JERSEY OIL AND GAS PLC

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONTENTS OF THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

Highlights:

- Significant progress made in respect of the Concept Select work for the Company’s flagship Greater Buchan Area (“GBA”) development project
    - Preferred development concept selected
    - New production facility planned at the Buchan field location
    - Proposed platform will be designed to accommodate fluids from neighbouring field developments via subsea tie-backs
    - Export of potential future oil and gas production will be via subsea pipeline to existing neighbouring infrastructure
- Enhanced subsurface understanding
    - P50 technically recoverable 2C resources of more than 138 million stock tank barrels (“MMstb”)
    - P50 prospective resources of over 200 MMstb
    - Buchan oil field dynamically modelled and history-matched to 36 years of production data
    - Volumes assessed using latest Petroleum Geo-Services ASA (“PGS”) 3D seismic data
- Significant exploration portfolio
    - 4 drill-ready exploration prospects with combined P50 prospective resources of 196 MMstb, in close proximity to the planned Buchan hub
- Consolidating ownership within the GBA, acquired additional 70% working interest and operatorship in Licence P2170 increasing both our discovered and prospective resources
- Strong cash position of approximately £8.9m at period end, c. £1m ahead due to cost discipline

Post Period End:

- In early September 2020, the Company was awarded, subject to documentation, a 100% working interest in, and operatorship of, part-block 20/5e, located within JOG's existing GBA development acreage which contains an extension of the J2 oil discovery

Outlook:

- Finalisation of the development plan for the GBA
- A comprehensive update on the exciting near field exploration potential of the GBA, demonstrating the upside potential to the development project
- Progress on area collaboration with regional operators for both production volumes and power solutions
- JOG now a signatory of the United Nations Global Compact - publication of JOG’s maiden Sustainability report
- Launch of the planned GBA funding/farm-out sales process anticipated in Q1 2021

JERSEY OIL AND GAS PLC

CHAIRMAN'S STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2020

Overview

The first six months of 2020 have continued to be a busy time for Jersey Oil and Gas ("JOG" or the "Company") as we progressed work on the Concept Select phase of our planned development of the Greater Buchan Area (the "GBA"). In this regard, we have brought together a team with excellent skills, experience and, just as importantly, a successful track record in developing fields of a similar size to the GBA, such as Buzzard, Golden Eagle and others on time and on budget.

Operating Environment

Throughout this period, we have learned to operate within an environment that has changed the way many companies function. The COVID-19 outbreak, which began to have a major impact in the UK in March of this year, has meant that for the safety of our employees we have all worked from home since that time. Given technological advances such as video conferencing, this has worked well and we have not had to slow down our GBA work programmes. The other main impact of COVID-19, within the oil sector, has been a reduced oil price, where Brent Crude reached a level of US$20 per barrel in April 2020 and as at 30 June 2020 was trading at US$41 per barrel. Given that we have no debt, and that first oil from the GBA is currently planned for 2025, our development work programme has not been affected by this fall in the oil price. Long-term forecast oil prices, however, indicate a relatively moderate level/price, with the January 2025 forward price of Brent Crude currently trading at approximately US$52 per barrel, with many market commentators expecting higher prices.

The Greater Buchan Area

During the period, we acquired Equinor's 70% working interest in Licence P2170 (Blocks 20/5b and 21/1d), which contains the Verbier discovery, and as a result, we are now the operator of this licence, with a total working interest in the licence of 88%. We regard this as being strategically important to the Company, given that this acquisition increased both our discovered oil resources and our prospective resources.

We were also pleased to announce the appointment of Dr Chris Haynes, OBE, as an adviser to the Board, who is providing guidance and oversight to our GBA work programmes.

ESG Strategy

We continue to fully endorse the UK Government's commitment to net zero carbon emissions by 2050. As part of this commitment, and given we will not be utilising old Buchan infrastructure, we will seek to use strategies and technologies appropriate for what is effectively a green field development of the GBA.

Financial Position

The Company's cash reserves at 30 June 2020 were approximately £8.9 million, which fully covers our immediate work programmes and will take us through the planned GBA sales process.

