

FOR IMMEDIATE RELEASE**27 AUGUST 2010**

JKX Oil & Gas plc
HALF-YEARLY RESULTS
FOR
THE SIX MONTHS ENDED 30 JUNE 2010

Financial Highlights

- Revenue up 33% to \$104.5m (2009: \$78.6m)
- Operating profit up 9% to \$48.6m (2009: \$44.5m)
- Earnings per share 20.7 cents (2009: 20.2 cents)
- Operating cash flow up 12% to \$67.2m (2009: \$59.9m)
- Record period end cash of \$107.2m (2009: \$54.1m)
- Capital expenditure up 32% to \$68.3m (2009: \$51.6m)
- Interim dividend declared of 2.4p per share (2009: 2.3p per share)

Operational Highlights

- Production increased 15% to 11,689 boepd (2009: 10,191 boepd)
- Well test results on Koshekhablskoye field rehabilitation in Russia continue to exceed expectations
- Progress made on the Company's exploration programmes including expansion of Hungarian portfolio

Outlook

- 10% increase in Ukraine gas price since 1 August 2010, with positive impact on future revenue
- Overall production for the full year expected to be in excess of 10,500 boepd
- On target to meet key production objective of 20,000 boepd during 2011, despite lower current production
- Well funded to deliver development programmes
- Significant increase in drilling activity in H2
 - Results expected from Rudenkovskoye in October 2010
 - Results expected from Koshekhablskoye before year end
 - Exploration drilling in Bulgaria and Hungary

JKX Chief Executive, Dr Paul Davies, commented: "We have delivered improved results for the half year whilst accelerating our development programmes on our two deep gas licences in Ukraine and Russia respectively. Hungary increased its share of the Company's production, revenues, and profit, contributing 9% of Group revenues. We are confident of our ability to continue to deliver long term value for shareholders."

ENDS

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A presentation to analysts will be held this morning at the IOD (New Broad Street House, 35 New Broad Street, London, EC2M 1NH) at **10.00am**.

Chairman's statement

I am pleased to report improved results for the first half of 2010, reflecting the continued strengthening of international oil prices and the buoyant level of industrial gas prices in both Ukraine and Hungary. The acceleration of the Company's development programmes in Ukraine and Russia which was announced in January is proceeding, with well test results on our Russian rehabilitation project continuing to exceed expectations. Good progress has also been made on the Company's exploration programmes with continued success in our Hungarian drilling campaign.

Major financial highlights for the period include:

- Revenue up 33% to \$104.5m (2009: \$78.6m)
- Operating cash flow up 12% to \$67.2m (2009: \$59.9m)
- Operating profit up 9% to \$48.6m (2009: \$44.5m)
- Earnings per share 20.7 cents (2009: 20.2 cents)
- Capital expenditure up 32% to \$68.3m (2009: \$51.6m)
- Interim dividend declared of 2.4p per share (2009: 2.3p per share)

Production and realisations

Average production for the first six months of the year increased by 15% to 11,689 boepd (10,191 boepd). This improvement was driven by the continued development of drilling in our Poltava licences in Ukraine and the contribution of production from our Hajdunanas field in Hungary (JKX: 50%).

Oil realisations in the period reflect the improved level of international oil prices. Ukrainian gas realisations in the period have essentially maintained the levels achieved in 2009, although from August 2010 the Ukrainian authorities have increased the maximum industrial price by 10% which will have a favourable impact on Group revenue. Gas realisations in Hungary in the period were approximately \$10/Mcf.

Dividend

The Board is pleased to declare a four per cent increase in the interim dividend to 2.4p per share (2009: 2.3p per share), which reflects our confidence in the outlook for the Company. The dividend will be paid on 15th October to shareholders who are on the Company's Register of Members at the close of business on 10th September.

Outlook

As outlined in the last Annual Report, the Company is utilising the funds raised from shareholders in January to increase the pace and scope of the development of its tight Rudenkovskoye gas field in Ukraine, and the rehabilitation of its deep Koshekhablskoye gas field in southern Russia. Both projects are proceeding well with further drilling results expected through the second half of the year. Exploration drilling is also scheduled to increase in scope and intensity in the second half of the year both in Hungary, where activity is ongoing, and with the drilling of two wells in Bulgaria (JKX: 40%).

Production performance in the third quarter is lower than anticipated. This is due, firstly, to a delay in the mobilisation of the second drilling rig to our Poltava licences and, secondly, to the slow start-up of some wells following the annual field maintenance shut down. However, I am optimistic that production in the fourth quarter will benefit from new production from our Rudenkovskoye field and that the Company's overall performance for the year will be in excess of 10,500 boepd.

Rt Hon Lord Fraser of Carmyllie QC, Chairman

Chief Executive's statement

Ukraine

Poltava licences

In the first half of the year, our wholly owned subsidiary Poltava Petroleum Company (PPC) drilled and/or completed three development wells in the Poltava licences and worked-over six wells. A second rig has been contracted by PPC to continue development drilling in the main field areas of Ignatovskoye, Molchanovskoye and Novo-Nikolaevskoye to support production while the Skytop N-75 rig focuses on Rudenkovskoye drilling. Due to the rig still working on previous commitments, this rig will now only commence operations towards the end of the third quarter, which is significantly later than anticipated. This will have a negative impact on third and possibly fourth quarter production.

