

JERSEY OIL AND GAS PLC
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

JERSEY OIL AND GAS PLC
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FOR THE SIX MONTHS ENDED 30 JUNE 2022

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JERSEY OIL AND GAS PLC
HIGHLIGHTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

Highlights

- Favourable fiscal and macroeconomic developments have further bolstered interest in our on-going “Greater Buchan Area” (“GBA”) farm-out process
- GBA farm-out process advancing as planned, with continued active engagement with multiple counterparties
- Substantial progress has been made, with the majority of interested parties forecast to complete their technical due diligence in October 2022
- Constructive commercial discussions are taking place with potential counterparties
- Cash position of approximately £8.7 million, with no debt, as at 30 June 2022 - well ahead of the group's forecast

Andrew Benitz, CEO of Jersey Oil & Gas, commented:

“Great progress is being made with our GBA farm-out process - the key activity for the Group in 2022. Interest is strong, technical studies across the various development solutions are well advanced and commercial discussions are ongoing with serious, well-funded counterparties. Since launching the process, the Company's engagement strategy has been broadened to advance a range of competing development solutions, thereby providing increased optionality.”

JERSEY OIL AND GAS PLC
CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

GBA Farm-out Process Update

Encouraging progress continues to be made on our GBA farm-out process, and the Company remains actively engaged with multiple counterparties. Joint technical studies for the various different development solutions are now at an advanced stage.

As previously highlighted, since launching the farm-out process, a broad range of competing development solutions has been generated to supplement the initial work on the proposed installation of a new processing platform. The alternative solutions include tiebacks to existing platforms and the re-use of available floating production, storage and offloading ("FPSO") vessels.

Since confirming the technical and economic attractiveness of the potential GBA development solutions earlier this year, JOG's most recent operational focus has been centred on completing confirmatory pre-Front End Engineering and Design studies for the various options with the different counterparties. The studies are being undertaken in collaboration with the infrastructure owners and cover areas that serve to validate and de-risk the different solutions and associated capital expenditure forecasts. While the precise studies are specific to each potential solution, they broadly cover work on flow assurance, host facility "brownfield" modification requirements and potential future electrification workscopes. This technical work is expected to conclude in October 2022.

Whilst there can be no certainty of a successful conclusion, constructive commercial discussions are also now well underway.

Regional Electrification Opportunities

The different GBA development solutions that are being assessed all have the potential to be a component of the future Outer Moray Firth offshore wind electrification plans that are currently being considered as part of the Government's Innovation and Targeted Oil and Gas ("INTOG") leasing round process. As such, we were pleased to provide a leading offshore wind developer with a letter of support as a potential power user to assist them in their application for a lease in the upcoming INTOG offshore wind licence round. This operator has experience in both development and operations for floating offshore wind. In addition to the GBA being a potential off-taker of locally sourced wind power, there are also complimentary investment opportunities in offshore wind that require further evaluation.

Licensing activity

JOG continues to work closely and constructively with the North Sea Transition Authority ("NSTA") on our licence commitments. On Licence P2498, which includes the Buchan field as well as the J2 and part of the Verbier discoveries, our milestone related to delivery of a Field Development Plan ("FDP") has been adjusted to align with the current scheduled licence expiry in August 2023 and, pending conclusion of a successful farm-out, we are on track to deliver on this. Upon approval of an FDP, the licence would then move into the "third phase", which covers all future development and production activities. On Licence P2170, there is a requirement to submit an FDP for the Verbier discovery in order to advance the licence into the third term. Verbier is part of our phased area wide GBA development plan, with production scheduled to commence following the start of production from the Buchan field. The P2170 Licence is due to expire on 22 November 2022, therefore we are in close consultation with the NSTA to agree an appropriate way forward.

JOG's Acquisition Strategy

JOG's priority is to secure a GBA farm-out and any M&A activity has been focused around this objective. We have evaluated potential asset swaps as part of our ongoing discussions, but remain of the view that an industry farm-out provides the best solution to advance the planned GBA development and thereby deliver greater value for shareholders. Building a full cycle upstream business focused on the UKCS remains the ultimate goal for JOG.

Financial Review

JOG's cash position was approximately £8.7 million as of 30 June 2022. The cash spend of the business will continue to be comfortably below the £1.5 million per quarter run rate previously forecast. 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 its cash deposits.

The loss for the period, before and after tax, was approximately £1.2m (2021: £1.9m). The Company's main expenditure during the first half of 2022 related to technical studies assessing parallel development options for our GBA Development project. The Company remains well funded to fulfil its farm-out objective.