Outlook

Having selected the fundamentals of a development concept for the GBA, we are now progressing through the final stages of the Concept Select work programmes and, once completed, we will be assessing the timing of a sales process/approach to industry partners in order to part fund the GBA development. This is an exciting prospect for the Company, with significant and de-risked discovered oil volumes that form the core of this development, together with exploration upside and a working plan on how to progress to first oil almost completed. The timing of our approach will be based on an assessment of market conditions prevailing at that time, including industry sentiment in response to the then COVID-19 situation and the macroeconomic oil price environment generally. We currently envisage this sales process most likely taking place in Q1 2021.

These are potentially transformational times for the Company, and we look forward to keeping shareholders informed as we progress the planned GBA development.

Marcus Stanton
Non-Executive Chairman

29 September 2020

The Greater Buchan Area - Working through Concept Select

Our primary focus during 2020 to date has been on the Concept Select phase of our planned Greater Buchan Area (GBA) development and I am pleased to report that we have made exciting and demonstrable progress. Concept Select sets the foundations for what will be a major new oil and gas development project in the heart of the Central North Sea. We have now locked down the subsurface, so we have confidence in our potential producible volumes and narrowed down and selected the optimum development concept to ensure that such volumes can be produced safely and cost effectively and that the concept furthers our corporate ambitions. Our project team alone has clocked up over 20,000 manhours and additionally has utilised the expertise of over 130 industry professionals across multiple disciplines and contractors in order to deliver the project to its current advanced stage.

During the first quarter of 2020, we completed an Appraise phase assessment of development options for the GBA. We then took the decision to progress this development into the Select Phase. Work commenced in April 2020, to deliver a single concept to develop the GBA, which will subsequently be taken forward into the Define phase. Multiple development concepts have been screened and evaluated and we have determined that a new, fixed platform production hub, located over Buchan is the optimal solution. A new platform will ensure a long production life of at least 25 years for the GBA, with longevity being a key advantage in light of the long-term value potential from the surrounding prospectivity. JOG believes that this proposed new development will be a significant enabler for Maximising Economic Recovery of oil and gas resources within this part of the Central North Sea for many years to come. During the Select phase, our project scope for the GBA has increased significantly to include the potential for area collaboration with regional operators both on production and power solutions. Work is ongoing across multiple workstreams and we look forward to updating investors and the market upon the conclusion of our studies.

In aggregate, our subsurface work, that has been the subject of independent peer review, has confirmed combined and net to JOG, P50 technically recoverable 2C resources of at least 138 MMstb and P50 prospective resources of over 200 MMstb, supporting the potential for a new area development with low risk and core development-ready oil volumes, together with significant exploration upside. These resource volumes have been updated from previously announced mean estimates, using our enhanced understanding of the subsurface.

Validating and derisking the Subsurface

A key component of Concept Select has been the confirmation of the oil and gas volumes to be produced. This has been achieved by building highly detailed and complex reservoir models. Working together with Rockflow Resources Limited and starting on the largest accumulation of the planned hub development, a comprehensive subsurface evaluation of the Buchan oil field reservoir has been undertaken. Dynamic modelling of the reservoir was performed by Schlumberger using state of the art software to determine production forecasts and well locations for the field development. We have recently completed the dynamic modelling that accurately history-matched the 36 years' of production data with respect to the Buchan reservoir and now forms the basis for confidently forecasting future production profiles. This is a comprehensive and iterative process providing P50 technically recoverable 2C resources of more than 80 MMstb of high quality crude oil with 33.5° API.

Subsurface evaluation has also been undertaken for the Verbier and J2 oil discoveries, resulting in P50 technically recoverable 2C resources of 28 MMstb and 13 MMstb respectively. With the benefit of the high quality 2018 PGS 3D broadband seismic dataset, covering the majority of our acreage, we are now able to image the subsurface across the Greater Buchan Area far more accurately and with greater resolution than previously. Dynamic reservoir modelling is in progress for our latest interpretation of Verbier and J2 and will now be incorporated into ongoing Concept Select work. Subsurface evaluation has also been completed on the Glenn oil discovery, with confirmation of P50 technically recoverable 2C resources of 14 MMstb. The Glenn oil discovery is currently considered as a future subsea tie-back opportunity. The smaller Buchan Andrew discovery, which sits stratigraphically above Buchan, has P50 technically recoverable 2C resources of 3 MMstb and is also expected to be a future production opportunity.

