



PRODUCTION,  
DRILLING,  
DEVELOPMENT  
AND INVESTMENT  
IN THE UNITED  
KINGDOM ONSHORE  
HYDROCARBON  
SECTOR



**UNION JACK OIL**

UNION JACK OIL plc

## HALF YEARLY REPORT

FOR THE SIX MONTHS  
ENDED 30 JUNE 2016

## DIRECTORS, OFFICERS AND ADVISERS

### DIRECTORS

**David Bramhill**  
Executive Chairman

**Joseph O'Farrell**  
Executive

**Graham Bull**  
Non-Executive

**Raymond Godson**  
Non-Executive

### COMPANY OFFICE

6 Charlotte Street,  
Bath BA1 2NE,  
England

Telephone: +44 (0) 1225 428139  
Fax: +44 (0) 1225 428140  
Email: [info@unionjackoil.com](mailto:info@unionjackoil.com)  
Web: [www.unionjackoil.com](http://www.unionjackoil.com)

### REGISTERED NUMBER

07497220

### SECRETARY AND REGISTERED OFFICE

Brian Marshall  
6 Charlotte Street,  
Bath BA1 2NE,  
England

### REGISTRARS

Computershare Investor Services PLC  
The Pavilions,  
Bridgwater Road,  
Bristol BS13 8AE,  
England

### AUDITOR

BDO LLP  
55 Baker Street,  
London W1U 7EU,  
England

### SOLICITORS

Osborne Clarke  
2 Temple Back East,  
Temple Quay,  
Bristol BS1 6EG,  
England

### BANKERS

Royal Bank of Scotland plc  
8-9 Quiet Street,  
Bath BA1 2JN,  
England

### NOMINATED ADVISER

Shore Capital and Corporate Limited  
Bond Street House,  
14 Clifford Street,  
London W1S 4JU,  
England

### JOINT BROKERS

Shore Capital Stockbrokers Limited  
Bond Street House,  
14 Clifford Street,  
London W1S 4JU,  
England

SP Angel Corporate Finance LLP  
Prince Frederick House,  
35-39 Maddox Street,  
London W1S 2PP,  
England

### OIL AND GAS ADVISERS

SP Angel Corporate Finance LLP  
Prince Frederick House,  
35-39 Maddox Street,  
London W1S 2PP,  
England

### PUBLIC RELATIONS CONSULTANTS

Yellow Jersey PR Limited  
South Building,  
Upper Farm,  
Wootton St. Lawrence,  
Basingstoke RG23 8PE,  
England



SUMMARY OF LICENCE  
INTERESTS HELD BY  
UNION JACK OIL PLC



PEDL180  
PEDL182  
WRESSLE DISCOVERY  
BROUGHTON NORTH 8.33%

PEDL005(R)  
KEDDINGTON OILFIELD  
LOUTH  
NORTH SOMERCOTES 10%

PEDL339  
LOUTH EXTENSION 10%

PEDL143  
HOLMWOOD PROSPECT 7.5%

PEDL253  
BISCATHORPE 12%

PEDL241  
NORTH KELSEY 20%

PEDL201  
BURTON ON THE WOLDS 10%

PEDL209  
LAUGHTON 10%

## CONTENTS

### BUSINESS

- 2 Chairman's Statement
- 5 Review of Operations

### FINANCIAL STATEMENTS

- 14 Unaudited Income Statement
- 15 Unaudited Statement of Comprehensive Income
- 16 Unaudited Balance Sheet
- 17 Unaudited Statement of Cash Flows
- 18 Notes to the Unaudited Financial Information

Union Jack Oil plc is an onshore oil and gas exploration and production company with a focus on drilling, development, investment and production in the United Kingdom hydrocarbon sector. The issued share capital is traded on the AIM Market of the London Stock Exchange (Ticker: UJO).

Our strategy is the appraisal and exploitation of the assets currently owned. Simultaneous with this process, the Company's management expects to continue to use its expertise to acquire further licence interests over areas where there is a short lead time between the acquisition of the interest and either exploration drilling or initial production from any oil or gas fields that may be discovered.

# CHAIRMAN'S STATEMENT

## INTRODUCTION AND PROJECT REVIEW

I am pleased to present this Half Yearly Report for the six months ended 30 June 2016 to the shareholders of Union Jack Oil plc ("**Union Jack**" or the "**Company**").

The past six months have proven to be highly satisfactory operationally with the acquisition of three new licence interests, namely PEDL143 (7.5%) from Europa Oil and Gas Limited ("**Europa**"), incorporating the drill-ready Holmwold Prospect, PEDL209 (10%) from Egdon Resources plc ("**Egdon**") containing the Laughton Prospect and PEDL182 (8.33%) from Egdon containing the Broughton North Prospect. Entry into these additional licences provides the Company with additional exposure to potential production, development and appraisal.

On the financial aspect, costs are well under control and at the time of writing the Company holds cash in excess of £2 million and remains debt free.

Since incorporation, Union Jack's strategy has been to focus on low-cost UK onshore projects, initially in exploration and appraisal drilling, and more recently production through the oil and gas discovery at Wressle-1 where the operator, Egdon, is progressing a Field Development Programme with a view to commencing commercial production in Q4 2016, coupled with the acquisition of an interest in the producing Keddington oilfield (PEDL005(R)). It remains the Board's goal for Union Jack to become a cash generative profitable entity in due course.

This time last year in respect of the Wressle-1 discovery within PEDL180, I commented on the on-going testing. One year on Wressle is expected, within months, to become a producer from the Ashover Grit reservoir at a controlled rate of 500 barrels of oil gross per day. Union Jack's income from this development

is expected to have a material impact on the Company's cash flow generation and to contribute to financing the development of other projects within the Company's portfolio.