Tax

The Energy Profits Levy ("EPL") that was introduced by the Government in May 2022 caught the industry off guard, particularly those that have invested and built production portfolios in the UKCS over the past few years. Fiscal instability has made some question their North Sea investment strategy. The silver lining, however, was the introduction of a generous investment allowance that is specifically ring fenced to attract capital spend into new investments. A full taxpayer in the North Sea now has the ability to secure 91% tax relief through investing into new projects, essentially meaning that for a cost of only 9p a company can get £1 of investment value. Projects of the scale of the proposed GBA development should benefit from this investment allowance.

JERSEY OIL AND GAS PLC
CHAIRMAN AND CHIEF EXECUTIVE OFFICER'S REPORT cont.
FOR THE SIX MONTHS ENDED 30 JUNE 2022

Summary and outlook

A significantly improved macroeconomic outlook for the oil and gas sector compared to last year has ushered in significant profits for the oil majors. The pandemic and terrible events in Ukraine have masked the underlying issue that is challenging the upstream sector - namely, a looming supply crunch. The industry has been starved of capital since 2015 and this has led to chronic under investment. Energy transition is an important issue and the oil and gas industry is at the forefront of the challenges that this evolution brings. It must be managed appropriately as hydrocarbons continue to provide the world with approximately 80% of its daily energy supply. Unfortunately, inflationary pressures resulting from a restricted energy supply are already being seen and, in turn, the even more concerning prospect of energy poverty. The world needs urgent and responsible investment upstream to address the supply shortfall against a backdrop of significantly increasing global demand for energy. Consumers, industry and Governments deserve access to affordable energy to go about their lives during the energy transition.

It will take time for the supply side to increase, and in the meantime continued high oil prices are highly likely. The GBA is a vital resource and is estimated to be the third largest oil development opportunity in the UKCS. We look forward to concluding the farm-out process and thereby securing investment to take this project into development and contributing to ensuring long term energy supply and security for the UK economy.

We appreciate the ongoing commitment of our dedicated team and the professionalism they have displayed throughout our industry and stakeholder engagement. We also thank our shareholders for their ongoing and unstinting support as we continue to advance our GBA farm-out process.



Les Thomas
Non-Executive Chairman



Andrew Benitz
Chief Executive Officer

22 September 2022

JERSEY OIL AND GAS PLC
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	6 months to 30/06/22 (unaudited) £	6 months to 30/06/21 (unaudited) £	Year to 31/12/21 (audited) £
CONTINUING OPERATIONS				
Revenue		-	-	-
Cost of sales		-	66,403	(101,079)
GROSS PROFIT/(LOSS)		-	66,403	(101,079)
Exploration write-off/licence relinquishment		-	-	(447,812)
Administrative expenses		(1,200,589)	(1,986,483)	(3,672,135)
OPERATING LOSS		(1,200,589)	(1,920,080)	(4,221,026)
Finance income		17,050	1,127	1,807
Finance expense		(2,839)	(2,788)	(6,098)
LOSS BEFORE TAX		(1,186,377)	(1,921,741)	(4,225,317)
Tax	4	-	-	-
LOSS FOR THE PERIOD		(1,186,377)	(1,921,741)	(4,225,317)
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(1,186,377)	(1,921,741)	(4,225,317)
Total comprehensive loss attributable to: Owners of the parent		(1,186,377)	(1,921,741)	(4,225,317)
Loss per share expressed in pence per share:				
Basic	5	(3.64)	(7.15)	(14.48)
Diluted	5	(3.64)	(7.15)	(14.48)

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

JERSEY OIL AND GAS PLC
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

		30/06/22 (unaudited) £	30/06/21 (unaudited) £	31/12/21 (audited) £
	Notes			
NON-CURRENT ASSETS				
Intangible assets - Exploration costs	6	22,752,129	17,359,856	21,514,153
Property, plant and equipment	7	24,633	57,187	40,077
Right-of-use assets		133,168	125,415	185,008
Deposits		31,112	28,420	31,112
		<u>22,941,042</u>	<u>17,570,878</u>	<u>21,770,350</u>
CURRENT ASSETS				
Trade and other receivables	8	346,631	593,643	353,114
Cash and cash equivalents	9	8,666,792	17,056,538	13,038,388
		<u>9,013,423</u>	<u>17,650,181</u>	<u>13,391,502</u>
TOTAL ASSETS		<u>31,954,465</u>	<u>35,221,059</u>	<u>35,161,852</u>
EQUITY				
SHAREHOLDERS' EQUITY				
Called up share capital	10	2,573,395	2,566,795	2,573,395
Share premium account		110,309,524	110,358,234	110,309,524
Share options reserve		1,708,075	2,308,462	1,397,287
Accumulated losses		(82,738,107)	(80,431,559)	(81,551,730)
Reorganisation reserve		(382,543)	(382,543)	(382,543)
TOTAL EQUITY		<u>31,470,344</u>	<u>34,419,389</u>	<u>32,345,933</u>
NON-CURRENT LIABILITIES				
Lease liabilities		<u>18,830</u>	<u>74,200</u>	<u>83,012</u>
		<u>18,830</u>	<u>74,200</u>	<u>83,012</u>
CURRENT LIABILITIES				
Trade and other payables	11	334,198	643,419	2,603,707
Lease liabilities		131,093	84,051	129,200
		<u>465,291</u>	<u>727,470</u>	<u>2,732,907</u>
TOTAL LIABILITIES		<u>484,121</u>	<u>801,670</u>	<u>2,815,919</u>
TOTAL EQUITY AND LIABILITIES		<u>31,954,465</u>	<u>35,221,059</u>	<u>35,161,852</u>