Significant exploration portfolio

In addition to the evaluation of our discovered resources, JOG has also completed a comprehensive prospect and leads evaluation across all of the Group's licensed acreage, validating existing prospectivity and delineating a significant new prospect named Wengen, located on Licence P2170, directly west of the third party producing Tweedsmuir field. We have identified four drill-ready exploration opportunities within our licence portfolio: Verbier Deep, the Cortina cluster, Wengen (P2170) and Zermatt (P2498), with combined P50 prospective resources of 196 MMstb. This provides significant upside potential for the GBA given their immediate proximity to the intended hub location. The team is currently working on a drilling schedule to incorporate this near-term exploration potential into our GBA development plans.

Development Concept

The preferred development concept for the GBA is to locate a new production facility at the Buchan field location. The facility will be supported by a single 4-legged steel substructure. Production wells for Buchan and J2 will be drilled from the platform location utilising a heavy duty jack-up. The platform will house production facilities to process fluids to export specification. Export of future oil and gas production will be via subsea pipeline to existing neighbouring infrastructure. Additionally, the platform will be designed to accommodate fluids from nearby field developments via subsea tie-backs.

The Buchan location benefits from close proximity to existing export infrastructure for both oil and gas, lowering our costs of getting product to market. Engagement with operators of these pipeline systems has confirmed entry specification requirements and tie-in locations. The entry specifications of each export option are broadly similar and hence the export route choice does not have a significant impact on the processing requirements for the GBA facilities.

A new platform will ensure a long production life of at least 25 years for the GBA, acting as a hub for:

- Core discovered and development ready resources owned by JOG
- Additional discoveries owned by JOG
- Exploration upside owned by JOG
- Third party discoveries and prospective resources within the GBA catchment area
- Otherwise stranded reserves from shut-in regional production hubs

Regional Collaboration

A key advantage for the longevity of the GBA and long-term value potential is its surrounding prospectivity, with future ullage potential from nearby discoveries owned by JOG, nearby high-graded exploration targets owned by JOG and other third party operated proximal discoveries. Discussions and other work is ongoing for potential area collaboration with third party operators to establish if the GBA facilities can act as a regional hub to tie other hydrocarbon discoveries back to the planned Buchan facilities.

Power Options

JOG recognises the need and has an aspiration, to deliver production from the GBA development at an industry-leading carbon intensity level. Accordingly, options have been assessed that offer the opportunity to eliminate carbon dioxide emissions associated with power generation on the platform.

Studies have determined that the most attractive technically feasible solution for platform electrification is to provide power via a connection to the UK national grid via the installation of a subsea cable. The provision of power from shore offers the opportunity to eliminate gas turbines and fuel gas treatment utilities from the facility.

There is also the potential for the GBA to act as a power hub and be an enabler for wider electrification of third party infrastructure owners in the Outer Moray Firth of the Central North Sea potentially reducing JOG's capital requirement through collaboration and improving the platform electrification economics. Work continues on our commercial assessment of alternative power solutions, which will be commercially evaluated against conventional (gas turbine) power solutions.

Other licence activity

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) from Equinor UK Limited ("Equinor"). The consideration for the acquisition comprised two future 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 Oil & Gas Authority's ("OGA") sanctioning of a field development plan ("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 to be 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 enhanced JOG's project value considerably and at the same time strengthens our plan to bring Verbier into future production through the GBA hub development. JOG is now Operator of Licence P2170 and has a working interest in the licence of 88%.

Additionally and post period end, JOG has been awarded, subject to documentation, a 100% working interest in, and operatorship of, part-block 20/5e in the OGA's 32nd Offshore Licensing Round. Part-block 20/5e is located within JOG's existing GBA development acreage and contains an extension of the J2 (well 20/05a-10Y) oil discovery.

Environmental, Social and Governance ("ESG") Considerations

At JOG, we have a responsibility to our people, the environment and the wider community. In 2020, this has meant embracing new ESG strategies, developing metrics, and implementing the management structure necessary to oversee them.

