JERSEY OIL AND GAS PLC

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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FOR THE SIX MONTHS ENDED 30 JUNE 2021

Highlights:

- Material increase in our resource estimates for the Buchan oil field following completion of extensive reservoir simulation modelling
  - Contingent P50 technically recoverable resources for the Buchan oil field now estimated at 126 MMstb
  - Contingent P50 technically recoverable resources for the Greater Buchan Area ("GBA") Core Area (Buchan, J2 and the Verbier discoveries) increased to an estimated 172 MMboe
- Concept Select Report completed and submitted to the UK's Oil and Gas Authority ("OGA")
  - Detailed report sets out a three phase development, with Phase 1 designed to develop the Buchan oil reservoir; Phase 2 the J2 West, J2 East and Verbier East oil discoveries; and Phase 3 the Verbier West oil discovery (the "GBA Development")
  - Report also includes JOG's preference for the GBA Development to be powered by electricity, which would significantly reduce the carbon emissions associated with production from the GBA Development
- Oversubscribed placing and subscription to raise, in aggregate, £16.6m gross
- Acquisition of the remaining 12% interest in licence P2170 containing the Verbier discovery from CIECO V&C (UK) Limited to bring our interest to 100% across all of our GBA licences
- Appointment of Les Thomas to the Board as a non-executive director
- Launched sales process to farm-out an interest in our GBA licences to secure an industry partner and funding towards our future share of costs in the development
- Strong cash position of approximately £17m at the period end

Post Period End:

- Offshore survey to acquire geotechnical and environmental baseline data completed
- Technical and economic evaluation of P2497 (Zermatt) and P2499 (Glenn) licences completed, with JOG electing not to progress to the next licence phase and relinquish these non-core licences
- OGA has approved JOG's application to be the 'Installation Operator' for the 'Design Phase' of the planned Buchan platform

Outlook:

- Farm-out process ongoing and engaged in discussions with both industry parties and potential infrastructure funders
- Regional electrification collaboration within the Central North Sea is building momentum amongst industry parties, with the GBA ideally located to be an integral part of this initiative

Andrew Benitz, CEO of Jersey Oil & Gas said:

"The first half of 2021 has been a busy period for JOG. Extensive reservoir modelling was completed leading to a significant increase in management's estimates of the GBA's resources and the delivery to the OGA of the GBA Concept Select Report, which includes our preference for a fully electrified platform. The OGA's approval of the appointment of JOG as OSD Installation Operator represents a significant endorsement of our capabilities and competencies to deliver GBA facilities of the highest technical integrity that will be both safe to operate and environmentally sound.

"Our GBA farm-out process was launched and is ongoing, with active engagement with both industry parties and infrastructure funders, the latter having expressed funding interest particularly with respect to electrification of the development and the potential regional collaboration opportunities that exist. We also launched our Carbon Policy and are targeting 'Net Zero' emissions from our GBA Development project at the start of first oil.

"I would like to thank shareholders for their ongoing support and look forward to providing further updates on our future progress."

Overview

During the first six months of 2021, Jersey Oil and Gas ("JOG" or the "Company") has focused on developing its core licence interests, which we refer to as the Greater Buchan Area (the "GBA") consisting of licences P2498 (the Buchan oil field and J2 oil discovery) and P2170 (the Verbier oil discovery). Our activities took place against a Brent oil price that started the year at approximately US$50 per barrel and that had risen to approximately US$70 per barrel at the end of the half year.