- During the period, the Skytop rig drilled the Rudenkovskoye well R-103 pilot hole with a TD of 3,850m in the Devonian reservoir. It has now plugged back and kicked off the drilling of the 1,000m horizontal section with a planned TD of 4,600m with results expected in October. Further wells are planned in the Rudenkovskoye area later this year and next.
- Development well M-167 was drilled as a high angle Tournasian carbonate infill well across the main natural fracture system in the Molchanovskoye North field. Drilling was suspended in 2009 due to a stuck drill pipe in the overlying swelling shale. The sidetrack was drilled successfully to a measured depth of 3,000m with a 400m section of Tournasian carbonate. Following a controlled acid squeeze on the low porosity formation, the well settled to a stabilised flow rate of 2.3 MMcfd of gas with 26 bpd condensate through a 36/64" choke with a FWHP of 626 psi. Other areas of the extensive low porosity carbonate in the area are being evaluated for potential application of this development technique.
- Development well N-73 was drilled as a Visean sandstone gas producer in the Novo-Nikolaevskoye field and flowed at a stabilised rate of 1.97 MMcfd of gas, 27 bc/d and 110 bwp/d with a FWHP of 189 psi. A well intervention is scheduled in the third quarter to isolate the water producing zone.
- Development well I-137 was drilled as a Visean carbonate oil producer in the southeast of the Ignatovskoye Field but was suspended in late 2008 with a fish in the hole below the 7-inch casing. A sidetrack was drilled in the period but encountered problems setting the casing. The TW-100 work-over rig re-entered the well and fished/milled out the junk in preparation for a further sidetrack later in the year.
- The TW-100 work-over rig carried out a water shut-off operation in well M-152 in the Molchanovskoye North field ahead of re-completing higher in the Devonian reservoir using coiled tubing conveyed jet perforating. Water continued to flow, probably from behind casing, and plans are being made to re-drill the horizontal section at a shallower level.
- Jet perforating was also carried out in well M-205 in the Molchanovskoye Main field where tests suggest that the original perforating did not adequately penetrate the reservoir when re-completing in this larger diameter section of the well. Despite an acid wash, production was disappointing and the well has been suspended pending a possible sidetrack.
- A work-over was carried out in well M-206 in the Molchanovskoye Main field in preparation for a propped acid frac. This well was originally completed as a Tournasian sandstone producer but production has now declined. The Tournasian carbonate is a poor producer in the area at present, but logs indicate upside which may be realised by stimulation. The 2009 frac programme confirmed that a propped acid frac stimulation technique may be effective in this location and material and equipment are being mobilised to the site for a third quarter frac operation.
- Well I-105 in the Ignatovskoye field was successfully worked-over with the recovery of broken downhole pump rods. A surface pump is due for delivery in the third quarter to replace the existing unit.

- At the end of the reporting period, well M-166, a long horizontal well in the Devonian reservoir, showed a sharp increase in water production and a commensurate decline in oil and gas production which subsequently ceased. The TW-100 rig was mobilised to the location and gas lift installed to restore production. The re-drilling of a new horizontal section at a higher level is being scheduled for next year.

There is an increased level of well intervention activity to boost production during the second half of the year, including isolating the Devonian sands in well IG-110 and recompleting it as a Visean carbonate oil rim producer, adding perforations in wells M-158 and N-28, and isolating water in wells N-9 and N-73.

Facilities

As we announced in January, the installation of an LPG recovery plant and storage facility is proceeding. Contracts for the design and manufacture of the plant, and for the on-site construction and installation of storage and handling facilities, have been concluded. The design phase is almost complete and manufacturing and site preparations are expected to commence in the third quarter. Commissioning of the plant is due to commence in the second quarter of 2011 as anticipated.

The K220 replacement unit for the K200 compressor was commissioned in the period and is already providing greater support for gas-lift and production optimisation – an increasingly important aspect of field management.

Elizavetovskoye licence

Following resolution of the status of the Elizavetovskoye licence, preparations are underway for a small seismic programme ahead of planned development drilling in 2011. Preliminary work has also begun on identifying the necessary facilities to enable gas production to commence in the second half of 2011.

Zaplavskoye licence

A 50% increase in the Zaplavskoye licence area, comprising 45 sq km, has been approved and is awaiting final ratification. A 100 km 2-D seismic programme in the Shagarivske area to the east of the Ignatovskoye field will be shot later in the year ahead of exploration drilling in 2011. The licence extension also in-fills an area between the Novo-Nikolaevskoye and Ignatovskoye licences where existing seismic indicates potential drilling targets and extends the western flank of the Ignatovskoye field.

Russia

Koshekhabskoye licence

Our wholly owned subsidiary Yuzhgazenergie (YGE) is redeveloping the Koshekhabskoye Field in southern Russia. Well work-over operations are ongoing and progress continues with the fabrication of the new gas processing facility (GPF). Site construction has commenced and commercial negotiations for the transport and sale of future gas production are underway.

- Early in the year, the work-over of Well-20 reached a point in the fishing operation where a sidetrack became the preferred mode of well completion. The rig was moved to Well-25 while additional equipment was ordered and delivered. The rig returned to Well-20 at the end of the period and successfully sidetracked and re-drilled the full Oxfordian reservoir section. The well was subsequently tested in July and flowed at a stabilised rate of 22.6 MMcfd of gas and an estimated 25 bpd of condensate through a 60/64" choke with a FWHP of 1,510 psi, significantly in excess of our expectations.
- Good progress was made on the work-over of Well-25 with sufficient tubing being removed to permit a sidetrack in the Oxfordian carbonate reservoir. Well-25 is the deepest well in the field and the necessary high temperature and pressure rated equipment is being manufactured. Drilling operations will continue in the fourth quarter. The success of the Well-20 sidetrack was encouraging but confirmed the need for the higher rated equipment.

- The Kremco rig has now moved to the Well-26 location and the work-over operations have commenced.

A second rig, KES 536, has been contracted with a higher specification than the Kremco rig. This will not only enable YGE to drill the deeper sidetrack wells but also allow YGE to fulfil its licence obligation of deepening Well-22 to the underlying Callovian sandstone reservoir. This well replaces the original licence obligation which stipulated the drilling of a new appraisal well to the Callovian. The KES 536 rig is now mobilised to the site and is expected to initiate work-over operations on Well-15 imminently.

Facilities

Site preparation on the Gas Processing Facility location is complete and installation of the foundations continues. The first items of equipment have arrived and construction will accelerate during the third quarter. The major elements of the gas processing plant are due to be shipped from the fabrication yard in the UAE towards the end of the third quarter. Flowline installation is virtually complete and the export line is in place. Provisions for making the connection to the gas trunkline have started.

Commissioning and testing are scheduled to start in the fourth quarter with gas sales commencing in the first quarter 2011.

Hungary

Hernad licences

JKX holds 50% equity in the 5,410 sq km Hernad licences in the northern Pannonian Basin, which includes the Hajdunanas field.

Development

The Hajdunanas field produces from two wells to a simple separator and then via a 14.5 km export line to an existing facility for input to the Hungarian gas pipeline system. Production rose to around 10.9 MMcf/d with 251 bcpd (JKX net 1,034 boepd) during the first half of April. Water influx in the lower horizons at the end of the period reduced production and Hungarian Horizon Energy (HHE), the operator, is currently undertaking a water shut off and re-completion.

