in material and potentially Company-changing assets.

#### **OTHER ASSETS**

Union Jack holds interests in nine further projects in addition to those highlighted above.

Union Jack's wider portfolio includes licence interests in two production assets, namely PEDL005(R) Keddington (20%) and EXL294 Fiskerton Airfield (20%), where combined production is a steady 50 barrels of oil a day gross. Both projects hold upside, especially Keddington which is currently being re-mapped to review future potential and contains part of PEDL339 the Louth Prospect and the North Somercotes Prospect. In respect of Fiskerton Airfield the joint venture partners are investigating the benefits of further workovers and in-fill drilling to increase the production output.

PEDL241 North Kelsey (20%) contains the drill-ready North Kelsey Prospect where an extension for planning was granted by Lincolnshire County Council in June 2018. PEDL241 is located within the proven Humberside platform and the North Kelsey Prospect is situated some 10 kilometres to the South of the Wressle-1 discovery. North Kelsey will be drilled during late 2019 or 2020, subject to obtaining farminees.

An interest is held in both PEDL118 Dukes Wood (16.67%) and PEDL203 Kirklington (16.67%) oilfields where operations have commenced to re-establish long term production.

PEDL201 Widmerpool Gulf (26.25%), formerly Burton-on-the-Wolds, contains significant Bowland Hodder shale potential. Awards of licences adjacent to PEDL201 to other parties under the 14th Round offer encouragement regarding this play type. The directors are considering the options to generate value from this licence and the favoured outcome from this potentially significant play type would be through an industry sale.

PEDL209 Laughton (10%) has no immediate activity planned on the licence and was fully impaired during 2016 and 2017.

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

## **CORPORATE AND FINANCIAL**

Union Jack remains debt free and our current cash balance stands in excess of £2.5 million, as at 1 May 2019, with sufficient funds to pay our share of costs for an extended well test in the event of a discovery at West Newton A-2, the acquisition of 3D seismic over further prospects on PEDL183, operations at Wressle, should there be a successful outcome of the planning appeal, re-processing of the 3D seismic in respect of Biscathorpe, and general administration costs.

In March and October 2018, two oversubscribed placings and subscriptions for shares were effected, raising £1.25 million and £2.25 million respectively before expenses.

In April 2019, a further oversubscribed placing and subscription took place, raising £1.75 million before expenses. Details of this exercise are reported in note 23, Events After the Balance Sheet Date.

Given the ongoing Brexit discussions it would be remiss not to comment on this topic. In respect of the ongoing discussions and the potential effect on the Company going forward, it is impossible to predict the effects as Brexit, or any variation upon that, has not happened at the time of writing. However, Union Jack is aware that one of our operators had an issue in respect of trying to hire the most up-to-date sophisticated equipment from Europe, however, the uncertainty surrounding the import / export and border processes led to some draconian clauses being inserted into documentation that made them impossible to accept. The result of this was that British-based equipment with acceptable specifications was hired instead.

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

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

## **SUMMARY**

My confidence in respect of Union Jack's future, since the Company's incorporation, is at its optimum.

The Company eagerly awaits the results of the current drilling of West Newton A-2 appraisal well, the result of the Planning Appeal at Wressle and the re-processing of 3D seismic in respect of Biscathorpe. These ventures are expected to provide a steady stream of newsflow throughout 2019 and success at any one of these projects has the potential to dramatically transform your company.

Union Jack's asset portfolio is well balanced with the relevant components of production, development, appraisal and discovery and we are fully funded for our commitments going forward.

The future of Union Jack remains bright.

**David Bramhill**

Executive Chairman

13 May 2019



# INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	31.12.18 £	31.12.17 £
<b>Revenue</b>	165,270	46,203
Cost of sales - operating costs	(159,046)	(48,627)
Cost of sales - depreciation	(32,186)	(17,322)
<b>Gross Loss</b>	(25,962)	(19,746)
Administrative expenses (excluding impairment charge)	(871,489)	(722,502)
Impairment	(205,308)	(5,078)
<b>Total administrative expenses</b>	(1,076,797)	(727,580)
<b>Operating loss</b>	(1,102,759)	(747,326)
Finance income	4,051	504
<b>Loss before taxation</b>	(1,098,708)	(746,822)
Taxation	–	–
<b>Loss for the financial year</b>	(1,098,708)	(746,822)
<b>Attributable to:</b>		
Equity shareholders of the Company	(1,098,708)	(746,822)
<b>Loss per share</b>		
Basic and diluted loss per share (pence)	(0.01)	(0.02)

**STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 31 DECEMBER 2018

	31.12.18 £	31.12.17 £
Loss for the financial year	(1,098,708)	(746,822)
Other comprehensive income	–	–
<b>Total comprehensive loss for the financial year</b>	<b>(1,098,708)</b>	<b>(746,822)</b>