Operational Highlights

During the period, we were pleased to report a material increase in our resource estimates for the Buchan oil field following the completion of extensive reservoir simulation modelling. Our estimate of contingent P50 technically recoverable resources for the Buchan oil field is now 126 million stock tank barrels ("MMstb"), with our estimate of contingent P50 technically recoverable resources for the GBA Core Area (Buchan, J2 and the Verbier discoveries) being increased to 172 million barrels of oil equivalent ("MMboe"). We also completed our Concept Select Report ("CSR"), which has been submitted to the OGA. This detailed report sets out how the resources in our core GBA licence interests will be developed which, after assessing numerous alternatives, has been structured into three phases with Phase 1 designed to develop the Buchan oil reservoir, Phase 2 the J2 West, J2 East and Verbier East oil discoveries, and Phase 3 the Verbier West oil discovery. This phased approach has the advantage of generating an early income stream which can be offset against future phased development expenditure. The CSR also includes JOG's preference for the GBA Development to be powered by electricity supplied by a cable from shore to the proposed GBA production platform, which would significantly reduce the carbon emissions associated with production of oil and gas from the GBA Development. In support of this we have undertaken a subsea survey to cover a potential cable route from shore to the proposed Buchan platform location.

Capital Raising

In March 2021, we undertook an oversubscribed placing and subscription which raised, in aggregate, £16.6m gross.

100% Ownership of the Verbier Discovery

During the first half of the year we also completed the acquisition of CIECO V&C (UK) Limited, whose sole asset in the UKCS was the 12% interest in the Verbier discovery not already owned by the Company, thereby bringing JOG's interest in the P2170 licence up to 100%.

Non-Executive Director Appointment

In April 2021, we were very pleased to announce the appointment of Les Thomas as a non-executive director of the Company. Mr Thomas has substantial experience in the oil and gas industry, including being a former CEO of Ithaca Energy Inc., which operates in the UKCS.

Regional Electrification

Since acquiring our licence interests in the GBA, in August 2019, there has been a significant shift in industry attitude and government policy towards implementing a low carbon approach to extracting hydrocarbons from the UKCS. As part of this process, JOG has sought to lead the way through selecting our preferred development concept for the GBA to be a low carbon, fully electrified project powered from shore. At the same time, the GBA has the potential to be an integral part of an area-wide electrification project via collaboration with other industry parties and stakeholders. Such a collaborative approach has the advantage of potentially materially reducing capex and opex through shared investment, thereby enhancing project economics for the GBA. We look forward to working with other industry parties as regional studies advance during the remainder of this year.

Financing the GBA Development

In Q2 2021, we launched a farm-out process seeking to secure an industry partner in this early phase of the GBA Development to join JOG in unlocking the considerable value that we believe exists in this project. This process is ongoing, and we will be updating shareholders as soon as we are in a position to do so.

Energy Transition

We fully support a managed transition away from CO_2 intensive power supply for the UK. We believe that this process will take time and that there needs to be a smooth and coordinated approach to such a transition whereby a low carbon, fully electrified GBA Development has an important part to play, helping to mitigate the need for the UK to acquire high greenhouse gas ("GHG") emissions produced oil from the international markets, often supplied by companies without the governance and regulatory framework which UK operators benefit from. A co-ordinated industry effort to invest in making the UK North Sea a basin leader in low-carbon energy supply will help provide a robust social licence to operate for those investing in and providing longer-term energy security for the UK, as the transition process proceeds. Like all of the other North Sea industry participants, we will be closely following the United Nations Climate Change Conference (COP26) taking place in Glasgow in early November 2021, which we expect will continue to reflect the current government policy of maximising the economic returns from the UK North Sea, whilst reducing emissions from existing and new production.

Marcus Stanton
Non-Executive Chairman
23 September 2021

Overview

A busy first half of 2021 saw the Company complete its subsurface evaluation and concept select work in respect of its flagship Greater Buchan Area (GBA) Development project and the subsequent launch of our planned farm-out process. We were pleased to report a material increase in our technically recoverable resource estimates for the Buchan oil field following completion of extensive reservoir simulation modelling. Our preferred development concept is based on P50 technically recoverable resource estimates of, in aggregate, 172 MMboe of light sweet crude and associated gas within the core GBA Development, which includes the Buchan oil field and J2 and Verbier oil discoveries.