The adjacent Gorbéháza field was brought on-stream in August with the 2.5 km tie-in of well Gorbéháza-1 to the Hajdunanas facilities. This well was drilled in the adjacent Nyírseg licence in 2009, and HHE and JKX have recently acquired PetroHungaria's minority interests in the field to match our 50/50 equity holdings in the Hernad licences. It is anticipated that the Gorbéháza production will offset any fall in ongoing Hajdunanas production.

Exploration

Interpretation of the 348 sq km of 3D seismic data acquired over the south eastern portion of Hernad I licence identified a number of prospects additional to Hajdunanas. A further 300 sq km 3D seismic survey is to be acquired in the third quarter. The Tiszatárján-1 exploration well remains suspended as an oil discovery pending a forward programme of formation stimulation. The Tiszavasvári-6 exploration well, some 6.5 km north of Hajdunanas, was successfully drilled to a depth of 2,893 m and encountered good gas shows in the Lower Pannonian target formation. The well is currently suspended pending mobilisation of a workover rig to test and, if necessary, stimulate the reservoir. Testing is anticipated in the fourth quarter. One further exploration well is planned for the licence in the second half of 2010.

Veszto licence

JKX holds a 25% equity interest in a 15.6 sq km part of the Veszto exploration licence in the eastern Pannonian Basin. A 3D seismic survey identified target horizons with amplitude supported Miocene clastic and volcanoclastic intervals within four-way dip closed structures. The first well, Nyekpuszta-1, was suspended due to the high pressures encountered. The second well, Nyekpuszta-2, reached a TD of 3,702m in the fourth quarter of 2009 and began testing a gas discovery late in the first quarter of 2010. The reservoir was stimulated with a propped frac and, despite initial flow rates being constrained by the abrasion

due to returning proppant, the rates were steady at 2.0 MMcfd and 600 bpd oil/condensate with a FWHP of 4,500 psi. The well is now undergoing a full clean-up and test programme.

A third well is planned on the Nyekpuszta discovery for later in the year.

Bulgaria

JKX holds a 40% interest in the B1 Golitza licence and is the operator. Interpretation of the 250 sq km 3D seismic survey across the east-central parts of the licence has been completed and a number of prospects identified. Two of these were selected for the 2010 drilling programme. Well sites have been acquired and the first well, Staro Oryahovo South R-1, is scheduled to spud at the end of August. The second well, Shkorpilovtci South West R-2, will follow and is expected to spud in mid October. Both wells are targeting amplitude supported gas prospects with reservoirs of Tertiary age.

Slovakia

JKX holds a 25% interest in the Svidnik, Medzilaborce and Snina exploration licences in the Carpathian fold belt in north east Slovakia. The full first phase regional 2D seismic has all been interpreted and numerous leads have been identified for in-fill acquisition. The next phase of data acquisition will take place in the third quarter. The data should enable the participants to begin the process of firming up the leads for drilling during 2011 and identifying areas for relinquishment within the 2,278 sq km area of these three large licences.

Current and Future Activity

The second half of 2010 will see a significant increase in drilling activity with additional rigs operating in the Poltava licences in Ukraine and the Koshekhablskoye licence in Russia. Exploration activity will begin in Bulgaria, with continued drilling and testing taking place in our Hungarian licences.

The drilling programme on the Poltava licences for the second half of the year will include a second horizontal well on the deep Rudenkovskoye field and more development drilling on the Novo-Nikolaevskoye, Ignatovskoye and Molchanovskoye fields, targeting the productive carbonate and sandstone horizons. Re-completions will also include re-drilling some of the very productive horizontal sections in the Devonian sandstone.

On the Koshekhablskoye field in Russia, work-over activity will be augmented by side-tracking and re-drilling of the Oxfordian reservoir sections as well as the deepening of one well to the Callovian reservoir before the year end. Testing activity will be ongoing ahead of the tie-in of the wells to the gas processing facility which is due to be completed in the second half of the year. We expect to start commissioning by the year-end.

The strategy of focusing our exploration efforts in eastern and central Europe will continue. We have established gas production in Hungary and further expansion of the exploration portfolio is underway. We continue to seek development opportunities in our core areas, and are currently very active in Ukraine.

Financial review

Revenue

Total revenue increased by 33% to \$104.5m (2009: \$78.6m). This was due to a number of reasons: a 6% increase in Ukrainian production following the uninterrupted completion of development wells compared to H1 2009, when a backlog of wells for completion had constrained new production; 936 boepd (2009: nil) of production from the Group's Hungarian interests, following the Hajdunanas field coming on-stream in August 2009; and the 56% increase in realised oil price in the period to \$65.97/bbl (2009: \$42.29/bbl) following the recovery in international oil prices.

Combined oil and gas production totalled 11,689 boepd (2009: 10,191 boepd), an increase of 15%.

While not having as dramatic an impact as the increase in realised oil price, the Group also recorded an important 3% rise in average realised gas price during the period to \$7.41/Mcf (2009: \$7.18/Mcf). The increase stems from the introduction of Hungarian gas sales into the Group mix, outweighing a slight reduction in price in Ukraine. Hungarian gas production accounted for 10% (2009: nil) of the Group total, and with an average selling price of \$9.96/Mcf it enhanced the Group average. The average price realised in Ukraine was \$7.10/Mcf (2009: \$7.18/Mcf). This comparable stability was due to the state-regulated maximum selling price for industrial gas in Ukraine remaining materially unchanged in the period. This was despite Russia and Ukraine reaching an agreement that included a significant reduction in the price paid by Ukraine for gas imported from Russia. Very encouragingly, following the end of the period the Ukrainian authorities have increased the maximum sales price for industrial gas to approximately \$7.80/Mcf with effect from 1st August. This will have a positive effect on future Group realisations.

Operating profit

Total operating costs were up 42% to \$33.3m as a combined result of a 15% increase in Group production and the impact of higher costs associated with Hungarian production. As previously noted, commercial production in Hungary only commenced in August 2009 and there were therefore no associated costs of sales in H1 2009. The Hungarian production had an impact on each of the three constituent elements of costs of production.

