

9 November 2009

JKX Oil & Gas plc

**INTERIM MANAGEMENT STATEMENT
INCLUDING DATA FOR
THE THIRD QUARTER ENDING 30 SEPTEMBER 2009**

	Q3 2009	Q3 2008	Change
Production (boepd)	13,657	10,978	24%
Gas Production (MMcfd)	50.5	44.3	14%
Oil Production (bopd)	5,233	3,588	46%
Realised gas price (\$ per Mcf)	\$7.44	\$5.96	25%
Realised oil price (\$ per barrel)	\$62.54	\$100.35	(38%)

JKX Chief Executive, Dr Paul Davies, said: "The Company made good progress on its development and exploration assets in the third quarter. Production levels improved in the period and we are targeting average production for 2009 in excess of 11,500 boepd. We continue to evaluate attractive opportunities to add to our exploration and development portfolios, and we are currently being presented with the largest number of such opportunities in the Company's history."

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Highlights

JKX has increased overall production significantly in the period from 1 July to date as a result of higher oil and gas production in Ukraine and new production coming on-stream in Hungary. The Company's Russian re-development project has subsequently yielded an excellent result from the first well workover as facilities renewal and well workover activities proceed. Development activities continue in Ukraine and the frac test programmes have provided encouraging results on well stimulation. Further exploration drilling success has been achieved in Hungary and seismic programmes continue in Bulgaria and Slovakia.

Production

Ukraine: Average production in the third quarter was 13,256 boepd comprising 48 MMcfd of gas and 5,198 bpd of oil and condensate, a 30% increase on the average for the first half of the year. This increase is the result of a backlog of new and worked over wells coming on-stream, implementation of system efficiencies and some very successful development drilling.

Hungary: Following initiation of production from the Hajdunanas field in August, field production through to the end of the third quarter averaged 1,681 bpd, comprising 9.2 MMcfd of gas and 148 bpd of condensate. (JKX: 50%)

Outlook: We anticipate average production in the fourth quarter to be approximately 13,000 boepd, dependent on the timing of completion of two important development wells in the Molchanovskoye Field, Ukraine.

Ukraine

Development Activity: The 2009 programme of drilling, workovers and recompletions continued through the period. The 40 sq km 3D seismic survey data in the northern area of the Rudenkovskoye licence which was acquired in April has been supplemented during the period with a 30 km long offset 2D survey carried out in the southern area of the Rudenkovskoye licence to improve resolution of the deep Devonian fault patterns. Both surveys are now being processed.

The proppant fracture stimulation test programme for two of the three producing wells in the Rudenkovskoye field was completed in the period. The aim of the programme was to identify a preferred stimulation technique to be employed for the full development of the field. Results from Well R102 indicate that the frac increased flow rates significantly in the intervals fraced. Extensive application of the technique for full field development will, however, require a combination of: minimisation of frac and associated equipment costs; multiple fracs and increased permeable reservoir exposure with horizontal wells. Unfortunately, a pressure leak curtailed the Well R101 frac operation and the results were inconclusive. The 2010 drilling programme will include a minimum of one horizontal well to be drilled in the southern and shallower part of the field in the vicinity of Well R102, and a high angle sidetrack from the Well R101 to evaluate further the northern part of the field.

The acid fracture stimulation programme was carried out to enhance production from the Tournasian carbonate in areas where the natural fracture system is less developed (i.e. where the carbonate is tight). The frac on Well M162 in the Molchanovskoye North field area resulted in a significant increase in flow in comparison to the pre-frac rate. The frac on Well I131 in the Ignatovskoye field did result in a measurable improvement in reservoir performance, but this improvement was not sustainable. The results from the acid frac test programme indicate that significant improvements can be made to well performance if zones to be stimulated can be carefully selected on their lithological characteristics. The 2010 drilling programme will include application of these techniques to a number of planned wells and

re-completions with careful attention being paid to equipment costs, improved techniques (such as using proppant to keep the fractures open) and reservoir characteristics.

Drilling, Workover & Testing Activity: Three new development wells were drilled and five wells worked over in the third quarter.

Well N72 was drilled in the Novo-Nikolaevskoye field to develop the Visean sandstones between the N71 and I133 wells and logged hydrocarbons in two sandstone layers. There was no flow from the deeper, thinner reservoir and the well was re-completed in the upper reservoir. New flowlines to the plant are now complete and the well has begun its test programme.