In addition, a Competent Persons Report ("**CPR**") in respect of Wressle is nearing completion and publication. The CPR will set out 2P oil and gas reserves held by the Company together with significant contingent resources and the confirmation of the viability of the project.

The Wressle-1 discovery has been mapped as extending into PEDL182. As a result, under the terms of an agreement entered into with Egdon in May 2013, the Company has acquired, at no extra cost, an equivalent 8.33% interest in respect of the entire Wressle discovery that extends into PEDL182.

In respect of logistics, it was deemed commercially prudent by the Board that Union Jack obtain an equal interest in the remainder of PEDL182 not covered by the Wressle discovery. Union Jack acquired an 8.33% economic interest from Egdon in June 2016. PEDL182 contains the Broughton North Prospect which could be drilled from the existing Wressle well site. The prospect has been mapped from the same high quality 3D seismic data set used to define Wressle. The Wressle-1 discovery has significantly reduced the geological risk over PEDL180 and PEDL182 and this transaction will benefit the Company going forward in any "add on" development decisions which may follow once Wressle-1 is in commercial production.

“ ”

The Wressle discovery within PEDL180 and PEDL182, in which Union Jack holds an interest in both licences, is moving closer to development with a view to commencing commercial oil production in late Q4 2016.

In May 2016, Union Jack entered into an agreement with Europa to acquire a 7.5% interest in PEDL143 containing the drill-ready Holmwood Prospect. This is the first Weald Basin licence interest to be introduced to the expanding Union Jack UK onshore portfolio.

Holmwood is a conventional oil prospect first identified by BP in 1988 and is estimated by the operator, Europa, to hold gross mean unrisks prospective resources of 5.6 million barrels with a geological chance of success (“**COS**”) of 33% and located just 12 kilometres from, and on trend with, the Horse Hill-1 discovery. A two year extension to PEDL143 was granted by the Oil and Gas Authority (“**OGA**”), extending the licence term to October 2018. Holmwood is currently expected to be drilled H1 2017.

In January 2016 the Company acquired a 10% interest in PEDL209, containing the Laughton Prospect. In February 2016 the Laughton-1 well was spudded. The drilling of the Laughton-1 well satisfied the work commitment for the licence’s first term which allows it to proceed into its second term. Analysis of the wireline log data indicated that the hydrocarbon saturations associated with the shows were not sufficiently encouraging to warrant testing. There remain two further conventional prospects within PEDL209 to be evaluated.

Other assets held by Union Jack include interests in the producing Keddington oilfield PEDL005(R) (10%), Biscathorpe PEDL253 (12%), North Kelsey PEDL241 (20%), Burton on the Wolds PEDL201 (10%) and PEDL339 (10%) which contains an extension of the Louth Prospect.

Union Jack owns an interest in Keddington, which provides a modest income from our share of production. Within the licence area a number of high quality prospects are present, including the Louth Prospect and the North Somercotes Prospect.

The Louth Prospect is estimated by the operator to contain Stock Tank Oil Initially in Place (“**STOIP**”) of 5.5 million barrels and gross mean Prospective Resources of 1.4 million barrels with an attractive COS of 37%.

Biscathorpe is a drill-ready prospect with planning consent, expected to be drilled during H1 2017, adding considerable risk adjusted value. The Biscathorpe structure was initially drilled by BP in 1987 with the Biscathorpe-1 well, which encountered a thin oil-bearing sandstone. The sand unit is expected to thicken away from the crest of the structure and the operator’s Best Estimate is a gross Prospective Resource of 14 million barrels of oil with a COS of 40%.

North Kelsey is a multi-target drill-ready prospect located within the proven hydrocarbon fairway of the Humber side Platform and is approximately 10 kilometres to the south of the Wressle-1 discovery.

The prospect is defined on 3D seismic data and has the potential for four stacked sandstone reservoirs. The gross mean combined Prospective Resources for these multiple objectives, as calculated by Egdon, are estimated to be 6.7 million barrels of oil.

Post the period end, in July 2016 the OGA granted a one year extension to both PEDL253 and PEDL241 until 30 June 2017.



Data from the Burton on the Wolds-I well suggest significant Bowland-Hodder unconventional shale potential may exist on PEDL201 where thermally rich, oil prone shales are expected to be present.

During 2014, industry consultants Molten Limited completed a report commissioned by Union Jack reviewing the shale potential within PEDL201. Molten's review and summary concluded that the mean deterministic unrisks in place volumes within that shale area could be approximately 5.4 billion barrels of oil and in excess of 2.7 trillion standard cubic feet of gas gross.

A detailed review of Union Jack's asset base can be found in the Review of Operations section within the Half Yearly Report and also within a Corporate Presentation, both of which can be viewed on the Company's website [www.unionjackoil.com](http://www.unionjackoil.com).

## CORPORATE AND FINANCIAL

At the time of writing cash balances stand at in excess of £2 million, enough to cover the costs of our current planned drilling and development programme.

The Board intend to continue with the same low salary commitment going forward.

We apply strict financial and technical disciplines to our activities and we pride ourselves on our low general and administrative costs presented in the Income Statement within this report.

A further reduction in the Supplementary Tax rate from 20% to 10% in the March 2016 budget is constructive and positively impacts on the economics of onshore hydrocarbon projects. This would reduce the effective tax rate from 50% to 40% going forward.