JOG aims to deliver production from the planned GBA Development project at an industry-leading carbon intensity level by way of the provision of power via platform electrification, as evidenced in certain fields in the Norwegian sector. Overall carbon emissions from the GBA Development, utilising platform electrification, are estimated by management at <1kg/boe, against an industry average in the UK North Sea of approximately 22kg/boe. We also announced highly attractive estimated project economics for this low carbon concept, with pre-tax free cashflow of US$6.4 billion with an NPV (pre-tax) of US$1.7 billion. Operating costs during plateau production are estimated at US$8/boe to US$9/boe, with a payback period estimated at under 3 years. Plateau production is estimated for more than 3 years. Total project costs based on current day values are estimated to be approximately US$30/boe.

Our sales process is ongoing with engagement with both industry parties and infrastructure funders, the latter having expressed funding interest particularly with respect to electrification of the development and the potential regional collaboration opportunities that exist.

Operational Update

Working closely with Schlumberger Oilfield UK plc ("Schlumberger"), JOG completed extensive simulation modelling of the Buchan reservoir, using their proprietary INTERSECT high resolution reservoir simulation software, which was peer reviewed by Vysus Group ("Vysus"). As a consequence, our estimate of contingent resources for the Buchan oil field was significantly increased to 126 MMstb, with our estimate of contingent resources for the GBA Core Area (Buchan, J2 and the Verbier discoveries) being increased to 172 MMboe.

Having completed our extensive subsurface evaluation across the GBA, we were pleased to outline our preferred development concept for delivering the project in three Phases. Phase 1 will deliver a single integrated wellhead, production, utilities and quarters (WPUQ) platform located at the Buchan field. Production from the reservoirs will be supported by injection of both produced water and seawater. The facility will be normally manned. The Buchan wells will be drilled utilising a heavy-duty jack-up (HDJU) rig located over a 12 slot well bay. The Phase 1 facilities will be designed to accommodate Phase 2 and Phase 3 of the development. Phase 2 will develop the J2 West, J2 East and Verbier East discoveries via a subsea tie-back to the planned GBA Development platform. Phase 3 will develop the Verbier West discovery via connection to the Phase 2 subsea infrastructure.

In June 2021, JOG commenced an offshore survey to support Phase 1 of the GBA Development. The survey has acquired geotechnical and environmental baseline data along the proposed subsea power cable route and oil/gas export option routes. This data will be input into the subsea facilities Front-End Engineering and Design ("FEED") work and support the preparation of the Environmental Statement, required for the Field Development Plan. The data acquisition stage of these surveys was completed during August 2021 with analysis of the acquired data ongoing. Vessel availability for our planned geotechnical survey to acquire soils data over Buchan was limited due to a poor weather window, and, consequently, JOG took the decision to re-tender this survey for Spring 2022.

The Buchan location benefits from close proximity to existing export infrastructure for both oil and gas. Negotiations with pipeline operators are being conducted in accordance with Oil & Gas UK's Infrastructure Code of Practice.

A Concept Select Report for the GBA Development was submitted for approval to the OGA during the period in compliance with JOG's commitment under the P2498 Licence.

Following JOG's application, the OGA approved its wholly-owned subsidiary, Jersey Petroleum Ltd, to be appointed as the Installation Operator for the Design Phase of the planned Buchan platform. This appointment is significant as it indicates that the OGA are satisfied that JOG has suitable and sufficient processes in place to manage the design and specification of the safety and environmentally critical systems and equipment that will be incorporated into the new facilities. OSD Installation Operatorship is necessary in order to submit the Design Notification to the Offshore Major Accident Regulator in the FEED phase, which in turn is an important step to the submission of the Safety Case later in the design process.

Carbon Policy

The energy transition is a central component of JOG's corporate strategy and, as such, JOG was pleased to introduce its inaugural Carbon Policy. Through this Carbon Policy, as well as the strategies and programmes that stem from it, JOG will seek to position itself as a leading player in energy transition on the UKCS.

