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26 January 2010

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JKX Oil & Gas plc (LSE: JKX)

Placing to raise £37.8 million

1. Introduction

JKX Oil & Gas plc (the "Company" or "JKX") announces today its intention to place 14,257,270 new ordinary shares in the Company with institutional investors at a Placing Price of 265 pence per Placing Share to raise £37.8 million (approximately \$61 million) before expenses. Upon completion of the Placing, the Placing Shares will represent approximately 9.1 per cent. of the Existing Ordinary Shares or approximately 8.3 per cent. of the Enlarged Share Capital.

The Placing is being conducted, subject to satisfaction of certain conditions, through an accelerated bookbuilding process to be carried out by Oriel Securities and Brewin Dolphin, the Joint Bookrunners. The timing of the closing of the Bookbuilding and allocations are at the discretion of JKX and the Joint Bookrunners. Completion of the Placing will be announced as soon as practicable after the close of the Bookbuilding.

2. Background to the Placing

JKX has achieved significant growth over the last ten years and is an E&P company focused on the former Soviet Union ("FSU"), and a constituent of the FTSE 250 index. The Company has an established track record of successful development and production, with Q3 2009 production of 13,657 boepd. Anticipated production is expected to reach in excess of 20,000 boepd in 2011. The Company's principal interests are located in Ukraine and Russia, with additional interests in Hungary, Bulgaria and Slovakia.

JKX's long term strategy is to develop oil and gas interests in and around the states of the FSU with a specific focus on Ukraine and Russia. In the near term the Company intends to focus on four key components of its strategy:

- accelerating the appraisal and development of non-producing fields in JKX's existing portfolio. A dedicated drilling rig is expected to be used on the Rudenkovskoye field in Ukraine and the Company plans to extend the initial workover programme in Russia;
- optimising production from the Company's developed, producing fields in Ukraine following mobilisation of the dedicated rig;
- increasing activity on JKX's existing exploration and appraisal portfolio in central Europe; and

- maintaining flexibility to acquire additional interests in JKX's regions of focus to increase production and to diversify geographically. The Company is actively looking at potential acquisition opportunities.

In order to accelerate its strategy, JKX intends to invest the Placing proceeds in its core assets during 2010 alongside its existing capital budget. The total capital expenditure for the year is expected to be c. \$230 million. The Placing is intended to allow the Company to: bring forward the development of existing reserves to increase production, cash flow and the value of 2P reserves; convert significant contingent resources in the Company's existing portfolio to 2P reserves; optimise production facilities in Ukraine; unlock debt capacity for the Koshekhablskoye and Rudenkovskoye fields; and maintain the ability to make selective acquisitions.

3. Use of Proceeds

The Placing proceeds will be used to accelerate the Company's near term strategy. Specifically, the Company intends to:

- accelerate the development of existing 2P reserves and seek to appraise contingent resources at the Rudenkovskoye field by utilising a dedicated rig which is expected to cost \$22 million in 2010;
- continue the well workover programme in Russia during 2010 to increase cashflow and enhance 2P reserves. The extended 2010 workover programme is expected to cost \$27 million; and
- optimise the production facilities in Ukraine where the Company plans to construct a \$11 million liquefied petroleum gas ("LPG") facility.

4. Asset overview

Ukraine

JKX is continuing to undertake an active development and appraisal drilling programme in Ukraine for 2010 to build upon its existing production operations.

Following the proppant fracture stimulation tests in the Rudenkovskoye field in 2009, the Company intends to mobilise a dedicated second drilling rig in 2010 to recommence and to accelerate the field's development. It is estimated that Rudenkovskoye has potential contingent resources of up to 75MMboe, in addition to its existing 2P reserves of 21.6MMboe.

At the Company's Ukrainian production facilities, JKX plans to construct a new LPG facility to extract increased value from its Ukrainian gas production. The Company expects that any such facility would have a payback period of less than two years on the original investment.

Russia

JKX's Russian interests lie in the Koshekhablskoye field where a workover programme is ongoing. The initial three well workover programme commenced in 2009 in the primary Oxfordian carbonate reservoir. The initial results of this

workover programme are encouraging, with the one well tested to date flowing at double the expected rate. First sales gas is expected in late 2010.