Development Well M167 was drilled as a high angle Tournasian carbonate infill well across the main natural fracture system in the Molchanovskoye North field. Drilling was suspended at approximately 2,500m due to a stuck drill pipe in the overlying swelling shale. Currently, the horizontal development Well M168 is being drilled as Devonian sandstone offset to the successful M166 horizontal well. Following completion of Well M168, the rig will return to Well M167 and perform a sidetrack.

The TW-100 workover rig carried out recompletions in Rudenkovskoye wells R101 and R102 and NovoNikolaevskoye N72. On the Zaplavskoye licence, the rig plugged and abandoned exploration well Z2, successfully recovered the fish from exploration Well Z3 and prepared the well for the forthcoming acid frac planned for the fourth quarter. Since the end of the period, the workover rig has just recompleted Well I133 as a Visean sandstone producer and is now performing a similar operation in Well I131.

Facilities: Work is focused on maximising gas production from the field as the pressure in older wells starts to decline. A review of all the wells and flowlines has identified areas where the system can be optimised. An additional compressor is being installed and plans are underway to reconfigure two of the existing compressors to match the changing operating conditions.

Russia

Development and Workover Activity: Well workover operations are ongoing in the Koshekhabskoye field and progress continues with the design and fabrication of a new gas processing facility (GPF).

Testing of Well 27 has been completed in the Oxfordian limestone. The final flow rate was 13.1 MMcfd and 12 bpd of condensate through a 36/64" choke. Surface composition measurements were consistent with historical data and bottom hole samples confirmed the anticipated levels of H₂S and condensate.

The Kremco-900 rig continues to work over Well 20, albeit slowly, due to particularly tight tolerances between casing and tubing in the lowest section below 4,500m. Following completion of the Well 20 workover, the rig will move to the workover of the Callovian sandstone interval in Well 9.

Site clearance on the GPF is complete and the land has been levelled and prepared for construction operations. Flowline installation is underway and the first phase is expected to be complete in the first quarter of next year. Laying of the export line and connection to the nearby gas trunkline will follow.

Design work on the GPF and related infrastructure is nearing completion. Procurement and manufacture of equipment has started with construction and installation commencing in the second quarter next year. First gas is anticipated in late 2010.

A full re-evaluation and economic analysis of the Koshekhablskoye project is underway following the Well 27 test result. This review is incorporating revised project costs (following a change in manufacturing contractor) and the most recent gas price forecasts for Russian domestic gas. This study confirms that the initial peak offtake of 40MMcfd for the Oxfordian redevelopment is the optimum size for the GPF, although the plant design provides capacity of up to 50 MMcfd if required. Site space is also being allocated to permit further expansion of the plant to handle additional production from both the Callovian reservoir, including a successful Well 9 test result, and upside to the Oxfordian reservoir if ongoing workovers show the wells to be more productive than currently forecast.

Hungary

Development Activity: The Hajdunanas field development was completed in the period with initiation of commercial gas delivery in August 2009. The completion takes production from the two discovery 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. JKX holds a 50% equity interest in the field.

Exploration

Ukraine: PPC has applied for extensions to the Zaplavskoye exploration licence area, but the processing of the applications has been slow. A potential exploration well location in the Chervonoyarske East exploration licence has been assessed and is being permitted.

Hungary: Hernad licences: JKX holds a 50% equity interest in the northern Pannonian Basin Hernad licences. Interpretation of the 348 sq km of 3D seismic data acquired over the south eastern portion of Hernad I licence has identified additional prospects for drilling in 2010.

Nyírség Licence: JKX farmed into the adjacent Nyírség licence operated by PetroHungaria in late 2008. JKX holds a 33.3% equity interest in the area covered by the 120 sq km 3D seismic survey. The first exploration well, Gorbehaza -1, tested 3.74 MMcfd and 20 bopd and is expected to be tied into the Hajdunanas facility by a 2.5 km flowline in early 2010.

Veszto Licence: JKX holds a 25% equity interest in a 15.6 sq km part of the Veszto exploration licence in the east Hungarian 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, encountered gas in both the primary target and a shallower secondary target but could not be tested due to high pressures, and the well was suspended. The second well, Nyekpuszta -2 reached a TD of 3,702m with good gas shows and is being completed for testing later in the fourth quarter.

Bulgaria: The 250 sq km 3D seismic survey across the east-central parts the B and B1 Golitza licenses has been processed and interpretation is under way with a view to identifying prospects for a 2010 drilling programme. Participation in the licences is now: JKX (40% and operator), Aurelian (30%) and Sorgania (30%).

Slovakia: The remaining 108 km of the 238 km regional 2D seismic planned for 2008 has now been acquired. The data should enable the participants to begin the process of high grading the potential contained within the 2,278 sq km area of these three large licences (JKX: 25%).

ENDS