- The majority of the \$2.9m increase in operating costs relates to Hungary, which is a higher cost environment than we experience with Group operations in Ukraine, with operating costs in the period of \$10.54/boe compared to \$4.47/boe in Ukraine.
- The major influence on increased Depletion, Depreciation and Amortization (DD&A) is the 15% higher production period on period, 8% of which relates to Hungary and was amplified by the higher DD&A rate applicable to our Hungarian assets (\$16.73/boe for Hungary compared to \$7.86/boe for Ukraine).
- 83% of the \$1.2m increase in production related taxes resulted from Hungarian production where the effective rate was \$5.93/boe compared to the \$0.80/boe effective rate in Ukraine.

Overall, however, the Company believes that at \$15.76/boe, the combined costs of production (operating costs, DD&A and production based taxes) continues to underpin the Group's credentials as an efficient low cost onshore producer of oil and gas.

General and Administrative expenses increased by \$3.8m (49%) to \$11.5m (2009: \$7.7m) primarily a result of costs associated with the significant ramp up of activity related to the Group's Russian assets, the new Hungarian production stream and advisory costs in Ukraine.

Write-offs and provisions for exploration costs totalled \$7.9m (2009: \$0.1m). This follows the abandonment in the period of the Zaplavskoye 3 exploration well in Ukraine, and the provision for some gas processing equipment intended for use in the Koshekhablskoye re-development. The equipment is now not required and is to be sold.

The \$3.1m foreign exchange loss (2009: \$2.8m loss), consistent with the comparative period derives mainly from realised exchange losses in relation to the Group's sterling cash balances being re-valued at period-end.

Taxation

The total tax charge for the period of \$14.0m (2009: \$12.9m) represents an increase of 8.5%, materially in line with the 10% increase in pre-tax profits. The effective tax rate remains broadly in line at 28.5% (2009: 30%). This rate may reduce in future periods to the extent losses recognised in the United Kingdom, Russia and Netherlands are utilised.

Profit for the year

The profit after tax of \$35.1m (2009: \$31.8m) shows an 11% increase, driven by higher overall production (including the first full period of production from the Group's Hungarian operations) and a stronger oil price in the period. Basic earnings per share of 20.72 cents per share (2009: 20.23 cents per share) are also up. The increase of 2.4% is lower than the 11% increase in profit after tax, however, as a result of the 8% increase in the basic weighted average number of shares in issue. This follows a placing of shares in January 2010 to raise funds, primarily for the continuation of the Khoshekhableskoye re-development and the commencement of drilling on the Rudenkovskoye field.

Cash flow/net cash

After accounting for net interest received (\$0.5m) and taxes paid (\$14.7m), net cash from operating activities totalled \$53.0m, up \$3.5m or 7% (2009: \$49.5m).

The increase is lower than the 12% increase in cash generated from operations because of the timing of certain activities relative to the financial calendar, which drove a 38% increase in taxes paid in the period. In January a placing was undertaken of 14.3m shares at a price of £2.65 per share. Net of costs (\$2.2m), a total of \$58.2m was raised. The cash generated from operations was primarily applied to: pay a further \$3m contingent consideration in relation to the 2007 Yuzgazenergie acquisition (leaving \$2m outstanding for fulfilment and conditional payment); pay dividends to shareholders of \$6.7m (2009: \$6.4m); and, in combination with the proceeds of the share placing, fund \$68.3m of capital expenditure (2009: \$50.6m). Of the total capital expenditure 63% was in relation to Russia, 31% Ukraine, 5% Hungary and 1% other areas.

After accounting for the effect of foreign exchange revaluation of cash held, the resultant period end cash was \$107.2m (\$54.1m). The current cash balance is approximately \$100m.

Financial instruments

We employ a number of financial instruments to finance the Group's operations. These include cash and liquid resources, together with items such as receivables and payables that arise directly from our operations.

Risks and Uncertainties

The Group's business of oil and gas exploration and production and its chosen area of operation, central and eastern Europe, dictates that it is exposed to a broad range of risks. The principal risks and uncertainties for the remaining six months of the financial year are unchanged from those stated on pages 28 to 30 of the JKC Group 2009 Annual Report and Accounts, a summary description of which is provided below. This summary description is not intended, and should not be used, as a substitute for reading the appropriate pages of the Annual Report and Accounts. This section forms part of the interim management review for the purposes of the Disclosure and Transparency Rules made by the UK Financial Services Authority.

Reservoir performance

The hydrocarbon reservoirs that generate production and cash flow to underpin the Group's growth may not perform as expected, exposing the Group to lower profits and challenges in funding planned development. Accordingly, forecast reservoir performance is critical in deciding on development options for specific assets, as well as allocation of resources generally across the Group.

Capital expenditure

The Group operates in a capital intensive business requiring long lead time investment decisions. Deviations in forecasts of timing and quantum of exploration and development expenditures can expose the Group to funding challenges and to projects which may have diminished or negative economic return. Such deviations can result from a number of causes, including general economic and industry specific cost inflation, variations in foreign exchange rates, deficient project planning and monitoring of project spend.

Commodity prices

The Group is exposed to international oil and gas price movements. The Group is a price taker and does not currently enter into hedge agreements unless required for borrowing purposes as may occur in the future from time to time.

Procurement and contract management

Inability to negotiate and manage purchases and contracts can increase costs to the Group and/ or cause delays to project completions and operations, negatively impacting production, cash flow and value generation.

Country exposure

The Company operates in a variety of emerging markets where the accounting, tax and legal environment and the application of laws and regulations are constantly evolving. New laws can come into effect at times which can conflict with others and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. This can result in the Group being subject to uncertainties relating to the determination of its tax as well as other liabilities. Management's interpretation of tax legislation as applied to the transactions and activities of the Group may at times not coincide with that of the tax authorities. As a result, the tax authorities in the countries of operation may challenge transactions and the Group may be assessed for additional taxes, penalties and fines which could have a material adverse effect on the Group's financial position and results of operations. Taxation risk is further explained in Note 12 to the interim financial information.

Capital management

An optimal capital structure should be maintained for the Group to continue maximising returns for shareholders and benefits to other stakeholders. Failure to manage the capital structure could reduce stakeholder returns and, in extreme circumstances, impact the Group's ability to operate as a going concern.