JOG is now a proud signatory of the United Nations Global Compact, an initiative we are utilising to proactively address and communicate our ESG progress in alignment with the internationally recognised Sustainable Development Goals. In the six month period to 30 June 2020, the Company has striven for meaningful business action through continuous dynamic self-assessment, benchmarking and improvement. The data produced has provided a comprehensive baseline of the Company's performance on social code of conduct, labour practices, environmental management and good governance strategies. JOG is now tracking its carbon emissions as a business and these will be reported going forward.

JOG views sustainability as being a key component of its licence to operate, placing ESG at the centre of the Company's corporate values. 2020 is to be defined as JOG's foundational year upon which our approach to ESG will continuously improve. Prior to the year end JOG will publish its maiden Sustainability Report. We are also pleased to confirm that we have introduced ESG-related KPIs.

JOG is evaluating additional off-setting measures to assess the potential of becoming one of the first carbon neutral oil companies when the planned GBA development reaches first oil.

JOG's Acquisition Strategy

2020 to date has seen oil prices hit all time lows and the shock of supply conflicts, demand slump and diminished investor sentiment which have all challenged our industry to its limit. We think that this presents opportunities and with the North Sea being the most active market for acquisitions and disposals outside of North America.

Financial Review

JOG's cash position was approximately £8.9 million as of 30 June 2020. As an oil and gas exploration and development company, JOG had no production revenue during the period and received only a small amount of interest on it's cash deposits.

JOG has been issued with two invoices for uplift payments by TGS-NOPEC Geophysical Company ASA, amounting to approximately US$1m, in respect of certain licence awards/acquisitions made by Jersey Petroleum Limited. As explained in Note 15 of our accounts we are disputing both of these invoices and this matter is now proceeding to litigation.

The loss for the six months to 30 June 2020, before and after tax, was £1.2m (2019 interims: £0.4m). Our main expenditure during the six month period related to the ongoing Concept Select work on our GBA project. We are currently approximately £1.0m ahead of our previously announced annual budget of £7.5m, through our project team's prudent and careful management of it's budget whilst still delivering the schedule of works.

Outlook

The planned GBA development is a multi-faceted project and it is exciting to see the results of the hard work of our project team now coming together. Work is ongoing to finalise the development plan of our core project, with optimisation work on production phasing and on decisions regarding area collaboration, both for production volumes and power solutions. In the lead up to the year end, we can look forward to further updates from our team in respect of:

- Finalisation of the development plan for the GBA
- A comprehensive update on the exciting near field exploration potential of the GBA demonstrating the upside potential to the development project
- Progress on area collaboration with regional operators for both production volumes and power solutions
- A full ESG report integrated throughout our corporate and project plans

We are also working with our advisers on being ready to launch the planned GBA sales process. Given the current market conditions, we now expect to commence this process during Q1 2021. Conditional on the timing for securing the requisite funding, the FEED stage is currently anticipated to commence in Q3 2021 with FID expected by mid-2022 and, based on the current development schedule and proposed concept selected, first oil is targeted for 2025.

Planned future production from the GBA development project is expected to be well timed to benefit from a potential oil price recovery. JOG expects a significant supply crunch from global under investment in upstream projects, which can be expected to lead to an oil price increase favourably timed for our planned development.

I would like to express my thanks to all our team and everyone involved in our GBA project, who have worked seamlessly throughout the COVID-19 pandemic to ensure ongoing progress. The GBA will be a major development project, create many jobs and ultimately produce a vital domestically sourced and affordable supply of energy. I am grateful, as ever, for the continued support of our shareholders for whom we hope to deliver significant further value as the GBA project progresses towards first production.