Our strategy of focusing on late-stage drill-ready projects helps to manage the portfolio from a technical perspective and also a

financial scenario where costs are manageable and development of any discovery can be achieved within a reasonable time frame.

We believe the full cycle costs associated with UK onshore production, development and exploration remain highly attractive even at current oil prices, of which, in the Board's opinion, the nadir has been tested.

I take this opportunity, as always, to thank the rest of my Board, Joe O'Farrell, Graham Bull and Ray Godson, for their continuing solid advice, technical support and expert guidance in respect of Company matters, and acknowledge the natural cohesion between the Board and our advisers who all interact well, resulting in a sound functional team.

## SUMMARY

I am pleased to state that, as we enter a new corporate and financial period, the growth of Union Jack continues without financial concerns.

We work with sound operators and partners who have already demonstrated their prowess in making discoveries and taking them through from discovery to development.

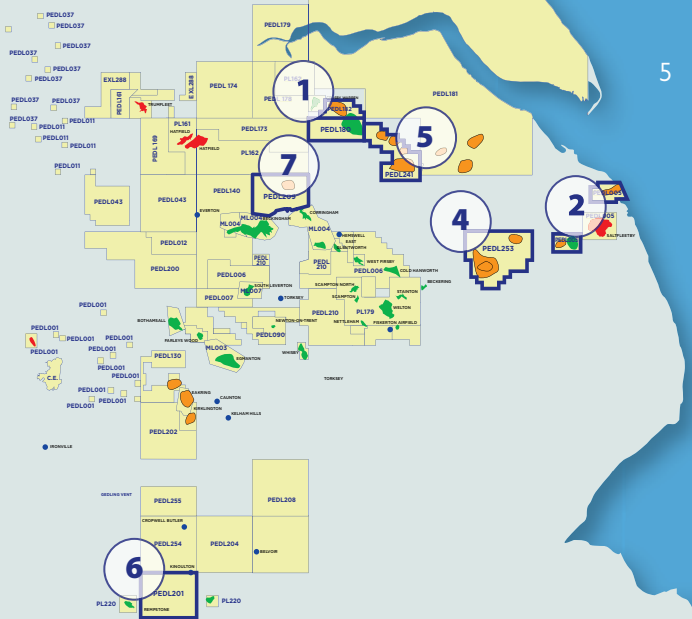
Union Jack's strategy will continue as stated, and I look forward to reporting on the progress of our projects during 2016 and beyond, in particular Wressle-I where development is imminent and the cash flow to Union Jack is expected to be a major catalyst to achieving our goals.



**David Bramhill**

Executive Chairman

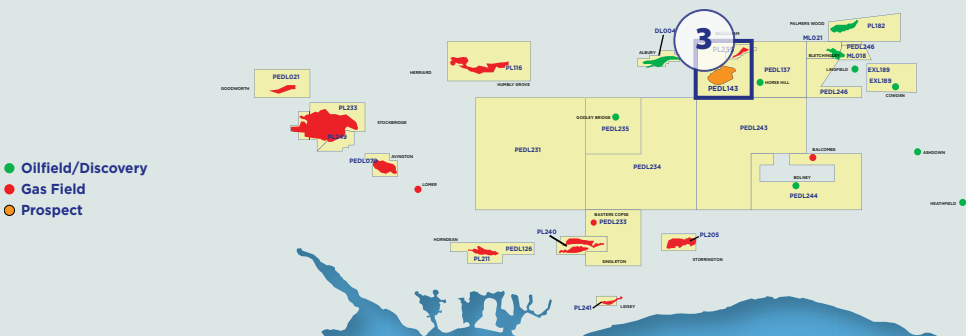
5 September 2016



# REVIEW OF OPERATIONS

Union Jack's asset portfolio is well balanced, combining production, discovery, appraisal and exploration.

<p><b>1</b></p> <p>PEDL180 PEDL182 <b>WRESSLE DISCOVERY</b> <b>BROUGHTON NORTH</b> <b>8.33%</b> <a href="#">SEE PAGE 6</a></p>	<p><b>2</b></p> <p>PEDL005(R) <b>KEDDINGTON OILFIELD</b> <b>LOUTH NORTH SOMERCOTES</b> PEDL339 <b>LOUTH EXTENSION</b> <b>10%</b> <a href="#">SEE PAGE 8</a></p>	<p><b>3</b></p> <p>PEDL143 <b>HOLMWOOD PROSPECT</b> <b>7.5%</b> <a href="#">SEE PAGE 9</a></p>	<p><b>4</b></p> <p>PEDL253 <b>BISCATHORPE</b> <b>12%</b> <a href="#">SEE PAGE 10</a></p>	<p><b>5</b></p> <p>PEDL241 <b>NORTH KELSEY</b> <b>20%</b> <a href="#">SEE PAGE 11</a></p>	<p><b>6</b></p> <p>PEDL201 <b>BURTON ON THE WOLDS</b> <b>10%</b> <a href="#">SEE PAGE 12</a></p>	<p><b>7</b></p> <p>PEDL209 <b>LAUGHTON</b> <b>10%</b> <a href="#">SEE PAGE 13</a></p>
--	---	--	--	---	--	---



- Oilfield/Discovery
- Gas Field
- Prospect

## REVIEW OF OPERATIONS

PEDL180  
PEDL182

### WRESSLE DISCOVERY BROUGHTON NORTH

INTERESTS HELD BY  
UNION JACK OIL PLC

**8.33%**

**Field Development Plan progressing to proceed with commercial production from the Wressle discovery late Q4 2016, subject to receipt of planning and permit approvals.**

**Acquisition of PEDL182 affiliating two prospective licence areas containing the Wressle-1 discovery and the Broughton North Prospect.**

Union Jack holds an 8.33% interest in PEDL180 located in Lincolnshire, on the western margin of the Humber Basin which contains part of the Wressle-1 oil discovery, and is on trend with the producing Crosby Warren oilfield and the Brigg-1 oil discovery, situated to the immediate northwest and southeast of the licence respectively.