Foreign exchange exposure

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Ukrainian Hryvna and the Russian Rouble. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Cash flow and interest rate exposure

The Group's income and operating cash flows are subject to changes in market interest rates.

Credit

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions

Liquidity

Reduction in liquidity and working capital could result in delay or cancellation of capital projects. In extreme circumstances, this could impact day to day operations and the Group's ability to continue as a going concern.

Financial review

Production summary	1H 2010	2H 2009	1H 2009
Production			
Oil (Mbbl)	677	879	578
Gas (Bcf)	8.6	9.2	7.6
Oil equivalent (Mboe)	2,116	2,413	1,845
Daily production			
Oil (bopd)	3,740	4,777	3,191
Gas (MMcfd)	48	50	42
Oil equivalent (boepd)	11,689	13,114	10,191
Operating results			
	1H 2010	2H 2009	1H 2009
	\$m	\$m	\$m
Revenue			
Oil	46.4	52.2	24.2
Gas	57.8	64.5	53.6
Other	0.3	1.2	0.8
	104.5	117.9	78.6
Cost of sales			
Operating costs	(12.3)	(11.2)	(9.4)
Depreciation, depletion and amortisation – oil and gas assets	(18.5)	(20.1)	(12.7)
Production based taxes	(2.6)	(2.6)	(1.4)
	(33.4)	(33.9)	(23.5)
Provision for impairment/write off of exploration costs	(7.9)	(4.9)	(0.1)
Total cost of sales	(41.3)	(38.8)	(23.6)
Gross Profit	63.2	79.1	55.0
Operating expenses			
General and administrative expenses	(11.5)	(7.0)	(7.7)
(Loss)/profit on foreign exchange	(3.1)	0.5	(2.8)
Profit on sale of assets	-	2.5	-
Operating profit	48.6	75.1	44.5

Earnings	1H 2010	2H 2009	1H 2009
Net profit (\$m)	35.1	53.5	31.8
Basic weighted average number of shares in issue (m)	170	157	157
Earnings per share (basic, cents)	20.72	34.00	20.23
Earnings before interest, tax, depreciation and amortisation (\$m)	68.2	96.4	58.5
Realisations	1H 2010	2H 2009	1H 2009
Oil (per bbl)	\$65.97	\$59.48	\$42.29
Gas (per Mcf)	\$7.41	\$7.20	\$7.18
Cost of production (\$/boe)	1H 2010	2H 2009	1H 2009
Operating costs	\$5.81	\$4.65	\$5.13
Depreciation, depletion and amortisation	\$8.74	\$8.33	\$6.90
Production based taxes	\$1.21	\$1.09	\$0.73
Cash flow	1H 2010	2H 2009	1H 2009
Cash generated from operations (\$m)	67.2	100.1	59.9
Operating cash flow per share (cents)	39.6	63.6	38.1
Balance sheet	1H 2010	2H 2009	1H 2009
Net cash (\$m)	107.2	74.4	54.1
Net cash to equity (%)	22.1	18.4	15.1
Return on average capital employed (%)	15.8	28.1	18.4
Increase in property, plant and equipment/intangible assets (\$m)			
- Ukraine	21.3	19.7	25.5
- Russia	43.1	24.3	17.6
- Other	3.9	12.0	8.5
Total	68.3	56.0	51.6

Interim financial information

Group income statement

	Notes	Six months to 30 June 2010 (un-audited) \$000	Six months to 30 June 2009 (un-audited) \$000	Year to 31 December 2009 (audited) \$000
Revenue	4	104,481	78,584	196,508
Cost of sales				
Operating costs - excluding impairment/write off of exploration costs	10	(33,342)	(23,497)	(57,411)
Provision for impairment/write off of exploration costs	10	(7,916)	(95)	(5,039)
Total cost of sales		(41,258)	(23,592)	(62,450)
Gross profit		63,223	54,992	134,058
General and administrative expenses		(11,483)	(7,730)	(14,667)
(Loss)/profit on foreign exchange		(3,112)	(2,783)	(2,286)
Profit on sale of assets		-	-	2,486
Operating profit	11	48,628	44,479	119,591
Finance income		567	715	878
Finance cost		(57)	(514)	(1,142)
Profit before tax		49,138	44,680	119,327
Taxation	12	(13,989)	(12,888)	(33,998)
Profit for the period		35,149	31,792	85,329
Earnings per share				
– basic earnings per 10p ordinary share (in cents)	13	20.72	20.23	54.23
– diluted earnings per 10p ordinary share (in cents)	13	20.62	20.15	54.05

Group statement of comprehensive income

		Six months to 30 June 2010 (un-audited) \$'000	Six months to 30 June 2009 (un-audited) \$'000	Year to 31 December 2009 (audited) \$'000
Profit for the period		35,149	31,792	85,329
Currency translation differences		(6,231)	(3,009)	(3,671)
Total comprehensive income attributed to:				
JKX shareholders		28,918	28,783	81,658

The notes 1-18 form an integral part of this financial information.

Interim financial information

Group balance sheet

	Notes	As at 30 June 2010 (un-audited) \$000	As at 30 June 2009 (un-audited) \$000	As at 31 December 2009 (audited) \$000
Assets				
Non-current assets				
Property, plant and equipment	5	385,574	307,753	344,166
Other intangible assets	5	21,129	26,545	27,134
Long term receivable		2,819	-	2,531
Goodwill		2,034	2,028	2,101
		411,556	336,326	375,932
Current assets				
Inventories – finished goods		2,861	1,603	2,203
Trade and other receivables		36,844	23,530	31,817
Cash and cash equivalents	7	107,216	54,079	74,368
		146,921	79,212	108,388
Assets of disposal group classified as held for sale	6	-	7,397	-
		146,921	86,609	108,388
Total assets		558,477	422,935	484,320
Liabilities				
Current liabilities				
Current tax liabilities		(2,411)	(3,269)	(1,293)
Trade and other payables		(38,048)	(33,155)	(44,008)
		(40,459)	(36,424)	(45,301)
Liabilities directly associated with the assets classified as held for sale	6	-	(8)	-
		(40,459)	(36,432)	(45,301)
Non-current liabilities				
Provisions	9	(3,033)	(2,261)	(2,818)
Long term payable		(2,819)	-	(2,531)
Deferred tax		(26,986)	(27,150)	(29,346)
		(32,838)	(29,411)	(34,695)
Total liabilities		(73,297)	(65,843)	(79,996)
Net assets		485,180	357,092	404,324
Equity				
Share capital	8	26,649	24,334	24,335
Share premium		97,449	41,296	41,317
Merger reserve		30,680	30,680	30,680
Other reserves				
- Capital redemption reserve		587	587	587
- Equity – share options		3,324	2,889	3,139
- Equity – foreign currency translation		(31,537)	(24,644)	(25,306)
Retained earnings		358,028	281,950	329,572
Total shareholders' equity		485,180	357,092	404,324

The notes 1-18 form an integral part of this financial information.