Andrew Benitz
Chief Executive Officer

29 September 2020

JERSEY OIL AND GAS PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	6 months to 30/06/20 (unaudited) £	6 months to 30/06/19 (unaudited) £	Year to 31/12/19 (audited) £
CONTINUING OPERATIONS				
Revenue		-	-	-
Cost of sales		(45,731)	(451,997)	(666,053)
GROSS LOSS		(45,731)	(451,997)	(666,053)
Other income	5	-	750,000	750,000
Loss on sale of assets		-	-	(17,975)
Administrative expenses		(1,145,657)	(768,055)	(2,237,429)
OPERATING LOSS		(1,191,388)	(470,052)	(2,171,457)
Finance income		24,080	57,541	106,867
Finance expense		(1,221)	-	(419)
LOSS BEFORE TAX		(1,168,529)	(412,511)	(2,065,009)
Tax	8	-	-	-
LOSS FOR THE PERIOD		(1,168,529)	(412,511)	(2,065,009)
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,168,529)	(412,511)	(2,065,009)
Total comprehensive loss attributable to:				
Owners of the parent		(1,168,529)	(412,511)	(2,065,009)
Loss per share expressed in pence per share:				
Basic	9	(5.35)	(1.89)	(9.46)
Diluted		(5.35)	(1.89)	(9.46)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
NON-CURRENT ASSETS				
Intangible assets - Exploration costs	10	12,625,032	8,072,860	10,092,564
Property, plant and equipment	11	51,243	34,656	13,661
Right-of-use assets	12	269,333	-	164,125
Deposits		82,642	-	28,420
		13,028,250	8,107,516	10,298,770
CURRENT ASSETS				
Trade and other receivables	6	591,134	440,931	428,310
Cash and cash equivalents	14	8,881,309	15,527,814	12,318,536
		9,472,443	15,968,745	12,746,846
TOTAL ASSETS		22,500,693	24,076,261	23,045,616
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital		2,466,144	2,466,144	2,466,144
Share premium account		93,851,526	93,851,526	93,851,526
Share options reserve		2,031,994	1,607,667	1,928,099
Accumulated losses		(76,896,417)	(74,075,390)	(75,727,888)
Reorganisation reserve		(382,543)	(382,543)	(382,543)
TOTAL EQUITY		21,070,704	23,467,404	22,135,338
NON-CURRENT LIABILITIES				
Lease liabilities	12	136,975	-	154,208
		136,975	-	154,208
CURRENT LIABILITIES				
Trade and other payables	7	914,042	608,857	742,166
Provisions	15	200,000	-	-
Lease liabilities	12	178,972	-	13,904
		1,293,014	608,857	756,070
TOTAL LIABILITIES		1,429,989	608,857	910,278
TOTAL EQUITY AND LIABILITIES		22,500,693	24,076,261	23,045,616

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

JERSEY OIL & GAS PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Called up share capital £ (unaudited)	Share premium account £ (unaudited)	Share options reserve £ (unaudited)	Accumulated Losses £ (unaudited)	Re-organisation reserve £ (unaudited)	Total equity £ (unaudited)
At 1 January 2019	2,466,144	93,851,526	1,491,019	(73,662,879)	(382,543)	23,763,267
Loss for the period and total comprehensive income	-	-	-	(412,511)	-	(412,511)
Share based payments	-	-	116,648	-	-	116,648
At 30 June 2019	2,466,144	93,851,526	1,607,667	(74,075,390)	(382,543)	23,467,404
At 1 January 2020	2,466,144	93,851,526	1,928,099	(75,727,888)	(382,543)	22,135,338
Loss for the period and total comprehensive income	-	-	-	(1,168,529)	-	(1,168,529)
Share based payments	-	-	103,895	-	-	103,895
At 30 June 2020	2,466,144	93,851,526	2,031,994	(76,896,417)	(382,543)	21,070,704

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 retained deficit in respect of options exercised or cancelled/lapsed
Accumulated losses	Cumulative losses recognised in the Consolidated Statement of Comprehensive Income
Reorganisation reserve	Amounts resulting from the restructuring of the Group

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	6 months to 30/06/20 (unaudited) £	6 months to 30/06/19 (unaudited) £	Year to 31/12/19 (audited) £
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash used in operations	13	(879,953)	(534,053)	(1,769,004)
Net interest received		24,080	57,541	106,867
Net interest paid		(1,221)	-	(419)
Net cash used in operating activities		(857,094)	(476,512)	(1,662,556)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of tangible assets		-	-	3,603
Purchase of intangible assets	10	(2,532,468)	(3,766,271)	(5,785,975)
Purchase of tangible assets	11	(47,665)	(11,914)	(19,047)
Net cash used in investing activities		(2,580,133)	(3,778,185)	(5,801,419)
DECREASE IN CASH AND CASH EQUIVALENTS		(3,437,227)	(4,254,697)	(7,463,975)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	14	12,318,536	19,782,511	19,782,511
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14	8,881,309	15,527,814	12,318,536

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

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 U.K.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those applied in the previous financial year, unless otherwise stated.