The net proceeds of the Placing will allow the Company to extend the initial three well workover programme throughout 2010. This will mean initial gas production late in 2010 will be at a higher rate than it otherwise would have been, and will allow for assessment of incremental Oxfordian contingent resources estimated at approximately 246Bcf (41 MMboe). The net proceeds will also allow for the appraisal of the secondary, deeper Callovian sandstone reservoir, with contingent resources estimated at approximately 470Bcf (78 MMboe).

Construction has commenced of the Koshekhableskoye gas processing facility. It is expected that the facility will be commissioned in late 2010 and will come onstream around the end of this year, operating at full capacity of approximately 45MMcfd.

Other central and eastern European interests

JKX has a growing exploration, appraisal and development portfolio in Hungary, Bulgaria and Slovakia with the aim of increasing its production and diversifying its operations.

In Hungary, the Company has a 50 per cent. equity interest in the Hajdunanas field where, following successful exploration, it has booked 0.8MMboe of 2P reserves to date. JKX commenced delivery of commercial gas in August 2009, just 15 months from the date of spudding the initial exploration well. During 2010, the Company expects to undertake and to accelerate the exploration and appraisal of further interests located in the Hernad, Nyriseg and Veszto licences.

In Bulgaria, the Company participates in the two Golitza exploration licences and intends to undertake a drilling programme in 2010 following interpretation of a 3D seismic survey. JKX has a 40 per cent. equity interest in these licences and is the operator.

In Slovakia, JKX has interests in three exploration licences via a 25 per cent. equity participation. A 2D seismic survey has been acquired and prospectivity is currently being assessed.

5. Ukrainian and Russian gas price trends

In Ukraine, gas prices have converged towards European net back prices over the last four years, with full export net back equality anticipated in the near term. In Russia, the convergence of gas prices to European net back prices has been slower than previously expected, although JKX continues to believe that Russian gas price convergence will occur in the near to medium term.

6. Further details of the Placing

The Placing Price of 265 pence represents a discount of 4.7 per cent. to the closing middle market quotation of an Ordinary Share of 278.2 pence on 25 January 2010, as published in the Daily Official List.

Under the terms of the Placing Agreement, the Joint Bookrunners have agreed, conditional inter alia upon Admission taking place before 8.00 a.m. on 29 January 2010, to use their reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price and to assist the Company with Admission of the Placing Shares. The Placing is conditional, inter alia, on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms. The Company is to pay all properly incurred costs, charges and expenses of, or incidental to, the Placing. The Placing is not being underwritten.

The Placing Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on, or in respect of, such shares after the date of issue of the Placing Shares. The Placing will be made on a non pre-emptive basis.

JKX will apply for Admission of the Placing Shares to listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange. It is expected that Admission will take place and dealings will commence on the London Stock Exchange at 8.00 a.m. on 29 January 2010. The Placing is conditional upon, inter alia, Admission becoming effective. Appendix 1 to this announcement (which forms part of this announcement) sets out the terms and conditions of the Placing.

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This announcement has been issued by, and is the sole responsibility of, the Company. No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by, Hawkpoint, Oriel Securities or Brewin Dolphin or by any of their respective affiliates or agents as to or in relation to, the accuracy or completeness of this announcement, or any other written or oral information made available to or publicly available to any prospective investor or its advisers in connection with the Placing, and any liability therefore is hereby expressly disclaimed (apart from the responsibilities and liabilities, if any, which may be imposed on Hawkpoint, Oriel Securities or Brewin Dolphin by the FSMA).

Hawkpoint, which is authorised and regulated by the FSA in the United Kingdom, is acting exclusively for the Company as financial adviser in connection with the Placing and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing or any other matters referred to in this announcement.

Oriel Securities, which is authorised and regulated by the FSA in the United Kingdom, is acting exclusively for the Company as Joint Broker and Bookrunner in connection with the Placing and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing or any other matters referred to in this announcement.

Brewin Dolphin, which is authorised and regulated by the FSA in the United Kingdom, is acting exclusively for the Company as Joint Broker and Bookrunner in connection with the Placing and Admission and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice in relation to the Placing or any other matters referred to in this announcement.

Neither the content of JKK's website nor any website accessible by hyperlinks to JKK's website is incorporated in, or forms part of, this announcement.

The release, publication or distribution of this announcement and/or any documentation associated with the Placing and/or the issue of Placing Shares pursuant to the Placing or otherwise into certain jurisdictions outside the United Kingdom may be restricted by law. Persons who seek to participate in the Placing or into whose possession these documents come must inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction. In particular, this announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Placing Shares in the United States, Canada, Australia or Japan or in any other jurisdiction where such offer or solicitation, release, publication or distribution is or would be unlawful.