Union Jack farmed into the Wressle-1 exploration well in May 2013 and earned an 8.33% interest in PEDL180. Under the agreement, Union Jack also earned an 8.33% interest in any part of the Wressle-1 discovery which is determined to extend into the adjoining licence PEDL182.

The Wressle-1 discovery is mapped as extending into PEDL182 and subsequently the Company has acquired at no extra cost an 8.33% interest in the entire Wressle-1 discovery mapped over PEDL180 and PEDL182.

In respect of the Wressle-1 discovery, the Joint Venture group completed a detailed review of the data gathered and concluded that a Field Development Plan should be compiled with a view to early oil production from Wressle-1.

The drilling and test data from the well, together with the reprocessed 3D seismic data are currently being applied to quantify the developable resource volumes attributable to Wressle

Applications for the various consents have been submitted, and subject to these approvals it is anticipated that production will commence late Q4 2016 at a rate of approximately 500 barrels of oil per day gross ("**bopd**") from the Ashover Grit formation, with the development of the Penistone Flags formation following at a later time.

The Wressle-1 well was spudded in July 2014. The Wressle-1 Prospect was defined on proprietary 3D seismic data acquired in 2012, and the well was drilled as a deviated well to a total depth ("**TD**") of 2,240 metres and was designed to intersect a number of prospective Upper Carboniferous age sandstone reservoirs in a structurally favourable position near the crest of the Wressle structure. Pre-drill gross mean unrisks Prospective Resources at Wressle were estimated by the operator to be 2.1 million barrels of oil. A CPR is nearing completion and the results will be published in the near future.

On 23 August 2014, TD was reached and elevated mud gas readings were observed over large parts of the interval from the top of the Penistone Flags reservoir target (1,831.5 metres MD-measured depth) to TD.

The well was logged using measurement whilst drilling (MWD) logging tools run on the drill string. Petrophysical evaluation of the log data indicated the presence of hydrocarbon pay in three intervals.

- Penistone Flags – up to 19.8 metres measured thickness (15.9 metres vertical thickness)
- Wingfield Flags – up to 5.64 metres measured thickness (5.1 metres vertical thickness)
- Ashover Grit – up to 6.1 metres measured thickness (5.8 metres vertical thickness)

In February 2015, shareholders were updated on the initial successful Ashover Grit flow test which recorded 80 bopd and 47,000 cubic feet of gas per day during a 16 hour main flow period.



No appreciable volumes of water were observed. The oil is of good quality with a gravity of 39-40° API.

Following the Ashover Grit test, shareholders were updated on the initial successful Wingfield Flags flow test which recorded up to 182 bopd of good quality oil with a gravity of 39-40° API along with up to 456,000 cubic feet of gas per day.

The next horizon to be flow tested was the Penistone Flags, the last of three hydrocarbon bearing zones identified in the well. The Penistone Flags test produced gas at restricted flow rates of up to 1.7 million cubic feet of gas per day with associated oil of up to 12 bopd and no free water from a 9 metre perforated zone at the top of the formation. Gas flow rates were constrained by the equipment and flaring limits imposed by the environmental permit. The gas and oil are of good quality with the oil having a gravity of 35° API.

The downhole pressure data recorded during the testing will now be analysed to estimate the gas flow rates that could be achieved under production, unconstrained by the flare and permit restrictions.

A further test was carried out to evaluate the gas-oil and oil-water contacts in the Penistone Flags by perforating the formation deeper in the section. Zone 3a was perforated over a 7.5 metre interval and produced good quality oil with a gravity of 33° API. A total of 98.5 barrels of oil were recovered during the test, of which flow induced by swabbing operations produced 34.3 barrels of oil. This equates to approximately 77 bopd.

The Penistone Flags Zone 3a interval was pumped for a period of time and achieved average rates over a three day period of 131 bopd and 222,000 cubic feet of gas per day, together totalling 168 barrels of oil equivalent per day ("**boepd**") with an average producing gas oil ratio of approximately 1,700 cubic feet of gas per barrel of oil.

Due to increasing gas rates, the pump was then stopped and the well allowed to naturally flow to surface with a series of decreasing choke sizes from 12/64" down to 8/64" (being the smallest available). Average rates over a two day period on

the 8/64" choke were 105 bopd with 465,000 cubic feet of gas per day, together totalling 182 boepd.

Following the Extended Well Test on Zone 3a, it was noted that both oil and gas had flowed without evidence of any water. Encouragingly, the well test data together with the log data indicate that the elevation of the oil water contact is deeper than originally considered for the Penistone Flags reservoir.

Focus is now concentrated on acquiring the required consents such as planning and environmental permissions to enable commercial production from the Wressle discovery.

Subsequent to the acquisition of the area of PEDL182 containing a portion of the Wressle-I discovery a decision was made and agreement reached with the Operator, Egdon, to acquire a total 8.33% economic interest in that part of the licence not held by Union Jack.

The Broughton North Prospect is located within PEDL182 and has been generated primarily from a high quality 3D seismic data set acquired during 2012. This exercise provided detailed structural data and enabled a bottom-hole target location to be identified for the Broughton North Prospect.

Union Jack's share of funding of the Broughton North well will be paid for by hydrocarbon sales from the Wressle-I commercial production.