Importantly, JOG is targeting 'Net Zero' emissions from its GBA Development project at the start of first oil. JOG will seek to identify Scope 1, Scope 2 and material Scope 3 emissions (internationally recognised definitions developed by the GHG (Greenhouse gas) Protocol) and minimise, measure and report Scope 1 and 2 emissions associated with its operations on an absolute basis.

Overall carbon emissions from the GBA Development with platform electrification are estimated by management to be <1kg/boe. This compares to estimated carbon emissions from the GBA Development using gas turbines of 13kg/boe.

Regional Electrification Opportunities

The GBA is optimally located at the heart of the UK Central North Sea ("CNS"), such that there is exciting potential for JOG and its GBA Development to be an integral part of a regional electrification scheme. JOG is currently involved in discussions in relation to a regional CNS electrification scheme, which is building momentum amongst industry parties.

Collaboration with other regional operators could serve to reduce overall capital costs associated with the cable infrastructure as well as future operating costs associated with power prices. Additionally, engagement with infrastructure funders has indicated that there is potential interest in financing the capital costs, in return for future tariff payments.

In order to accommodate near-term studies on regional electrification and potentially align with an area-wide collaboration scheme, JOG elected to re-phase its FEED entry, FID (field Investment decision) and first oil milestone dates for the GBA Development project.

Licensing activity

During the first half of the year, JOG completed its previously announced corporate acquisition of CIECO V&C (UK) Limited thereby adding a further 12% working interest in Licence P2170, to take our ownership to 100% and adding some brought forward tax losses. We also completed on our successful application in the UKCS 32nd Licensing Round for part block 20/5e which contains an extension of the J2 oil discovery. This block was subsequently merged into Licence P2498.

Further to undertaking a comprehensive technical and economic evaluation of our P2497 (Zermatt) and P2499 (Glenn) licences and meetings held with the OGA, the OGA confirmed that it was satisfied that the Phase A Firm Commitments for the licences had been fulfilled. JOG elected not to progress to the next licence phase, which would have involved committing to a firm well in each licence. Accordingly, the licences automatically ceased and determined at the end of Phase A of their Initial Terms on 29 August 2021.

JOG's Acquisition Strategy

The first half of 2021 ushered in a return of M&A activity across the UK North Sea, with several sizeable deals announced. Our primary focus is on securing funding and a partner(s) for our flagship GBA Development project, but with increased activity and some motivated sellers, JOG is, nonetheless, reviewing a number of potential acquisitions and/or opportunties for possible business combinations.

Financial Review

JOG's cash position was approximately £17.1 million as of 30 June 2021. As an oil and gas exploration and development company, JOG had no production revenue during the year and received only a small amount of interest on its cash deposits.

The loss for the period, before and after tax, was approximately £2.0m (2020: £1.2m). Our main expenditure during the first half of 2021 related to Concept Select and pre-FEED work on our GBA Development project.

In March 2021, we were pleased to announce an oversubscribed equity placing as well as an offer for subscription for existing shareholders, raising gross proceeds of approximately £16.6 million. The net proceeds from the fundraising strengthened the Company's balance sheet as we launched our farm-out process and are being utilised to maintain momentum and ensure that time and funding pressures do not interfere in the efficient delivery of the overall GBA Development project.

Summary and outlook

The GBA Development project represents a major opportunity in the UK Central North Sea to extract locally sourced hydrocarbons profitably and at low-cost, with basin-leading low carbon emissions. The UK requires responsibly produced hydrocarbons to support its planned energy transition, as recent industry underinvestment risks driving prices higher, thereby making energy less affordable for consumers.