The Placing Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, resold or delivered in whole or in part, directly or indirectly in or into the United States or any of its territories or possessions, any state of the United States and the District of Columbia. The Placing Shares are being offered or sold in an "offshore transaction" within the meaning of Regulation S of the US Securities Act. No public offering of the Placing Shares is being or will be made in whole or in part, directly or indirectly, in or into the United States or any of its territories

or possessions, any state of the United States and the District of Columbia. No money, securities or other consideration from any person inside the United States is being or will be solicited pursuant to this announcement or the Placing.

The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States. Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this announcement should seek appropriate advice before taking any action.

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". Forward looking statements are typically identified by the use of forward looking terminology such as 'believes', 'expects', 'may', 'will', 'could', 'should', 'intends', 'estimates', 'plans', 'assumes' or 'anticipates' or the negative thereof or other variations thereon or comparable terminology, or by discussions of, e.g. future plans, present or future events, or strategy that involve risks and uncertainties. These forward-looking statements include matters that are not historical facts and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies, the outlook for relevant markets and the proposed Placing. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances and are based on current expectations. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements may and often do reflect the Company's view with respect to future events as at the date of this announcement and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. The forward-looking statements contained in this announcement speak only as of the date of this announcement and JKX undertakes no duty to, and will not necessarily, update any of them in light of new information or future events, except to the extent required by the London Stock Exchange, the FSA or applicable law.

The price of shares and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of the shares. No statement in this announcement is intended to be a profit forecast or profit estimate.

MEMBERS OF THE GENERAL PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. INVITATIONS TO PARTICIPATE IN THE PLACING HAVE BEEN LIMITED TO CERTAIN QUALIFIED PERSONS

APPENDIX 1

TERMS AND CONDITIONS OF THE PLACING

FOR INVITED PLACEES ONLY – IMPORTANT INFORMATION

1. Eligible participants

This Appendix 1, including the terms and conditions of the Placing set out in this Appendix 1, is directed only at persons that have been invited to participate in the Placing and who are (i) persons ("FSMA Qualified Investors") who are "qualified investors" as defined in section 86(7) of the Financial Services and Markets Act 2000 ("FSMA"), being a person falling within Article 2.1(e)(i), (ii) or (iii) of Directive 2003/71/EC (known as the "Prospectus Directive") and/or persons at or to whom any private communication relating to the Company that is a "financial promotion" (as such term is used in relation to FSMA) may lawfully be issued, directed or otherwise communicated without the need for it to be approved, made or directed by an "authorised person" as defined in FSMA, being to persons falling within Article 19 (investment professionals), Article 43 (members and creditors of certain bodies corporate) and Article 49 (high net-worth entities) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI. 2005/No. 1529) made pursuant to section 21(5) of FSMA (the "Order") or (ii) other persons to whom it may otherwise lawfully be issued or passed on to without requiring any additional prospectus, offer document, filing or any other action. This Appendix 1 is exempt from the general restriction in section 21 of FSMA on the communication of invitations or inducements to enter into investment activity on the grounds that it is communicated only to persons who fall within Articles 19, 43 or 49 of the Order (all such persons together being referred to as "Permitted Persons"). This announcement has not been approved by an authorised person. Any investment to which this announcement relates is available to (and any investment activity to which it relates will be engaged with) only those persons falling within Articles 19, 43 and 49 of the Order. Persons who do not fall within such categories of investor should not rely or take any action upon this announcement. Any person who is in any doubt about the investment to which this announcement relates should consult an authorised person specialising in advising on investments of the kind referred to in this announcement.

In this Appendix 1 "Placee" means any person who becomes committed to acquire Placing Shares under the Placing having given oral agreement to do so in accordance with the terms and conditions of this Appendix 1 to either of the Joint Bookrunners.