The Wressle-I discovery has significantly reduced the geological risk over PEDL180 and PEDL182 and additionally this transaction will benefit the Company going forward in any "add on" development decisions which may follow once Wressle-I is in commercial production.

#### THE INTERESTS IN PEDL180 AND PEDL182 ARE HELD BY:

Egdon Resources U.K. Limited (operator)	25.00%
Celtique Energie Petroleum Limited	33.33%
Europa Oil & Gas Limited	33.34%
Union Jack Oil plc	8.33%

## REVIEW OF OPERATIONS

PEDL005(R)

### KEDDINGTON

PEDL339

### LOUTH EXTENSION

INTEREST HELD BY  
UNION JACK OIL PLC

**10.0%**

**Producing oilfield with increased production potential from two additional prospects.**

**Louth Prospect extends into PEDL339.**

In July 2015, Union Jack agreed to acquire a 10% interest from Egdon in PEDL005(R) located in Lincolnshire and incorporating the Keddington oilfield, the Louth oil prospect and the North Somercotes gas prospect.

Under the terms of the acquisition agreement Union Jack agreed to pay 20% of the costs of the Keddington-5 sidetrack development well drilled in January 2016 and the proposed Louth exploration well planned for late 2017. The Company has not paid any upfront cash to earn the 10% economic interest in PEDL005(R). Under the terms of the agreement Union Jack would also earn a 10% interest from Egdon in any new licence awarded to the existing Joint Venture group in the UK 14th Landward Oil and Gas Licensing Round which contains the mapped extension to the Louth Prospect.

In December 2015 Egdon and its application partners were offered Block TF38c, now known as PEDL339, located within the Humber Basin and containing the western section of the Louth Prospect. Consequently, Egdon has transferred a 10% interest in PEDL339 to Union Jack at no cost.

#### **Keddington Oilfield**

Union Jack owns a 10% interest in Keddington and the associated infrastructure and production facilities. Union Jack receives 10% of all production revenues.

The partners in Keddington are seeking to maximise the value of the “Greater Keddington” area through two additional prospects located within PEDL005(R), namely the Louth oil and the North Somercotes gas prospects. As part of the acquisition, Union Jack also holds a 10% interest in both of these prospects.

Keddington has produced in excess of 300,000 barrels of oil to date and is currently producing approximately 30 bopd from the Keddington-3Z well. Testing of the recently drilled Keddington-5 sidetrack well has initially seen production dominated by formation water and plans are being considered to isolate the zone of water production in the well.

#### **Louth Prospect**

The Louth oil prospect is located mostly within PEDL005(R) and extends into PEDL339. Located on the margins of the Humber Basin, the prospect is defined on reprocessed 3D seismic data and is estimated by the operator to contain a STOIPP of 5.5 million barrels and gross mean Prospective Resources of 1.4 million barrels with an attractive COS of 37%.

#### **North Somercotes**

Located on the margins of the Humber Basin, the North Somercotes gas prospect is within PEDL005(R) to the north of the Saltfleetby gasfield and is estimated by the operator to contain gross mean Prospective Resources of 11.0 billion cubic feet of gas and to have a COS of 25%.

#### THE INTERESTS IN PEDL005(R) ARE HELD BY:

	KEDDINGTON OILFIELD	PEDL005(R) EXCLUDING KEDDINGTON
Egdon Resources U.K. Limited (operator)	45.0%	65.0%
Nautical Petroleum Limited	10.0%	10.0%
Terrain Energy Limited	35.0%	15.0%
Union Jack Oil plc	10.0%	10.0%

PEDL143

## HOLMWOOD PROSPECT

INTEREST HELD BY  
UNION JACK OIL PLC

**7.5%**

**The first Weald Basin licence interest to Union Jack's expanding UK onshore portfolio.**

**Unrisked gross mean prospective resources of 5.6 million barrels from the shallower sandstone reservoirs only.**

In May 2016, Union Jack entered into an agreement with the Operator, Europa to acquire a 7.5% economic interest in PEDL143 located within the Weald Basin in southern England and containing the drill-ready Holmwood Prospect.

During 2015 planning permission was obtained for both the surface well location and underground wellpath for the Holmwood-1 exploration well expected to be drilled during H1 2017.

The Holmwood Prospect is a conventional oil prospect first identified by BP in 1988, and is estimated by the Operator to hold gross mean unrisked prospective resources of 5.6 million barrels of oil in the Portlandian and Corallian sandstones with a geological COS of 33%. The P90 – P10 range of prospective resources is 1 to 11 million barrels of oil which is the typical range for the Weald Basin, based on the 14 oil and gas fields that have been discovered and produced in the Weald Basin to date.

The Holmwood Prospect lies 12 kilometres immediately to the west of, and on trend with the Horse Hill-1 discovery well in PEDL137 where earlier in 2016 UK Oil & Gas Investments PLC and their partners reported excellent flow rates from test production from the Upper Portland sandstone reservoir and the Upper and Lower Kimmeridge limestone reservoirs. The Holmwood Prospect

also lies approximately five kilometres south of the Brockham oilfield that produces from the Portland sandstone reservoir.

The Holmwood-1 exploration well will penetrate similar stratigraphy to the Horse Hill-1 discovery, including the possibility that oil may be encountered in the Jurassic Upper and Lower Kimmeridge Limestones, in addition to its principal targets in the Corallian and Portlandian sandstone. Possible resources within the Jurassic limestones, equivalent to those at the Horse Hill-1 discovery have not been estimated in the Operator's mean unrisked prospective resources forecast of 5.6 million barrels of oil and so offer further upside potential.