We are excited to seek to bring in the right industry partner(s) and funding to join us in unlocking the considerable value potential of the GBA Development. The project is ambitious and will be a major long-term capital commitment for our industry, and the rewards and expected rapid payback serve, in our opinion, to make it a very compelling investment proposition. As we continue to progress our farm-out discussions, I am particularly grateful to our shareholders for their ongoing support.

Andrew Benitz
Chief Executive Officer

23 September 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	6 months to 30/06/21 (unaudited) £	6 months to 30/06/20 (unaudited) £	Year to 31/12/20 (audited) £
CONTINUING OPERATIONS				
Revenue		-	-	-
Cost of sales		66,403	(45,731)	(53,046)
GROSS LOSS		66,403	(45,731)	(53,046)
Other gains and (losses)		-	-	(637,028)
Administrative expenses		(1,986,483)	(1,145,657)	(2,111,532)
OPERATING LOSS		(1,920,080)	(1,191,388)	(2,801,606)
Finance income	5	1,127	24,080	27,937
Finance expense	5	(2,788)	(1,221)	(8,262)
LOSS BEFORE TAX		(1,921,741)	(1,168,529)	(2,781,931)
Tax	6	-	-	-
LOSS FOR THE PERIOD		(1,921,741)	(1,168,529)	(2,781,931)
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,921,741)	(1,168,529)	(2,781,931)
Total comprehensive loss attributable to:				
Owners of the parent		(1,921,741)	(1,168,529)	(2,781,931)
Loss per share expressed in pence per share:				
Basic	7	(7.15)	(5.35)	(12.74)
Diluted	7	(7.15)	(5.35)	(12.74)

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 2021

	Notes	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
NON-CURRENT ASSETS				
Intangible assets - Exploration costs	8	17,359,856	12,625,032	14,991,295
Property, plant and equipment	9	57,187	51,243	74,549
Right-of-use assets	10	125,415	269,333	197,374
Deposits		28,420	82,642	82,642
		17,570,878	13,028,250	15,345,860
CURRENT ASSETS				
Trade and other receivables	11	593,643	591,134	401,440
Cash and cash equivalents	12	17,056,538	8,881,309	5,081,515
		17,650,181	9,472,443	5,482,955
TOTAL ASSETS		35,221,059	22,500,693	20,828,815
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital	13	2,566,795	2,466,144	2,466,144
Share premium account		110,358,234	93,851,526	93,851,526
Share options reserve		2,308,462	2,031,994	2,109,969
Accumulated losses		(80,431,559)	(76,896,417)	(78,509,819)
Reorganisation reserve		(382,543)	(382,543)	(382,543)
TOTAL EQUITY		34,419,389	21,070,704	19,535,277
NON-CURRENT LIABILITIES				
Lease liabilities	10	74,200	136,975	101,270
		74,200	136,975	101,270
CURRENT LIABILITIES				
Trade and other payables	14	643,419	914,042	1,069,620
Provisions		-	200,000	-
Lease liabilities	10	84,051	178,972	122,648
		727,470	1,293,014	1,192,268
TOTAL LIABILITIES		801,670	1,429,989	1,293,538
TOTAL EQUITY AND LIABILITIES		35,221,059	22,500,693	20,828,815

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 2021

	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 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
At 1 January 2021	2,466,144	93,851,526	2,109,969	(78,509,819)	(382,543)	19,535,277
Loss for the period and total comprehensive income	-	-	-	(1,921,741)	-	(1,921,741)
Issue of share capital	100,651	16,506,709	-	-	-	16,607,360
Share based payments	-	-	198,493	-	-	198,493
At 30 June 2021	2,566,795	110,358,235	2,308,462	(80,431,560)	(382,543)	34,419,389