MEMBERS OF THE GENERAL PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. INVITATIONS TO PARTICIPATE IN THE PLACING HAVE BEEN LIMITED TO CERTAIN QUALIFIED PERSONS

2. Overseas jurisdictions

The release, publication or distribution of this announcement and/or any documentation associated with the Placing and/or the issue of Placing Shares pursuant to the Placing or otherwise into certain jurisdictions outside the United Kingdom may be restricted by law. Persons who seek to participate in the Placing or into whose possession these documents come must inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction. In particular, this announcement does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Placing Shares, directly or indirectly,

in or into, the United States, Canada, Australia or Japan or any other jurisdiction where such offer or solicitation, release, publication or distribution is or would be unlawful. Persons receiving the announcement including this Appendix 1 (including, without limitation, custodians, nominees and trustees) must not distribute, mail or send it in, into or from the United States, or use the United States mails, directly or indirectly, in connection with the Placing. Doing so may invalidate any related purported application for Placing Shares.

The Placing Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold or delivered, directly or indirectly, in or into the United States or any of its territories or possessions, any state of the United States and the District of Columbia. The Placing Shares are being offered or sold only outside the United States in an "offshore transaction" within the meaning of Regulation S of the US Securities Act. No public offering of the Placing Shares is being or will be made directly or indirectly, in or into the United States. No money, securities or other consideration from any person inside the United States is being solicited pursuant to this announcement or the Placing.

The Placing Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States. Persons (including, without limitation, nominees and trustees) who have a contractual or other legal obligation to forward a copy of this announcement should seek appropriate advice before taking any action.

3. Placing

The Joint Bookrunners are arranging the Placing as agents for and on behalf of the Company. The Joint Bookrunners and the Company will determine in their absolute discretion the extent of each Placee's participation in the Placing, which will not necessarily be the same for each Placee. No commissions will be paid to or by Placees in respect of their agreement to acquire any Placing Shares.

Each Placee will be required to pay to the Joint Bookrunners, on the Company's behalf, the Placing Price for each Placing Share agreed to be acquired by it under the Placing in accordance with the terms set out in this Appendix 1. Each Placee's obligation to acquire and pay for Placing Shares under the Placing will be owed to each of the Joint Bookrunners and the Company. Each Placee has an immediate, separate, irrevocable and binding obligation, owed to the Joint Bookrunners and the Company, to pay to the Joint Bookrunners (or as they may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares allocated to such Placee. Each Placee will be deemed to have read and understood this announcement and Appendix 1 in its entirety, to be participating in the Placing upon the terms and conditions contained in this Appendix 1, and to be providing the representations, warranties, agreements, acknowledgements and undertakings, in each case as contained in this Appendix 1. To the fullest extent permitted by law and applicable rules set out in the FSA Handbook (the "FSA Rules"), neither (i) the Joint Bookrunners, (ii) any director, officer, employee or consultant of either of the Joint Bookrunners, or (iii) to the extent not contained within (i) or (ii), any person connected with either of the Joint Bookrunners as defined in the FSA Rules ((i), (ii) and (iii) being together "Affiliates" and individually an "Affiliate"), shall have any liability to Placees or to any person other than the Company in respect of the Placing.

4. Participation, bookbuilding and settlement

Participation in the Placing is only available to persons who may lawfully be, and are, invited to participate in it by the Joint Bookrunners.

The Joint Bookrunners are conducting an accelerated bookbuilding process to determine the demand for participation in the Placing at the Placing Price (the "Bookbuilding"). An institution that is a Permitted Person and a shareholder and that wishes to participate should communicate its bid by telephone to its usual sales contact at the relevant Joint Bookrunner. The Joint Bookrunners and the Company will determine in their absolute discretion the extent of each Placee's participation in the Placing. If successful, an allocation will be confirmed orally following the close of the Bookbuilding, and a conditional Contract Note will be dispatched as soon as possible thereafter. The Joint Bookrunners' oral confirmation will constitute a legally binding commitment upon the Permitted Person to subscribe for the number of Placing Shares allocated to that Permitted Person at the Placing Price and otherwise on the terms and conditions set out in this Appendix 1 and in accordance with the Company's memorandum and articles of association. Each Placee's obligations will be owed to the Company and the Joint Bookrunners. Each Placee will also have an immediate, separate, irrevocable and binding obligation, owed to the Joint Bookrunners and the Company to pay to the Joint Bookrunners (or as the Joint Bookrunners may direct) in cleared funds an amount equal to the product of the Placing Price and the number of Placing Shares such Placee is allocated.

The Company will make a further announcement following the close of the Bookbuilding.