Interim financial information
Group statement of changes in equity (un-audited)

	Share capital	Merger reserve	Capital redemption reserve	Equity share options reserve	Foreign currency translation reserve	Share premium	Retained earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Group:								
At 1 January 2009	24,256	30,680	587	2,719	(21,635)	41,015	256,535	334,157
Comprehensive income								
Profit	-	-	-	-	-	-	31,792	31,792
Other comprehensive income								
Exchange differences arising on translation of overseas operations	-	-	-	-	(3,009)	-	-	(3,009)
Total other comprehensive income	-	-	-	-	(3,009)	-	-	(3,009)
Total comprehensive income	-	-	-	-	(3,009)	-	31,792	28,783
Transaction with owners								
Issue of employee share options	78	-	-	-	-	281	-	359
IFRS 2 Share option charge	-	-	-	170	-	-	-	170
Dividends paid	-	-	-	-	-	-	(6,377)	(6,377)
Total transactions with owners	78	-	-	170	-	281	(6,377)	(5,848)
At 30 June 2009	24,334	30,680	587	2,889	(24,644)	41,296	281,950	357,092
Group:								
At 1 January 2010	24,335	30,680	587	3,139	(25,306)	41,317	329,572	404,324
Comprehensive income								
Profit	-	-	-	-	-	-	35,149	35,149
Other comprehensive income								
Exchange differences arising on translation of overseas operations	-	-	-	-	(6,231)	-	-	(6,231)
Total other comprehensive income	-	-	-	-	(6,231)	-	-	(6,231)
Total comprehensive income	-	-	-	-	(6,231)	-	35,149	28,918
Transaction with owners								
Issue of employee share options	37	-	-	-	-	230	-	267
Issue of ordinary shares	2,277	-	-	-	-	55,902	-	58,179
IFRS 2 share option charge	-	-	-	185	-	-	-	185
Dividends paid	-	-	-	-	-	-	(6,693)	(6,693)
Total transactions with owners	2,314	-	-	185	-	56,132	(6,693)	51,938
At 30 June 2010	26,649	30,680	587	3,324	(31,537)	97,449	358,028	485,180

The notes 1-18 form an integral part of this financial information.

Interim financial information

Group cash flow statement

	Notes	Six months to 30 June 2010 (un-audited) \$'000	Six months to 30 June 2009 (un-audited) \$'000	Year to 31 December 2009 (audited) \$'000
Cash flows from operating activities	15			
Cash generated from operations		67,189	59,919	159,976
Interest received		556	429	296
Interest paid		(62)	(163)	(369)
Income tax paid		(14,730)	(10,694)	(33,065)
Net cash from operating activities		52,953	49,491	126,838
Cash flows from investing activities				
Deferred payment on Russian acquisition		(3,000)	-	-
Net proceeds on part disposal/disposal of business		-	1,595	11,726
Short term loan repaid		-	-	10
Purchase of property, plant and equipment and intangible assets		(68,319)	(50,617)	(108,718)
Net cash used in investing activities		(71,319)	(49,022)	(96,982)
Cash flows from financing activities				
Net proceeds from issue of ordinary shares		58,446	359	381
Proceeds from borrowing/(repayment of borrowing)		(109)	-	-
Dividends paid to shareholders	14	(6,693)	(6,377)	(12,292)
Net cash used in financing activities		51,644	(6,018)	(11,911)
Increase/(decrease) in cash and cash equivalents in the period		33,278	(5,549)	17,945
Effect of exchange rates on cash and cash equivalents		(430)	(5,177)	(8,382)
Cash and cash equivalents at 1 January		74,368	64,805	64,805
Included in cash and cash equivalents as per balance sheet	7	107,216	54,079	74,368

The notes 1-18 form an integral part of this financial information.

Notes to the interim financial information

1. General information and accounting policies

JKX Oil & Gas plc (the ultimate parent of the Group) is a public limited company listed on the London Stock Exchange and incorporated in England. The registered office is 6 Cavendish Square, London, W1G 0PD and the principal activities of the Group are exploration, appraisal, development and production of oil and gas reserves. The registered number of the Company is 03050645.

This condensed consolidated interim financial information was approved by the directors for issue on 27 August 2010.

This condensed consolidated interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 were approved by the Board of directors on 12 April 2010 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

This condensed consolidated interim financial information has been reviewed and not audited.

2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009 which were prepared in accordance with IFRSs as adopted by the European Union.

3. Accounting policies

Except as described below, the accounting policies adopted are consistent with those used in the annual financial statements for the year ended 31 December 2009. A copy of the annual financial statements is available on the company's corporate website (www.jkx.co.uk) or from the company's registered office.

Taxes on income in the interim period are accrued using the tax rate that would be applicable on expected total annual earnings.

a) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any acquisitions during the period.
- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 31 October 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

b) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been adopted early:

- IFRS 9, 'Financial instruments', issued in December 2009, but has not yet been endorsed. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group has not yet decided when to adopt IFRS 9.

- Revised IAS 24, 'Related party disclosures', issued in November 2009, and endorsed by the EU on 19 July 2010. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

4. Segmental analysis

Reportable operating segments are based on the internal reports provided to the Chief Operating Decision Maker (“CODM”) to evaluate segment performance, decide how to allocate resources and make other operating decisions. The primary segmental reporting format is determined to be the geographical segment according to the location of the asset. The Group has one single class of business, being the exploration for, development and production of oil and gas reserves.