# BALANCE SHEET

AS AT 31 DECEMBER 2018

	31.12.18 £	31.12.17 £
<b>Assets</b>		
<b>Non-current assets</b>		
Exploration and evaluation assets	3,485,961	2,806,278
Property, plant and equipment	611,139	496,859
Investments	40,000	40,000
	4,137,100	3,343,137
<b>Current assets</b>		
Trade and other receivables	198,054	65,872
Cash and cash equivalents	3,123,287	1,578,514
	3,321,341	1,644,386
<b>Total assets</b>	<b>7,458,441</b>	<b>4,987,523</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	396,688	310,079
<b>Non-current Liabilities</b>		
Provisions	453,165	229,918
<b>Total liabilities</b>	<b>849,853</b>	<b>539,997</b>
<b>Net assets</b>	<b>6,608,588</b>	<b>4,447,526</b>
<b>Capital and reserves attributable to the Company's equity shareholders</b>		
Share capital	3,983,958	2,954,547
Share premium	7,593,146	5,379,670
Share-based payments reserve	78,319	61,438
Accumulated deficit	(5,046,835)	(3,948,129)
<b>Total equity</b>	<b>6,608,588</b>	<b>4,447,526</b>

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital £	Accumulated deficit £	Share premium £	Share-based payment reserve £	Total £
Balance at 1 January 2018	2,954,547	(3,948,129)	5,379,670	61,438	4,447,526
<b>Total comprehensive loss</b>	<b>–</b>	<b>(1,098,708)</b>	<b>–</b>	<b>–</b>	<b>(1,098,708)</b>
<b>Contributions by and distributions to owners</b>					
Issue of share capital	1,029,411	–	2,470,589	–	3,500,000
Share issue costs	–	–	(257,113)	–	(257,113)
Share-based payments	–	–	–	16,881	16,881
<b>Total contributions by and distributions to owners</b>	<b>1,029,411</b>	<b>(1,098,708)</b>	<b>2,213,476</b>	<b>16,881</b>	<b>2,161,162</b>
<b>Balance at 31 December 2018</b>	<b>3,983,958</b>	<b>(5,046,835)</b>	<b>7,593,146</b>	<b>78,319</b>	<b>6,608,588</b>
Balance at 1 January 2017	2,696,399	(3,489,703)	4,566,072	167,924	3,940,692
<b>Total comprehensive loss</b>	<b>–</b>	<b>(746,822)</b>	<b>–</b>	<b>–</b>	<b>(746,822)</b>
<b>Contributions by and distributions to owners</b>					
Issue of share capital	258,148	–	1,135,849	–	1,393,997
Share issue costs	–	–	(140,342)	–	(140,342)
Prior period exercised and expired warrants	–	215,366	(114,074)	(101,292)	–
Current year expired share warrants	–	–	5,194	(5,194)	–
<b>Total contributions by and distributions to owners</b>	<b>258,148</b>	<b>288,395</b>	<b>813,598</b>	<b>(106,486)</b>	<b>1,253,675</b>
<b>Balance at 31 December 2017</b>	<b>2,954,547</b>	<b>(3,948,129)</b>	<b>5,379,670</b>	<b>61,438</b>	<b>4,447,526</b>

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2018

	31.12.18 £	31.12.17 £
<b>Cash flow from operating activities</b>	(893,956)	(503,331)
<b>Cash flow from investing activities</b>		
Purchase of intangible assets	(755,919)	(872,482)
Purchase of property, plant and equipment	(52,291)	(161,797)
Interest received	4,051	504
<b>Net cash used in investing activities</b>	(804,159)	(1,033,775)
<b>Cash flow from financing activities</b>		
Proceeds on issue of new shares	3,500,000	1,393,997
Cost of issuing new shares	(257,113)	(140,342)
<b>Net cash generated from financing activities</b>	3,242,887	1,253,655
<b>Net decrease in cash and cash equivalents</b>	1,544,773	(283,450)
Cash and cash equivalents at beginning of financial year	1,578,514	1,861,964
<b>Cash and cash equivalents at end of financial year</b>	3,123,287	1,578,514

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2018

### 1 ACCOUNTING POLICIES

#### *Basis of Preparation*

The financial information in this announcement, which was approved by the Board of Directors on 1 May 2019, does not constitute the Company's statutory accounts for the year ended 31 December 2018 but is derived from those financial statements. The auditor, BDO LLP, has reported on the statutory financial statements and the report was unqualified and did not contain statements under s498(2) or (3) Companies Act 2006. The statutory financial statements have not yet been delivered to the Registrar of Companies and will be delivered following the Company's Annual General Meeting.

The comparative figures are derived from the statutory financial statements of the Company for the year ended 31 December 2017. The auditor report was unqualified, did not contain statements under s498(2) or (3) Companies Act 2006 and have been filed with the Registrar of Companies.

Whilst the financial information in this announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRSs.

#### *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 2018.

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. The directors' forecasts demonstrate that the Company will meet its day to day working capital and share of estimated drilling costs over the forecast period (being at least 12 months from the date the financial statements were approved) from the cash held on deposit at the year end. The principal risk to the Company's working capital position is drilling cost overruns. The Company has sufficient funding to meet planned drilling expenditures and a level of contingency. Taking account of these risks, sensitised forecasts show that the Company should be able to operate within the level of funds currently held. The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

## 2 LOSS PER SHARE

The Company has issued warrants and options over ordinary shares which could potentially dilute the 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 and options in issue. At 31 December 2018 the Company had 51,407,842 (2017: 51,407,842) warrants in issue and 300,000,000 (2017: nil) options in issue.