Principal Terms of the Bookbuilding:

- (a) The Joint Bookrunners are arranging the Placing as agent for the Company;
- (b) Participation will only be available to Permitted Persons who are invited to participate by the Joint Bookrunners and who communicate their wish to participate in the Bookbuilding to the Joint Bookrunners in accordance with sub-paragraph (d) below and who are able to participate in accordance with the terms and conditions set out herein. The Joint Bookrunners may enter bids and participate as principal in the Bookbuilding with the prior agreement of the Company;
- (c) The Placing Price will be 265 pence per Placing Share;
- (d) An institution that is a Permitted Person and that wishes to participate in the Bookbuilding should communicate its bid by telephone to its usual sales contact at the relevant Joint Bookrunner. The bid should state the number of Placing Shares or the monetary amount which the institution wishes to subscribe for at the Placing Price;
- (e) Any bid will be made on the terms and conditions in this Appendix 1 and will not be capable of variation or revocation after the close of the Bookbuilding process;
- (f) The Joint Bookrunners reserve the right not to accept bids or to accept bids in part rather than in whole. The acceptance of bids shall be at the absolute discretion of the Joint Bookrunners and the Company; and

- (g) The Bookbuilding process is expected to close no later than 4.00 p.m. (London time) on 25 January 2010, but may be closed earlier or later at the discretion of the Joint Bookrunners and the Company. The Joint Bookrunners and the Company jointly may, in their sole discretion, accept bids that are received after the Bookbuilding has closed. Notwithstanding the provisions of this paragraph 4 the Company and the Joint Bookrunners will be entitled to effect the Placing by such alternative method to the Bookbuilding as they may, in their absolute discretion, determine.

All obligations under the Placing will be subject to fulfilment of the conditions referred to below under the paragraph entitled 'Placing conditions'.

A Placee's commitment to acquire a fixed number of Placing Shares under the Placing will be agreed orally with the relevant Joint Bookrunner. Such agreement will constitute a legally binding commitment on such Placee's part to subscribe for that number of Placing Shares at the Placing Price on the terms and conditions set out or referred to in this Appendix 1 and subject to the Company's Memorandum and Articles of Association.

After such agreement is entered into, a written confirmation (a "Contract Note") will be dispatched to the Placee by the relevant Joint Bookrunner confirming (i) the number of Placing Shares that such Placee has agreed to subscribe for, (ii) the aggregate amount such Placee will be required to pay for those Placing Shares and (iii) settlement instructions. It is expected that such Contract Notes will be despatched by the date on which this announcement is published and that the "trade date" for settlement purposes will be 26 January 2010 and the "settlement date" will be 29 January 2010.

Settlement of transactions in the Placing Shares (ISIN: GB0004697420; SEDOL: 0469742) will take place within the CREST system, subject to certain exceptions, on a delivery versus payment ("DVP") basis. All Placees are to be settled through Oriel Securities against CREST ID: 601. The Joint Bookrunners reserve the right to require settlement for and delivery of any Placing Shares to any Placees by such other means that it deems appropriate if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in this Appendix 1 or would not be consistent with the regulatory requirements in any Placee's jurisdiction. A Placee whose Placing Shares are to be delivered to a custodian or settlement agent should ensure that the written confirmation is copied and delivered immediately to the appropriate person within that organisation.

Insofar as Placing Shares are registered in a Placee's name or that of its nominee or in the name of any person for whom a Placee is contracting as agent or that of a nominee for such person, such Placing Shares should, subject as provided below, be so registered free from any liability to UK stamp duty or stamp duty reserve tax. No Placee (or any nominee or other agent acting on behalf of a Placee) will be entitled to receive any fee or commission in connection with the Placing.

No UK stamp duty or stamp duty reserve tax should be payable to the extent that the Placing Shares are issued into CREST to, or to the nominee of, a Placee who holds those shares beneficially (and not as agent or nominee for any other person) within the CREST system and registered in the name of such Placee or such Placee's nominee provided that the Placing Shares are not issued to a person whose business is or includes issuing depositary receipts or the provision of clearance services or to an agent or nominee for any such person.