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 2022

	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 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	<u>2,566,795</u>	<u>110,358,235</u>	<u>2,308,462</u>	<u>(80,431,560)</u>	<u>(382,543)</u>	<u>34,419,389</u>
At 1 January 2022	2,573,395	110,309,524	1,397,287	(81,551,730)	(382,543)	32,345,933
Loss for the period and total comprehensive income	-	-	-	(1,186,377)	-	(1,186,377)
Share based payments	-	-	310,788	-	-	310,788
At 30 June 2022	<u>2,573,395</u>	<u>110,309,524</u>	<u>1,708,075</u>	<u>(82,738,107)</u>	<u>(382,543)</u>	<u>31,470,344</u>

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 2022

	Notes	6 months to 30/06/22 (unaudited) £	6 months to 30/06/21 (unaudited) £	Year to 31/12/21 (audited) £
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash used in operations	12	(3,085,544)	(2,196,448)	(1,495,899)
Net interest received		17,050	1,127	1,807
Net interest paid		(2,839)	(2,788)	(6,098)
Net cash used in operating activities		<u>(3,071,333)</u>	<u>(2,198,109)</u>	<u>(1,500,190)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of intangible assets	6	<u>(1,237,976)</u>	<u>(2,368,561)</u>	<u>(6,970,670)</u>
Net cash used in investing activities		<u>(1,237,976)</u>	<u>(2,368,561)</u>	<u>(6,970,670)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds of issue of shares		-	16,607,360	16,565,248
Principal elements of lease payments		<u>(62,289)</u>	<u>(65,667)</u>	<u>(137,516)</u>
Net cash generated from financing activities		<u>(62,289)</u>	<u>16,541,693</u>	<u>16,427,732</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(4,371,596)</u>	<u>11,975,023</u>	<u>7,956,873</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		<u>13,038,388</u>	<u>5,081,515</u>	<u>5,081,515</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9	<u><u>8,666,792</u></u>	<u><u>17,056,538</u></u>	<u><u>13,038,388</u></u>

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

JERSEY OIL AND GAS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

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.

The Group's half year condensed financial statements for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Directors on 22 September 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

These unaudited interim consolidated financial statements of the Group have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended 31 December 2021. These unaudited interim consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the consolidated financial statements and the notes thereto in the Company's annual report for the year ended 31 December 2021.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006.

Consolidated statutory accounts for the year ended 31 December 2021, on which the auditors gave an unqualified audit report, have been filed with the registrar of Companies. The report of the auditors included in that 2021 Annual Report was unqualified and did not contain a statement under either Section 498(2) or Section 498(3) of the Companies Act 2006.

Going Concern

The Group has no material firm work commitments on any of the Group's licences, other than ongoing Operator overheads and licence fees. Other work that the Group is undertaking in respect of the GBA licences and surrounding areas is modest relative to its current cash reserves. The Group expects to be able to manage its estimated cash outflows such that its current cash reserves are expected to more than exceed its estimated cash outflows in all reasonable scenarios for at least 12 months following the date of issue of these interim financial statements. Based on these circumstances, the Directors have considered it appropriate to continue to adopt the going concern basis of accounting in preparing these interim financial statements.

Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021. No new standards, amendments or interpretations have had a material impact on the Group's interim consolidated financial statements for the period ended 30 June 2022.

The impact of seasonality or cyclicity on operations is not considered significant on the interim consolidated financial statements.

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.

JERSEY OIL AND GAS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

4. TAX

Jersey Oil and Gas plc is a trading company but no liability to UK corporation tax arose on its ordinary activities for the period ended 30 June 2022 due to trading losses. As at 31 December 2021, the Group held tax losses of approximately £57 million (2020: £46 million).