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

JERSEY OIL AND GAS PLC

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	6 months to 30/06/21 (unaudited) £	6 months to 30/06/20 (unaudited) £	Year to 31/12/20 (audited) £
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash used in operations	15	(2,196,448)	(879,953)	(2,160,164)
Net interest received	5	1,127	24,080	27,937
Net interest paid	5	(2,788)	(1,221)	(8,262)
Net cash used in operating activities		(2,198,109)	(857,094)	(2,140,489)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of tangible assets		-	-	-
Purchase of intangible assets	8	(2,368,561)	(2,532,468)	(4,898,731)
Purchase of tangible assets	9	-	(47,665)	(84,865)
Net cash used in investing activities		(2,368,561)	(2,580,133)	(4,983,596)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of issue of shares		16,607,360	-	-
Principal elements of lease payments		(65,667)	-	(112,936)
Net cash generated from financing activities		16,541,693	-	(112,936)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		11,975,023	(3,437,227)	(7,237,021)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		5,081,515	12,318,536	12,318,536
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12	17,056,538	8,881,309	5,081,515

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 UK.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The 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 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 2020, 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 material 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 2021 and 30 June 2020 are unaudited and do not constitute statutory accounts as defined by the Companies Act 2006. The financial statements for 31 December 2020 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:
• Covid-19-Related Rent Concessions (Amendment to IFRS 16);
• Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
• IFRS3 conceptual framework amendment;
• Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16);

b) Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2021 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 2021 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.

Intangible assets are recognised at acquisition at the cost paid using the cost accumulation model. Variable payments are not included in the carrying amount of the asset at acquisition, and no liability is recognised for the contingent consideration. The Group does not recognise a liability because, following the IFRIC agenda decision (March 2016), it is not clear that there is an obligation before the uncertainty is resolved.

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. The Group considers this to be appropriate due to the future interdependency of these fields.

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
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.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Company's historical default rates observed over the expected life of the receivable and adjusted forward-looking estimates. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative indicators such as increase in political concerns or other macroeconomic factors and the risk of legal action, sanction or other regulatory penalties that may impair future financial performance. Financial assets classified as stage 1 have the expected credit losses (ECL) measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis. If the borrower has sufficient accessible highly liquid assets in order to repay the loan if demanded at the reporting date, the expected credit loss is considered immaterial.

If the borrower does not have sufficient accessible highly liquid assets, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD).

The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. For intercompany balances, the discounted cashflows of the lender are also considered in calculating the LGD. The EAD is the total amount of outstanding receivable at the reporting period.

These three components are multiplied together, and adjusted for forward looking information, such as crude oil prices, to arrive at a summed ECL in relation to base, optimistic and downturn scenarios, that carry different probability weightings.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in the 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.

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 £198,493, (2020: £103,895). 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

	30/06/21 (unaudited)	30/06/20 (unaudited)	31/12/20 (audited)
	£	£	£
Up to 3 months	629,860	635,775	446,082
3 to 6 months	10,704	35,980	35,980
Over 6 months	106,914	271,354	199,395
	747,478	943,109	681,457

Financial Liabilities

	30/06/21 (unaudited)	30/06/20 (unaudited)	31/12/20 (audited)
	£	£	£
Up to 3 months	683,332	1,173,219	1,116,332
3 to 6 months	13,384	39,633	40,231
Over 6 months	104,954	217,137	136,975
	801,670	1,429,989	1,293,538

5. NET FINANCE COSTS

	30/06/21 (unaudited)	30/06/20 (unaudited)	31/12/20 (audited)
Interest received:	£	£	£
Interest received	1,127	24,080	27,937
Finance costs	(2,788)	(1,221)	(8,262)
Net Finance income / (costs)	(1,661)	22,859	19,675

6. 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 2021 due to trading losses. As at 31 December 2020, the Group held tax losses of approximately £46 million (2019: £39 million).

In April 2023 the rate of corporation tax will increase to 25% as announced in the March 2021 Budget.