These consolidated interim financial statements have been prepared under the historic cost convention, using the accounting policies that will be applied in the Group's statutory financial information for the year ended 31 December 2020 and in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS as adopted by the European Union.

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 our 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 Group's current cash reserves, as the principal source of funding for the Company, are therefore expected to more than exceed its estimated liabilities. Based on these circumstances, the Directors have considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements.

The reports for the six months ended 30 June 2020 and 30 June 2019 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2019 have been prepared and delivered to the Registrar of Companies. The auditors' report on those financial statements was unqualified. Their report did not contain a statement under section 498 of the Companies Act 2006.

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 30 June 2020 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.

The Group's results are not impacted by seasonality.

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
• The estimation of share-based payment costs

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 the first half of 2020 and no impairment charge has been recorded.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. It is measured at the fair value of consideration received or receivable for the sale of goods.

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:

a. 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.
b. substantive expenditure on further exploration for and evaluation of oil and gas reserves in the specific area is neither budgeted nor planned.
c. 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.
d. 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

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Leases

Until the last 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 payments 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.

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.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Ventures
The Group participates in joint venture 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.

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.

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.

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.

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 for the period amounted to £103,895 (2019: £116,648). 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.

3. SEGMENTAL REPORTING

The Directors consider 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.

4. FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Maturity analysis of financial assets and liabilities

Financial Assets

	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
Up to 3 months	635,775	57,841	439,014
3 to 6 months	35,980	-	10,704
Over 6 months	271,354	-	171,137
	943,109	57,841	620,855

Financial Liabilities

	30/06/20 £	30/06/19 (unaudited)	31/12/19 £
Up to 3 months	1,173,219	608,857	718,614
3 to 6 months	39,633	-	1,274
Over 6 months	217,137	-	165,574
	1,429,989	608,857	885,462

5. OTHER INCOME

	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
Settlement agreement with Total E&P UK Limited	-	750,000	750,000
	-	750,000	750,000

6. TRADE AND OTHER RECEIVABLES

	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
Other receivables	187,514	657	135,548
Prepayments and accrued income	194,147	294,883	121,418
Joint venture debtor	-	83,069	-
Value added tax	209,473	62,322	171,344
	591,134	440,931	428,310

7. TRADE AND OTHER PAYABLES

	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
Trade payables	510,461	546,427	399,791
Accrued expenses	154,814	26,551	131,706
Other payables	183,486	-	74,298
Taxation and Social Security	65,281	35,879	136,371
	914,042	608,857	742,166

8. TAX

Jersey Oil and Gas plc is a trading company but no liability to UK corporation tax arose on the ordinary activities for the period ended 30 June 2020 due to trading losses. As at 31 December 2019, the Group held tax losses of approximately £39 million.

9. EARNINGS/(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 period.

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

	Earnings attributable to ordinary shareholders	Weighted average number of shares	Per share amount
	£		Pence
Period ended 30 June 2020			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	(1,168,529)	21,829,227	(5.35)

10. INTANGIBLE ASSETS

	Exploration Costs
	£
COST	
At 1 January 2020	10,267,805
Additions	2,532,468
At 30 June 2020	12,800,273
ACCUMULATED AMORTISATION	
At 1 January 2020	175,241
At 30 June 2020	175,241
NET BOOK VALUE at 30 June 2020	12,625,032

11. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment
	£
COST	
At 1 January 2020	143,582
Additions	47,665
At 30 June 2020	191,247
ACCUMULATED AMORTISATION, DEPLETION AND DEPRECIATION	
At 1 January 2020	129,921
Charge for period	10,083
At 30 June 2020	140,004
NET BOOK VALUE at 30 June 2020	51,243

12. LEASES

Amounts Recognised in the Statement of financial position

Right-of-use Assets	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
Buildings	269,333	-	164,125
Equipment	-	-	-
Vehicles	-	-	-
Other	-	-	-
	269,333	-	164,125

Lease liabilities	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
Current	178,972	-	13,904
Non-Current	136,975	-	154,208
	315,947	-	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 is 3%.