A two year extension has been granted by the OGA to 1 October 2018 in respect of this licence.

### THE INTERESTS IN PEDL143 ARE HELD BY:

Europa Oil and Gas Limited (operator)	32.5%
UK Oil & Gas Investments PLC	30.0%
Egdon Resources UK Limited	18.4%
Warwick Energy Exploration Limited	10.0%
Union Jack Oil plc	7.5%
Altwood Petroleum Limited	1.6%

## REVIEW OF OPERATIONS

PEDL253

### BISCATHORPE

INTEREST HELD BY  
UNION JACK OIL PLC

**12.0%**

**Drill-ready prospect expected to be drilled during H1 2017 adding considerable risk adjusted value.**

In March 2013, Union Jack entered into an agreement with Egdon, the licence operator, and Montrose Industries Limited (“**Montrose**”) to acquire a 10% interest in PEDL253 containing the Biscathorpe Prospect. During June 2015, Union Jack subsequently acquired an additional 2% interest pro-rata from Egdon and Montrose bringing the Company’s interest to 12%.

PEDL253 is located in Lincolnshire, within the proven hydrocarbon fairway of the Humber Basin, on trend with the Saltfleetby gas field and the Keddington oilfield which produces oil from the Upper Carboniferous Westphalian aged reservoir sandstones.

The Biscathorpe Prospect is a well-defined four way dip closed structure mapped from recently reprocessed 3D seismic and adds considerable risk adjusted value that also offers lower geological risk than a pure exploration well given that a prior well, Biscathorpe-1, encountering oil bearing sands, has already been drilled.

The Biscathorpe structure was initially drilled and tested by BP in 1987 with the Biscathorpe-1 well which encountered a 1.2 metre thick, oil-bearing sandstone of lower Westphalian age within a 24 metre gross sequence. Biscathorpe-2 will be located in a direction towards a potentially thicker sand development within the structural closure of the trap.

The sand unit is predicted to thicken away from the crest of the structure and the operator’s Best Estimate is a gross Prospective Resource of 14 million barrels of oil, with a COS of 40%, within the mapped structural closure. There is also the potential for stratigraphic trapping to the west which, if present, could increase the expected gross Prospective Resources to 41 million barrels of oil. The same sand unit is the producing reservoir in the Keddington oilfield in which Union Jack has acquired a 10% interest.

A subsurface target location to evaluate the exploration potential of the Biscathorpe Prospect and a surface drilling location have been identified from which a vertical well to the depth of 2,100 metres can be drilled.

In March 2015, planning consent was granted for the drilling and any subsequent testing of the Biscathorpe-2 exploration well.

Drilling of the Biscathorpe-2 conventional exploration well is expected in H1 2017.

A one year extension has been granted by the OGA to 30 June 2017 in respect of this licence.

#### THE INTERESTS IN PEDL253 ARE HELD BY:

Egdon Resources U.K. Limited (operator)	52.8%
Montrose Industries Limited	35.2%
Union Jack Oil plc	12.0%

PEDL241

## NORTH KELSEY

INTEREST HELD BY  
UNION JACK OIL PLC

**20%**

### Drill-ready multi-target prospect.

Union Jack holds a 20% interest in PEDL241 containing the North Kelsey Prospect. The initial holding was 10% which was acquired from Egdon, the operator, during 2013 on a two for one promote agreement whereby Union Jack earned its interest by bearing an increased share of certain costs.

In June 2015 Celtique Energie Petroleum Limited relinquished its interest in PEDL241 and the Company acquired pro-rata a further 10% interest for a nominal consideration and without promote.

PEDL241 is located within the proven hydrocarbon fairway of the Humberside platform. The North Kelsey Prospect is located approximately 10 kilometres to the south of the Wressle-1 discovery in PEDL180.

The prospect is defined on 3D seismic data and has the potential for up to four stacked sandstone reservoirs in the Chatsworth, Beacon Hill, Raventhorpe and Santon sandstones. The nearby Crosby Warren oilfield and the Brigg oil discovery are productive from the Upper Carboniferous Namurian aged reservoirs.

The gross mean combined Prospective Resources for these multiple objectives, as calculated by Egdon, are estimated to be 6.7 million barrels of oil.

The subsurface target location to evaluate the exploration of the North Kelsey Prospect has been defined and a surface drilling location has been identified from which a vertical well can be drilled.

In December 2014, the Planning and Regulation Committee of Lincolnshire County Council granted planning consent for the drilling of, and any subsequent testing of, the North Kelsey-1 well.

Drilling of the North Kelsey-1 well is subject to farm out and is targeted to commence during H1 2017.

A one year extension has been granted by the OGA to 30 June 2017 in respect of this licence.

#### THE INTERESTS IN PEDL241 ARE HELD BY:

Egdon Resources U.K. Limited (operator)	80.0%
Union Jack Oil plc	20.0%

## REVIEW OF OPERATIONS

PEDL201

### BURTON ON THE WOLDS

INTEREST HELD BY  
UNION JACK OIL PLC

**10.0%**

#### Significant Bowland-Hodder Shale potential.

Drilling operations were completed in October 2014 on the Burton on the Wolds-1 well located on PEDL201 in Leicestershire which was drilled on a geological feature known as the Hathern Shelf, a stable platform area, evaluating a conventional oil prospect in the Rempstone sand, productive at the Rempstone oilfield to the west of PEDL201.

The well encountered the Rempstone sand in the primary reservoir which was water wet and as a result the well was plugged and abandoned.