Transfer prices between geographical segments are on an arm’s-length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated on consolidation.

1H 2010	UK \$000	Ukraine \$000	Russia \$000	Hungary \$000	Rest of world \$000	Sub total \$000	Eliminations \$000	Total \$000
External revenue								
Revenue by location of asset								
- Oil	-	45,416	-	979	-	46,395	-	46,395
- Gas	-	49,464	-	8,356	-	57,820	-	57,820
- Management services/other	-	218	48	-	-	266	-	266
	-	95,098	48	9,335	-	104,481	-	104,481
Inter segment revenue								
- Oil	-	-	-	-	-	-	-	-
- Gas	-	-	-	-	-	-	-	-
- Management services/other	13,871	-	-	-	-	13,871	(13,871)	-
- Equipment	7,391	-	-	-	-	7,391	(7,391)	-
	21,262	-	-	-	-	21,262	(21,262)	-
Total revenue								
- Oil	-	45,416	-	979	-	46,395	-	46,395
- Gas	-	49,464	-	8,356	-	57,820	-	57,820
- Management services/other	13,871	218	48	-	-	14,137	(13,871)	266
- Equipment	7,391	-	-	-	-	7,391	(7,391)	-
	21,262	95,098	48	9,335	-	125,743	(21,262)	104,481
Operating profit/(loss)	(7,592)	56,143	(2,317)	3,600	(2)	49,832	(1,204)	48,628
Total assets	72,392	230,559	190,517	37,246	27,763	558,477	-	558,477

4. Segmental analysis (continued)

1H 2009	UK \$000	Ukraine \$000	Russia \$000	Hungary \$000	Rest of world \$000	Sub total \$000	Eliminations \$000	Total \$000
External revenue								
Revenue by location of asset								
- Oil	-	24,136	-	-	-	24,136	-	24,136
- Gas	-	53,611	-	-	6	53,617	-	53,617
- Management services/other	-	831	-	-	-	831	-	831
	-	78,578	-	-	6	78,584	-	78,584
Inter segment revenue								
- Oil	-	-	-	-	-	-	-	-
- Gas	-	-	-	-	-	-	-	-
- Management services/other	6,097	-	-	-	-	6,097	(6,097)	-
- Equipment	10,944	-	-	-	71	11,015	(11,015)	-
	17,041	-	-	-	71	17,112	(17,112)	-
Total revenue								
- Oil	-	24,136	-	-	-	24,136	-	24,136
- Gas	-	53,611	-	-	6	53,617	-	53,617
- Management services/other	6,097	831	-	-	-	6,928	(6,097)	831
- Equipment	10,944	-	-	-	71	11,015	(11,015)	-
	17,041	78,578	-	-	77	95,696	(17,112)	78,584
Operating profit/(loss)	(2,820)	50,108	(1,721)	(157)	194	45,604	(1,125)	44,479
Total assets	33,085	229,662	117,139	20,450	22,599	422,935	-	422,935

5. Property, plant and equipment and intangible assets

During the period the group acquired \$68.3m additional assets (2009: \$51.6m), with 96% (2009: 92%) being in Ukraine, Russia and Hungary on the Group's oil and gas producing and development assets and 4% (2009: 8%) being spent on intangible assets.

6. Assets held for sale

The assets that the group held in the USA were presented in the 2009 interim financial information as being held for sale.

7. Cash and cash equivalents

	1 January 2010 \$'000	Net movement \$'000	30 June 2010 \$'000
Cash	736	1,390	2,126
Short term deposits	73,632	31,458	105,090
Cash and cash equivalents	74,368	32,848	107,216

8. Share capital

Equity share capital, denominated in Sterling, was as follows:

	2010 Number	2010 £000	2010 \$000	2009 Number	2009 £000	2009 \$000
Authorised						
Ordinary shares of 10p each	250,000,000	25,000	35,940	250,000,000	25,000	35,940
Allotted, called up and fully paid						
Opening balance at 1 January	157,513,880	15,751	24,335	156,974,380	15,697	24,256
Exercise of share options	249,327	25	37	530,500	54	78
Placement of ordinary shares	14,257,270	1,426	2,277	-	-	-
Closing balance at 30 June	172,020,477	17,202	26,649	157,504,880	15,751	24,334
Of which the following are shares held in treasury:						
Treasury shares held at 1 January	402,771	40	77	402,771	40	77
Treasury shares held at 30 June	402,771	40	77	402,771	40	77

The Company did not purchase any treasury shares during 2010 (2009: nil). There were no treasury shares used in 2010 (2009: nil) to settle share options. There are no shares reserved for issue under options or contracts.

The Group issued 14,257,270 ordinary shares on 26 January 2010 (9.1% of the existing ordinary share capital issued). The ordinary shares issued have the same rights as the other shares in issue. The related transaction costs amounting to \$2.2m have been netted off against the proceeds.

9. Provisions

	30 June 2010 \$'000	30 June 2009 \$'000	31 December 2009 \$'000
Provision for site restoration	3,033	2,253	2,810
Other provisions	-	8	8
	3,033	2,261	2,818

10. Cost of sales

	Six months to 30 June 2010 \$000	Six months to 30 June 2009 \$000	Year to 31 December 2009 \$000
Operating costs	12,288	9,421	20,599
Depreciation, depletion and amortisation	18,500	12,720	32,831
Production based taxes	2,554	1,356	3,981
	33,342	23,497	57,411
Provision for impairment/write off of exploration costs	7,916	95	5,039
Total cost of sales	41,258	23,592	62,450

11. Operating profit

In calculating operating profit there have been no costs recorded in addition to operating costs, general and administrative costs and foreign exchange gains and losses (2009: \$nil).

All assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill is reviewed at the end of each financial year or as circumstances dictate.

12. Taxation

No liability to UK taxation has arisen during the six months ended 30 June 2010 (2009: \$nil) due to the availability of tax losses, relief for overseas taxes paid on dividends received and tax relief on employee share options exercised. The tax charged in the period relates to Ukrainian corporation tax which has arisen in the Group subsidiary, Poltava Petroleum Company. Taxes charged on production of hydrocarbons in Ukraine and Hungary are included in cost of sales.