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the UK ring fence profits of oil and gas producers with effect from 26 May 2022. The legislation introducing the EPL was substantively enacted on 11 July 2022. The EPL is charged at the rate of 25% on taxable profits in addition to ring fence corporation tax of 30% and Supplementary Charge of 10%, making a total rate on ring fence profits of 65%.

Qualifying capital expenditure may be offset against the 25% EPL at an uplifted rate of 1.8 times. When combined with the existing Investment Allowance uplift of 6.25% this results in an overall 91.25% tax relief on new qualifying capital expenditure.

5. 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 2022			
Basic and Diluted EPS			
Loss attributable to ordinary shareholders	<u>(1,186,377)</u>	<u>32,554,293</u>	<u>(3.64)</u>

JERSEY OIL AND GAS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

6. INTANGIBLE ASSETS

	Exploration Costs £
COST	
At 1 January 2022	21,689,394
Additions	<u>1,237,976</u>
At 30 June 2022	<u><u>22,927,370</u></u>
ACCUMULATED AMORTISATION	
At 1 January 2022	<u>175,241</u>
At 30 June 2022	<u><u>175,241</u></u>
NET BOOK VALUE at 30 June 2022	<u><u>22,752,129</u></u>

This represents the work capitalised on the GBA assets.

7. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment £
COST	
At 1 January 2022	228,447
Additions	<u>-</u>
At 30 June 2022	<u><u>228,447</u></u>
ACCUMULATED AMORTISATION, DEPLETION AND DEPRECIATION	
At 1 January 2022	188,370
Charge for period	<u>15,444</u>
At 30 June 2022	<u><u>203,814</u></u>
NET BOOK VALUE at 30 June 2022	<u><u>24,633</u></u>

This represents the capitalised cost of computer equipment and fixtures.

JERSEY OIL AND GAS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

8. TRADE AND OTHER RECEIVABLES

	30/06/22 (unaudited) £	30/06/21 (unaudited) £	31/12/21 (audited) £
Other receivables	30	30	30
Prepayments and accrued income	268,323	270,019	119,249
Deposits	-	54,222	-
Value added tax	78,278	269,372	233,835
	<u>346,631</u>	<u>593,643</u>	<u>353,114</u>

As at 30 June 2022, there were no trade receivables past due nor impaired. There are immaterial expected credit losses recognised on these balances.

9. 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 2022	30/06/22 (unaudited) £	30/06/21 (unaudited) £	31/12/21 (audited) £
Cash and cash equivalents	<u>8,666,792</u>	<u>17,056,538</u>	<u>13,038,388</u>
	<u>8,666,792</u>	<u>17,056,538</u>	<u>13,038,388</u>

10. CALLED UP SHARE CAPITAL

	30/06/22 (unaudited) £	30/06/21 (unaudited) £	31/12/21 (audited) £
Issued and fully paid:			
Number: 32,554,293 (2021: 31,894,293)			
Ordinary class	2,573,395	2,566,795	2,573,395
	<u>2,573,395</u>	<u>2,566,795</u>	<u>2,573,395</u>

11. TRADE AND OTHER PAYABLES

	30/06/22 (unaudited) £	30/06/21 (unaudited) £	31/12/21 (audited) £
Trade payables	111,041	267,385	1,211,220
Accrued expenses	135,770	303,979	1,021,105
Other payables	-	4	-
Taxation and Social Security	87,387	72,051	371,381
	<u>334,198</u>	<u>643,419</u>	<u>2,603,706</u>

JERSEY OIL AND GAS PLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

12. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

RECONCILIATION OF LOSS BEFORE TAX TO CASH USED IN OPERATIONS

	30/06/22 (unaudited) £	30/06/21 (unaudited) £	31/12/21 (audited) £
Loss for the period before tax	(1,186,377)	(1,921,741)	(4,225,317)
Adjusted for:			
Depreciation	15,444	17,362	34,472
Impairments	-	-	447,812
Depreciation right-of-use asset	51,840	71,959	138,176
Share based payments (net)	310,788	198,493	470,724
Finance costs	2,839	2,788	6,098
Finance income	(17,050)	(1,127)	(1,807)
	(822,516)	(1,632,266)	(3,129,842)
Decrease in inventories			
(Increase)/decrease in trade and other receivables	6,482	(137,980)	99,856
Increase/(decrease) in trade and other payables	(2,269,509)	(426,202)	1,534,087
Cash used in operations	(3,085,544)	(2,196,448)	(1,495,899)

13. POST BALANCE SHEET EVENTS

None.

14. AVAILABILITY OF THE INTERIM REPORT 2022

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.