However, a thickness of Bowland Shale was encountered during drilling, which according to studies undertaken by the British Geological Survey ("**BGS**"), has potential for unconventional resources of shale oil or gas if buried to greater depths.

Drill cutting samples of the Bowland Shale source rock collected at the well were sent for analysis to Houston based, Weatherford Laboratories to determine source rock quality. Weatherford are recognised experts in source rock evaluation.

Following analysis, Weatherford concluded that the Upper Bowland-Hodder Shale interval in the Burton on the Wolds well from the East Midlands region of the UK is a very good source rock containing dominantly oil prone Type I I organic matter.

The Bowland Shale at the site of the Burton on the Wolds-1 well is deemed, not unsurprisingly, to be thermally immature owing to its shallow depth. Source rock maturity is a function of heat flow, burial depth and time. To the north of the well location is the Hoton Fault which forms the southern boundary of the Widmerpool Trough.

Regional well correlations show the Bowland Shale to be buried at a much greater depth and is believed to be thermally mature for hydrocarbon generation.

The results of the Weatherford analysis and the BGS studies suggest an unconventional shale play is present under the retained part of PEDL201.

In June 2014, industry consultants Molten Limited completed a report commissioned by Union Jack reviewing the shale resource potential within PEDL201. Molten's review and summary concluded that the mean deterministic unrisks in place volumes within that shale area could be approximately 5.4 billion barrels of oil and in excess of 2.7 trillion standard cubic feet of gas gross.

Elsewhere in the world, the combination of the technologies has permitted extensive shale developments such as the Bakken oil play in the US. Shale oil recovery factors in the US have ranged from 1% to nearly 10%. If recovery factors, even at the low end of those achieved in the US can be seen in the UK these volumes would represent significant economic developments.

Awards of licences adjacent to PEDL201 to other parties under the 14th Round, offer great encouragement regarding the unconventional play within the area under licence.

The directors are considering their options to generate cash inflows from this development from the unconventional potential which has been highlighted within the licence area.

#### THE INTERESTS IN PEDL201 ARE HELD BY:

Egdon Resources U.K. Limited (operator)	32.5%
Celtique Energie Petroleum Limited	32.5%
Terrain Energy Limited	12.5%
Corfe Energy Limited	12.5%
Union Jack Oil plc	10.0%

PEDL209

## LAUGHTON

INTEREST HELD BY  
UNION JACK OIL PLC

10%

### Two additional conventional prospects and hydrocarbon potential to be further evaluated.

In January 2016, Union Jack acquired from Egdon a 10% interest in PEDL209 in respect of the conventional prospects only within the licence area for no upfront consideration.

PEDL209 is located along the eastern side of the Gainsborough Trough, a proven hydrocarbon province within the East Midlands and contains the Laughton Prospect.

The Laughton Prospect had multiple conventional Carboniferous sandstone targets with the primary objective being the Silkstone Rock, a sandstone interval which is productive in the analogous Corringham oilfield located five kilometres to the south east.

Two other potential reservoirs, the Kilburn Sandstone and the Wingfield Flags were also targeted by the Laughton-I well.

In February 2016 the Laughton-I well was spudded, targeting a structural trap at a depth of over 1,500 metres below ground level defined on re-processed 2D seismic data.

The Laughton-I well reached a total depth of 1,700 metres in line with the pre-drill prognosis. During drilling, the well recorded hydrocarbon shows from a number of potential reservoir sequences including the Kilburn Sandstone, Chatsworth Grit, Ashover Grit and Kinderscout Grit. The Silkstone Rock primary objective was poorly developed in the well. Analysis of the wireline log data indicated that the hydrocarbon saturations associated with the shows were not sufficiently encouraging to warrant testing.

The rig was released from contract and the wellsite has been fully restored to its original condition.

The drilling of the Laughton- I well completes the farm-in deal between Egdon and Union Jack and also the work commitment for the licence's first term which allows it to proceed into its second term.

Two further conventional prospects within PEDL209 and the remaining hydrocarbon potential are to be further evaluated.

#### THE INTERESTS IN PEDL209 ARE HELD BY:

Egdon Resources UK Limited (operator)	50.0%
Blackland Park Exploration Limited	28.0%
Stelinmatvic Industries Limited	12.0%
Union Jack Oil plc	10.0%

## UNAUDITED INCOME STATEMENT

### FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Notes	Six months ended 30 June 2016 Unaudited £	Six months ended 30 June 2015 Unaudited £	Year ended 31 December 2015 Audited £
Revenue		8,152	–	–
Administrative expenses		(262,042)	(259,512)	(605,742)
<b>Operating loss</b>		<b>(253,890)</b>	<b>(259,512)</b>	<b>(605,742)</b>
Other Income		–	–	12,713
Finance income		3,193	3,474	6,569
<b>Loss before taxation</b>		<b>(250,697)</b>	<b>(256,038)</b>	<b>(586,460)</b>
Taxation	3	–	–	(841)
<b>Loss for the period / year</b>		<b>(250,697)</b>	<b>(256,038)</b>	<b>(587,301)</b>
<b>Attributable to:</b>				
Equity shareholders of the Company		(250,697)	(256,038)	(587,301)
<b>Loss per share attributable to equity shareholders</b>				
Basic and diluted loss per share (pence)	2	(0.01)	(0.01)	(0.02)



## UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June 2016 Unaudited £	Six months ended 30 June 2015 Unaudited £	Year ended 31 December 2015 Audited £
Loss for the financial period/year	(250,697)	(256,038)	(587,301)
Other comprehensive income	–	–	–
<b>Total comprehensive loss for the period / year</b>	<b>(250,697)</b>	<b>(256,038)</b>	<b>(587,301)</b>