7. 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 2021			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	(1,921,741)	26,861,760	(7.15)

8. INTANGIBLE ASSETS

	Exploration Costs £
COST	
At 1 January 2021	15,166,536
Additions	2,368,561
At 30 June 2021	17,535,097
ACCUMULATED AMORTISATION	
At 1 January 2021	175,241
At 30 June 2021	175,241
NET BOOK VALUE at 30 June 2021	17,359,856

9. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment £
COST	
At 1 January 2021	228,447
Additions	-
At 30 June 2021	228,447
ACCUMULATED AMORTISATION, DEPLETION AND DEPRECIATION	
At 1 January 2021	153,898
Charge for period	17,362
At 30 June 2021	171,260
NET BOOK VALUE at 30 June 2021	57,187

10. LEASES

Amounts Recognised in the Statement of financial position

	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Right-of-use Assets			
Buildings	125,415	269,333	197,374
Equipment	-	-	-
Vehicles	-	-	-
Other	-	-	-
	125,415	269,333	197,374

Lease liabilities	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Current	84,051	178,972	122,648
Non-Current	74,200	136,975	101,270
	158,251	315,947	223,918

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 borrowing rate applied for 2020 and 2021 remains at 3% and the leases pertain solely to Jersey Oil and Gas's offices in London and Jersey.

Amounts Recognised in the Statement of comprehensive income

	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Depreciation charge of right-of-use asset			
Buildings	71,959	63,534	135,493
	71,959	63,534	135,493

	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Interest expenses (included in finance cost)			
Buildings	2,768	4,316	8,230
	2,768	4,316	8,230

11. TRADE AND OTHER RECEIVABLES

	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Other receivables	30	187,514	91,020
Prepayments and accrued income	270,019	194,147	149,309
Deposits	54,222	-	-
Value added tax	269,372	209,473	161,111
	593,643	591,134	401,440

As at 30 June 2021 there were no trade receivables past due nor impaired. There are immaterial expected credit losses recognised on these balances.

12. 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 2021	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Cash and cash equivalents	17,056,538	8,881,309	5,081,515
	17,056,538	8,881,309	5,081,515

13. CALLED UP SHARE CAPITAL

	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Issued and fully paid:			
Number: 31,894,293 (2020: 21,829,227)			
Ordinary class	2,566,795	2,466,144	2,466,144
	2,566,795	2,466,144	2,466,144

14. TRADE AND OTHER PAYABLES

	30/06/21 (unaudited) £	30/06/20 (unaudited) £	31/12/20 (audited) £
Trade payables	267,385	510,461	451,857
Accrued expenses	303,979	154,814	465,291
Other payables	4	183,486	74,905
Taxation and Social Security	72,051	65,281	77,567
	643,419	914,042	1,069,620

15. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	30/06/21 (unaudited)	30/06/20 (unaudited)	31/12/20 (audited)
	£	£	£
Loss for the period before tax	(1,921,741)	(1,168,529)	(2,781,931)
Adjusted for:			
Amortisation, impairments, depletion and depreciation	17,362	10,083	23,977
Depreciation right-of-use asset	71,959	63,534	135,493
Share based payments (net)	198,493	103,895	181,870
Provisions	-	200,000	-
Finance costs	2,788	1,221	8,262
Finance income	(1,127)	(24,080)	(27,937)
	(1,632,266)	(813,876)	(2,460,266)
Decrease in inventories			
(Increase)/decrease in trade and other receivables	(137,980)	(385,788)	(27,352)
Increase/(decrease) in trade and other payables	(426,202)	319,711	327,454
Cash used in operations	(2,196,448)	(879,953)	(2,160,164)

16. CONTINGENT LIABILITIES & PROVISIONS

	30/06/21 (unaudited)	30/06/20 (unaudited)	31/12/20 (audited)
	£	£	£
Provisions	-	200,000	-