A number of changes to the UK Corporation tax system were announced in the June 2010 Budget including a reduction in the rate of corporation tax. The main rate of corporation tax will be reduced from 28% to 27% from 1 April 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 24% by April 2014. The changes had not been substantively enacted as at the balance sheet date and, therefore are not reflected in these financial statements.

Factors that may affect future tax charges

A significant proportion of the Group's income will be generated overseas. Profits made overseas will not be able to be offset by costs elsewhere in the Group. This could lead to a higher than expected tax rate for the Group.

Taxation in Ukraine

The Group is subject to uncertainties relating to the determination of its tax liabilities. Ukrainian tax legislation and practice are in a state of continuous development, with new laws coming into effect at times which can conflict with others and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. Management's interpretation of tax legislation as applied to the transactions and activities of the Group may at times not coincide with that of the tax authorities.

PPC has at times since its inception in 1994 sought clarification of their status regarding a number of production related taxes, and has been subject to a number of such taxes, at various rates, which have been paid and accounted for within Operating Costs within the Group Income Statement. In late 2009, coinciding with the lead up to the Presidential election in Ukraine, PPC was subjected to increased operational pressures in several areas, including broader taxation. Specifically, application of production related tax pre 2009 attracted scrutiny. The tax position is explained on page 98 of the Company's 2009 Annual Report & Accounts. The Group's position remains substantially unchanged to that described in the 2009 Annual Report and Accounts, with the Group believing no form of material additional production related taxes is currently applicable to PPC.

13. Earnings per share

The calculation of earnings per ordinary share for the six months ended 30 June 2010 is based on the weighted average number of shares in issue during the period of 169,617,269 (30 June 2009: 157,173,684; 31 December 2009: 157,341,791) and the profit for the relevant period.

The diluted earnings per share for the six months ended 30 June 2010 is based on 170,482,527 (30 June 2009: 157,806,129; 31 December 2009: 157,874,862) ordinary shares calculated as follows:

Number of shares	30 June 2010	30 June 2009	31 December 2009
Basic weighted average number of shares	169,617,269	157,173,684	157,341,791
Dilutive potential ordinary shares:			
Share options	865,258	632,445	533,071
	170,482,527	157,806,129	157,874,862

14. Dividends

In respect of the full year 2009 a final dividend of 2.7 pence per share (in respect of the full year 2008: 2.6 pence per share) was paid on 11 June 2010. An interim dividend for 2010 has been declared of 2.4 pence per share (2009: 2.3 pence per share) which will be paid on 15 October 2010.

Total dividends paid during the six months period to 30 June 2010 amounted to \$6.7m (2009: \$6.4m) and for the full year ended 31 December 2009 \$12.3m.

15. Reconciliation of operating profit to net cash inflow from operating activities

	Six months to 30 June 2010 \$'000	Six months to 30 June 2009 \$'000	Year to 31 December 2009 \$'000
Operating profit	48,628	44,479	119,591
Depreciation, depletion and amortisation	19,607	14,054	35,351
Impairment of property, plant and equipment/intangible assets	7,916	139	4,821
Gain on disposal of subsidiary/asset disposal	-	-	(2,486)
Share-based payment costs	185	170	420
Cash generated from operations before changes in working capital	76,336	58,842	157,697
Changes in working capital *	(9,147)	1,077	2,279
Cash generated from operations	67,189	59,919	159,976

* Foreign exchange differences, which were separately disclosed in the 2009 Annual Report and Half yearly report, have been included in changes in working capital.

16. Capital commitments

Under the programmes for exploration, development and production of oil and gas assets in Hungary, Slovakia, Bulgaria, Ukraine and Russia, the Group had committed \$9.6m (2009: \$5.6m) to future capital expenditure on drilling rigs and facilities as at 30 June 2010.

17. Related-party transactions

Key management compensation amounted to \$1.9m for the six months ended 30 June 2010 (30 June 2009: \$1.7m).

18. Ukrainian and Russian business environment

Ukraine and Russia display emerging market characteristics, and the legislation and business practices regarding banking operations, foreign currency transactions and taxation are constantly evolving as the governments attempt to manage the economies. Risks inherent in conducting business in an emerging market economy include, but are not limited to, volatility in the financial markets and the general economy. Uncertainties over the development of the tax and legal environment, as well as difficulties associated with the consistent interpretation and application of current laws and regulations, have continued. As at 30 June 2010, oil and gas assets based in Ukraine and Russia represent approximately 49% (2009: 61%) and 42% (2009: 30%) respectively of the Group's oil and gas assets.

The Group's operations and financial position may be affected by these uncertainties. The Group's condensed consolidated interim financial information do not include any adjustments to reflect the possible future effects on the recoverability, and classification of assets or the amounts or classifications of liabilities that may result from these uncertainties.

Statement of directors' responsibilities

The directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by the Disclosure and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred in the first six months and their impact on the condensed set of financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in related party transactions described in the last annual report.

The directors of JKX Oil & Gas plc are listed in the JKX Oil & Gas plc Annual Report for 31 December 2009 and a list of current directors is maintained on the JKX Oil & Gas plc website www.jkx.co.uk.

By order of the Board

Dr Paul Davies
Chief Executive Officer

B J Burrows
Finance Director

Independent review report to JKX Oil & Gas plc

Introduction

We have been engaged by the company to review the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2010, which comprises the Group income statement, Group statement of comprehensive income, Group balance sheet, Group statement of changes in equity, Group cash flow statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated interim financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
London
27 August 2010

Notes:

- (a) The maintenance and integrity of the JKX Oil & Gas plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Glossary

Mcf	Thousand cubic feet
Bcf	Billion cubic feet
cfpd	Cubic feet per day
MMcfd	Million cubic feet per day
Mbbl	Thousand barrels
MMbbl	Million barrels
bcpd	Barrel of condensate per day
bpd	Barrel per day
bopd	Barrel of oil per day
boe	Barrel of oil equivalent
Mboe	Thousand barrels of oil equivalent
MMboe	Millions barrels of oil equivalent
boepd	Barrel of oil equivalent per day
sq.km	Square Kilometre
\$	United States Dollars
LIBOR	London InterBank Offered Rate
US	United States
Roubles	The lawful currency of Russia
Hryvna	The lawful currency of Ukraine

Conversion factors

6,000 standard cubic feet of gas = 1 boe

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