# UNAUDITED BALANCE SHEET

AS AT 30 JUNE 2016

Notes	As at 30 June 2016 Unaudited £	As at 30 June 2015 Unaudited £	As at 31 December 2015 Audited £
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	1,611,820	1,057,573	1,165,077
Investments	40,000	40,000	40,000
	1,651,820	1,097,573	1,205,077
<b>Current assets</b>			
Trade and other receivables	55,575	62,852	27,232
Cash and cash equivalents	2,288,410	2,741,214	3,078,311
	2,343,985	2,804,066	3,105,543
<b>Total assets</b>	3,995,805	3,901,639	4,310,620
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21,531	58,993	85,649
Provisions	18,000	–	18,000
<b>Total liabilities</b>	39,531	58,993	103,649
<b>Net assets</b>	3,956,274	3,842,646	4,206,971
<b>Capital and reserves attributable to the Company's equity shareholders</b>			
Share capital 4	2,593,458	2,475,811	2,593,458
Share premium	4,042,698	3,464,757	4,042,698
Share-based payment reserve	167,924	167,924	167,924
Accumulated deficit	(2,847,806)	(2,265,846)	(2,597,109)
<b>Total equity</b>	3,956,274	3,842,646	4,206,971

# UNAUDITED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Six months ended 30 June 2016 Unaudited £	Six months ended 30 June 2015 Unaudited £	Year ended 31 December 2015 Audited £
<b>Cash outflow from operating activities</b>	(346,351)	(301,254)	(543,846)
<b>Cash flow from investing activities</b>			
Purchase of intangible assets	(446,743)	(415,326)	(534,320)
Purchase of investments	–	(20,000)	(20,000)
Interest received	3,193	3,474	6,569
<b>Net cash used in investing activities</b>	(443,550)	(431,852)	(547,751)
<b>Cash flow from financing activities</b>			
Proceeds on issue of new shares	–	–	800,000
Cost of issuing new shares	–	–	(104,412)
<b>Net cash generated from financing activities</b>	–	–	695,588
<b>Net decrease in cash and cash equivalents</b>	(789,901)	(733,106)	(396,009)
Cash and cash equivalents at beginning of period / year	3,078,311	3,474,320	3,474,320
<b>Cash and cash equivalents at end of period / year</b>	2,288,410	2,741,214	3,078,311

# NOTES TO THE UNAUDITED FINANCIAL INFORMATION

## FOR THE SIX MONTHS ENDED 30 JUNE 2016

### I ACCOUNTING POLICIES

#### **Basis of Preparation**

These financial statements are for the six month period ended 30 June 2016.

The information for the year ended 31 December 2015 does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006.

A copy of the statutory financial statements for that period has been delivered to the Registrar of Companies. The Auditor's Report was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The interim financial statements for the six months ended 30 June 2016 are unaudited.

The interim financial information in this report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") applied in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The principal accounting policies have been consistently applied to all periods presented.

#### **Significant Accounting Policies**

The accounting policies and methods of computation followed in the interim financial statements are consistent with those as published in the Company's Annual Report and Financial Statements for the year ended 31 December 2015.

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

#### **Going Concern**

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

## 2 LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

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

Given the Company's reported loss for the period, warrants are not taken into account when determining the weighted average of ordinary shares in issue during the period and therefore the basic and diluted earnings per share are the same.

Basic loss per share	Six months ended 30 June 2016 pence	Six months ended 30 June 2015 pence	Year ended 31 December 2015 pence
Loss per share from continuing operations	(0.01)	(0.01)	(0.02)

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

	Six months ended 30 June 2016 £	Six months ended 30 June 2015 £	Year ended 31 December 2015 £
Earnings used in the calculation of total basic and diluted earnings per share	(250,697)	(256,038)	(587,301)

Number of Shares	Six months ended 30 June 2016	Six months ended 30 June 2015	Year ended 31 December 2015
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	2,888,708,805	2,418,120,570	2,492,898,974

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2016

### 3 TAXATION

There was no tax charge for the half yearly period due to the loss incurred. A deferred tax asset in respect of trading losses and share-based payments has not been recognised due to the uncertainty of timing of future profits. The trading tax losses are recoverable against suitable future trading profits.

### 4 SHARE CAPITAL

At 30 June 2016, there were 2,888,708,805 ordinary shares of a nominal value of 0.025 pence in issue.

At 30 June 2016, there were 831,680,400 deferred shares of 0.225 pence nominal value in issue.

At 30 June 2016, there were 55,052,548 warrants outstanding and exercisable.

### 5 EVENTS AFTER THE BALANCE SHEET DATE

There are no events after the balance sheet date to report.

### 6 RELATED PARTY TRANSACTIONS

Charnia Resources (UK) Limited, an unincorporated entity, owned by Graham Bull, non-executive director, received from the Company the sum of £19,200 during the period under review in respect of consulting fees.

Jayne Bramhill, spouse of David Bramhill, received from the Company the sum of £3,000 during the period under review in respect of IT maintenance and administration costs.

### 7 COPIES OF THE HALF YEARLY REPORT

A copy of the Half Yearly Report will shortly be posted to shareholders, and is now available on the Company's website [www.unionjackoil.com](http://www.unionjackoil.com).





**Union Jack Oil plc**

6 Charlotte Street,  
Bath BA1 2NE,  
England

Telephone: +44 (0) 1225 428139

Fax: +44 (0) 1225 428140

Email: [info@unionjackoil.com](mailto:info@unionjackoil.com)

Web: [www.unionjackoil.com](http://www.unionjackoil.com)