The right-of-use assets and the associated lease liabilities pertain soley to Jersey Oil and Gas's offices in London and Jersey.

At 1 January 2019 the Group held no leases which required the 2019 comparatives to be restated.

Amounts Recognised in the Statement of comprehensive income

Depreciation charge of right-of-use asset	30/06/20 (unaudited) £	30/06/19 (unaudited) £	31/12/19 (audited) £
Buildings	63,534	-	3,568
Equipment	-	-	-
Vehicles	-	-	-
Other	-	-	-
	63,534	-	3,568

13. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	30/06/20	30/06/19	31/12/19
	(unaudited)	(unaudited)	(audited)
	£	£	£
Loss for the period before tax	(1,168,529)	(412,511)	(2,065,009)
Adjusted for:			
Amortisation, impairments, depletion and depreciation	10,083	7,522	14,067
Depreciation right-of-use asset	63,534	-	3,568
Share based payments (net)	103,895	116,648	437,080
Provisions	200,000	-	-
Loss on disposal of assets	-	-	17,980
Finance costs	1,221	-	419
Finance income	(24,080)	(57,541)	(106,867)
	(813,876)	(345,882)	(1,698,762)
Decrease in inventories			
(Increase)/decrease in trade and other receivables	(385,788)	(360,337)	(543,829)
Increase/(decrease) in trade and other payables	319,711	172,166	473,587
Cash used in operations	(879,953)	(534,053)	(1,769,004)

14. CASH AND CASH EQUIVALENTS

The amounts disclosed in the consolidated statement of cash flows in respect of cash and cash equivalents are in respect of these consolidated statement of financial position amounts:

Period ended 30 June 2020	30/06/20	30/06/19	31/12/19
	(unaudited)	(unaudited)	(audited)
	£	£	£
Cash and cash equivalents	8,881,309	15,527,814	12,318,536
	8,881,309	15,527,814	12,318,536

15. CONTINGENT LIABILITIES & PROVISIONS

	30/06/20	30/06/19	31/12/19
	(unaudited)	(unaudited)	(audited)
	£	£	£
Provisions	200,000	-	-

TGS: Pursuant to an agreement entered into with TGS-NOPEC Geophysical Company ASA (“TGS”) on 9 February 2018, TGS has now claimed two additional uplift payments from JOG totalling US$1,050,838 in respect of, a) licence awards to Jersey Petroleum Limited (“JPL”) in the 31 SLR, and b) the acquisition by JPL of Equinor’s 70% interest in Licence P2170. Jersey Oil and Gas plc disputes the validity of both claims. A litigation process has commenced and, as a precautionary measure, a provision of £200,000 has been made in respect of these claims.

CONTINGENT LIABILITES & PROVISIONS (continued)

2015 settlement agreement with the Athena Consortium: 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 interests in the P2170 and P1989 licences which are the only remaining assets still held that were in the Group at the time of the agreement with the Athena Consortium who hold security over these assets.

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.

16. **RELATED PARTIES**

During the period the Company made loans available to its wholly owned subsidiaries and received loans from its wholly owned subidiaries. At the end of the period, Jersey Petroleum Ltd owed £80,712,810 (30 June 2019: £75,490,919) to the Company and Jersey Oil & Gas E&P Ltd owed £2,826,957 (30 June 2019: £1,767,898) to the Company. At the end of the period, the Company owed Jersey North Sea Holdings Ltd £211,676 (30 June 2019: £211,676).

During the period, the Company charged management fees to Jersey Petroleum Ltd amounting to £1,107,008 (30 June 2019: £550,643).

17. **POST BALANCE SHEET EVENTS**

Post period end, JOG was awarded, subject to documentation, a 100% working interest in, and operatorship of, part-block 20/5e in the Oil & Gas Authority's ("OGA's") 32nd Offshore Licensing Round. Part-block 20/5e is located within JOG's existing GBA development acreage and contains an extension of the J2 (well 20/05a-10Y) oil discovery.

18. **AVAILABILITY OF THE INTERIM REPORT 2020**

A copy of these results 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, Nottinghamshire 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.