These warrants and options have not been taken into account when calculating the diluted loss per share as their impact was anti-dilutive. Therefore, the basic and diluted loss per share are the same.

	2018 Pence	2017 Pence
<b>Loss per share</b>		
Loss per share from continuing operations	(0.01)	(0.02)

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

	2018 £	2017 £
Loss used in the calculation of total basic and diluted earnings per share	(1,098,708)	(746,822)

<b>Number of shares</b>	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	7,532,096,235	4,149,180,372

The Company has 831,680,400 (2017: 831,680,400) deferred shares. These have not been included within the calculations of basic shares above on the basis that IAS 33 defines an ordinary share as an equity instrument that is subordinate to all other classes of equity instruments. Any residual interest in the assets of the Company would not currently, on liquidation, go to the deferred shareholders, hence they are not currently considered subordinate. These deferred shares have not been taken into account when calculating the diluted loss per share as their impact was anti-dilutive.

The Company issued 4,117,647,049 new ordinary shares during the year (2017: 1,032,589,694).

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

	31.12.18 £	31.12.17 £
Loss before taxation	(1,098,708)	(746,822)
Depletion of producing assets	32,186	17,322
Impairment of intangibles	205,308	5,078
Share-based payments	16,881	–
Finance income	(4,051)	(504)
	(848,384)	(724,926)
(Increase) in trade and other receivables	(132,182)	(3,172)
Increase in trade and other payables	(86,609)	224,767
Cash used in operations	(893,956)	(503,331)

### 4 EXPLORATION AND EVALUATION ASSETS

	31.12.18 £	31.12.17 £
At 1 January	2,806,278	2,079,340
Costs incurred during the year	911,172	977,340
Transfer to development and production assets	(106,181)	(245,324)
Costs impaired	(205,308)	(5,078)
At 31 December	3,485,961	2,806,278



## 5 PROPERTY, PLANT AND EQUIPMENT

	31.12.18 £	31.12.17 £
<b>Cost</b>		
At 1 January	514,181	–
Transfer from exploration and evaluation assets	106,181	245,324
Additions	40,285	268,857
At 31 December	660,647	514,181
<b>Depreciation</b>		
At 1 January	17,322	–
Charge for the year	32,186	17,322
At 31 December	49,508	17,322
<b>Net book value</b>		
At 31 December	611,139	496,859
At 1 January	496,859	–

Development and Production assets comprise amounts capitalised as follows:

		31.12.18 £	31.12.17 £
Fiskerton Airfield	EXL294	222,048	193,206
Keddington	PEDL005(R)	282,910	303,653
Dukes Wood	PEDL118	59,566	–
Kirlington	PEDL203	46,615	–
At 31 December		611,139	496,859

## 6 SHARE CAPITAL

Allotted and issued: Number	Class	Nominal value	31.12.18 £	31.12.17 £
8,450,710,254 (31 December 2017: 4,333,063,205)	Ordinary	0.025p	2,112,677	1,083,266
831,680,400 (31 December 2016: 831,680,400)	Deferred	0.225p	1,871,281	1,871,281
Total			3,983,958	2,954,547

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

### Allotments during the year

In March 2018, 1,470,588,226 new ordinary shares were issued for cash at 0.085 pence per share raising £1,250,000 before expenses of £100,390.

In October 2018, 2,647,058,823 new ordinary shares were issued for cash at 0.085 pence per share raising £2,250,000 before expenses of £156,722.

## 7 EVENTS AFTER THE BALANCE SHEET DATE

The following events have taken place after the year end:

During January 2019, the Planning Inspectorate informed the Operator that the appeal in respect of a planning extension on PEDLs 180/182 was successful and the planning now expires in January 2020.

During February 2019, documentation in respect of the appeal for development of the Wressle discovery was submitted to the Planning Inspectorate. Confirmation of the acceptance of the documentation has been received and the appeal will be heard on 5 November 2019.

During February 2019, the Biscathorpe-2 conventional well reached target depth and logging revealed that the well was drilled high to prognosis. The well has been suspended for a potential side-track in the future.

In March 2019, the Company raised £1,750,000 before expenses in an oversubscribed fundraising. This fundraising was subject to approval by shareholders via a General Meeting, held on 8 April 2019, whereby the resolutions were all passed by a majority. Following this fundraising there are now 10,784,043,588 ordinary shares in issue.

In April 2019, Union Jack reached agreement with UK Oil & Gas PLC ("UKOG") to sell its 7.5% interest in PEDL143. The aggregate purchase price by UKOG for the licence interest is £112,500 and will be settled in cash that shall then be immediately, simultaneously and irrevocably applied by Union Jack for such number of ordinary shares in UKOG which is equal to £112,500 divided by 1.156 pence, being the 5 day volume weighted average price on 12 April 2019.

## 8 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).