In December 2020 the Company reached a settlement with TGS-Nopec Geophysical Company ASA (“TGS”) pursuant to an agreement entered into with TGS on 9 February 2018. Under the agreement, TGS claimed uplift payments from JOG totalling US$1,050,838 in respect of: a) licence awards to Jersey Petroleum Ltd (“JPL”) in the Oil & Gas Authority’s 31st Supplementary Offshore Licencing Round; and b) the acquisition by JPL of Equinor UK Limited’s 70% interest in Licence P2170 (Verbier). The Company disputed the validity of both claims and, as a precautionary measure, provisioned £200,000 in 2020, however following which two hearings took place in the Norwegian courts. Subsequent to these hearings and, on the basis of legal advice received, the Company agreed a final settlement payment to TGS of US$850,000 (£637,028).

CONTINGENT LIABILITES & PROVISIONS (continued)

(i) **2015 settlement agreement with the Athena Consortium**: In accordance with a 2015 settlement agreement reached with the Athena Consortium, although Jersey Petroleum Ltd 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 per cent. of net disposal proceeds or net petroleum profits from the Group's interest in the P2170 licence which is the only remaining asset still held that was in the Group at the time of the agreement with the Athena Consortium who hold security over this asset. Any future repayments, capped at the unpaid liability associated with the Athena Oil Field, cannot be calculated with any certainty, and any remaining liability still in existence once the Athena Oil Field has been decommissioned will be written off. A payment was made in 2016 to the Athena Consortium in line with this agreement following the farm-out of P2170 (Verbier) to Equinor and the subsequent receipt of monies relating to that farm-out.

(ii) **Equinor UK Limited**: In January 2020, Jersey Oil Limited 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"), this transaction completed in May 2020. The consideration for the Acquisition consisted of two milestone payments, which are considered contingent liabilities:

- US$3 million upon sanctioning by the UK's Oil & Gas Authority ("OGA") of a Field Development Plan ("FDP") in respect of the Verbier Field; and
- US$5 million upon first oil from the Verbier Field.

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

(iii) **ITOCHU Corporation and Japan Oil, Gas and Metals National Corporation**: In November 2020, Jersey Oil Limited announced that it had entered into a conditional Sale and Purchase Agreement ("SPA") to acquire the entire issued share capital of CIECO V&C (UK) Limited, which was owned by ITOCHU Corporation and Japan Oil, Gas and Metals National Corporation, this transaction completed in April 2021. The consideration for the Acquisition included a completion payment of £150k and two future milestone payments, which are considered contingent liabilities:

- £1.5 million in cash upon consent from the UK's Oil & Gas Authority ("OGA") for a Field Development Plan ("FDP") in respect of the Verbier discovery in the Upper Jurassic (J62-J64) Burns Sandstone reservoir located on Licence P2170; and
- £1 million in cash payable not later than one year after first oil from all or any part of the area which is the subject of the Field Development Plan.

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

17. 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 £86,409,726 (30 June 2020: £80,712,810) to the Company and Jersey Oil & Gas E&P Ltd owed £3,755,742 (30 June 2020: £2,826,957) to the Company. At the end of the period, the Company owed Jersey North Sea Holdings Ltd £211,676 (30 June 2020: £211,676).

During the period, Jersey Oil and Gas PLC charged management fees to Jersey Petroleum Ltd amounting to £1,323,123 (30 June 2020: £1,107,008), and Jersey Oil and Gas E&P Ltd charged management fees to Jersey Petroleum Ltd amounting to £447,776 (30 June 2020: £487,125).

18. POST BALANCE SHEET EVENTS

Further to undertaking a comprehensive technical and economic evaluation of licences P2497 and P2499 and meetings recently held with the OGA, the OGA confirmed that it was satisfied that the Phase A Firm Commitments for both licences had been fulfilled. JOG decided not to progress to the next licence phase, which would have required committing to a firm well in each of these two licence areas. Accordingly, the licences automatically ceased and determined at the end of Phase A of their Initial Term on 29 August 2021.

19. AVAILABILITY OF THE INTERIM REPORT 2021

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.