Any arrangements to issue or transfer the Placing Shares into a depositary receipts system or a clearance service or to hold the Placing Shares as agent or nominee of a person to whom a depositary receipt may be issued or who will hold

the Placing Shares in a clearance service, or any arrangements subsequently to transfer the Placing Shares, may give rise to UK stamp duty and/or stamp duty reserve tax, for which neither the Company nor the Joint Bookrunners will be responsible and the Placee to whom (or on behalf of whom, or in respect of the person for whom it is participating in the Placing as an agent or nominee) the allocation, allotment, issue or delivery of Placing Shares has given rise to such UK stamp duty or stamp duty reserve tax undertakes to pay such UK stamp duty or stamp duty reserve tax forthwith and to indemnify on an after-tax basis and to hold harmless the Company and the Joint Bookrunners in the event that any of the Company and/ or the Joint Bookrunners incur or have incurred any such liability to UK stamp duty or stamp duty reserve tax. In addition, Placees should note that they will be liable to pay any stamp duty and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the UK by them or any other person on the subscription by them for any Placing Shares or the agreement by them to subscribe for any Placing Shares.

When a Placee or person acting on behalf of the Placee is dealing with the Joint Bookrunners, any money held in an account with the Joint Bookrunners on behalf of the Placee and/or any person acting on behalf of the Placee will not be treated as client money within the meaning of the FSA Rules. The Placee acknowledges that the money will not be subject to the protections conferred by the client money rules; as a consequence, this money will not be segregated from the Joint Bookrunners' money in accordance with the client money rules and will be used by the Joint Bookrunners in the course of each of their own businesses; and the Placee will rank only as a general creditor of the Joint Bookrunners.

5. No prospectus

No prospectus has been or will be submitted for approval by the FSA in relation to the Placing or the Placing Shares. Placees' commitments in respect of Placing Shares will be made solely on the basis of the information contained in this announcement and on the terms contained in it. Each Placee, by accepting a participation in the Placing, undertakes that it has neither received nor relied on any other information, representation, warranty or statement (express or implied), written or oral, made at any time by or on behalf of the Joint Bookrunners or the Company and neither the Company, the Joint Bookrunners nor their respective Affiliates will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement. Each Placee acknowledges and agrees that it has relied solely on this announcement and its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing. Nothing in this paragraph shall exclude the liability of any person for fraudulent misrepresentation.

6. Placing Shares

The Placing Shares will, when issued, be fully paid and will be issued subject to the Company's Memorandum and Articles of Association and will rank *pari passu* in all respects with the existing Ordinary Shares in issue on Admission. Application will be made for the admission of the Placing Shares to listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will take place, and dealings in the Placing Shares on the London Stock Exchange at 8.00 a.m. will commence, on 29 January 2010.

7. Placing Agreement

The Joint Bookrunners have agreed, on the terms and subject to the conditions set out in the placing agreement dated the same date as this announcement and made between the Company and the Joint Bookrunners (the "Placing

Agreement"), to use their respective reasonable endeavours as agents of the Company to procure persons to subscribe for all of the Placing Shares at the Placing Price. The Placing has not been underwritten by the Joint Bookrunners or by any other person.

8. Placing conditions

The Placing is conditional, inter alia, on (i) the Placing Agreement not being terminated in accordance with its terms, (ii) Admission taking place not later than 8.00 a.m. on 29 January 2010, and (iii) the Placing Agreement becoming unconditional in all other respects.

The Joint Bookrunners reserve the right (with the agreement of the Company) to waive or extend the time and/or date for the fulfilment of any of the conditions in the Placing Agreement to a time no later than 5.00 p.m. on 12 February 2010 (the "Long Stop Date").

If any condition in the Placing Agreement is not fulfilled or waived by the Joint Bookrunners by the relevant time, the Placing will lapse and each Placee's rights and obligations pursuant to the Placing shall cease and terminate at such time.

The Placing Agreement may be terminated by the Joint Bookrunners at any time prior to Admission in certain circumstances including, inter alia, following a breach of the warranties by the Company or the occurrence of certain force majeure events provided that in all such cases, the Joint Bookrunners consider that such event is likely to materially and adversely affect or prejudice the Placing. The exercise of any right of termination pursuant to the Placing Agreement, any waiver of any condition in the Placing Agreement and any decision by the Joint Bookrunners whether or not to extend the time for satisfaction of any condition in the Placing Agreement or otherwise in respect of the Placing shall be within the Joint Bookrunners' absolute discretion. Neither the Joint Bookrunners nor the Company shall have any liability to any Placee in the event of any such termination, waiver or extension or in respect of any decision whether to exercise any such right of termination, waiver or extension. The Company will inform each Placee if the Joint Bookrunners' obligations under the Placing Agreement do not become unconditional by 8.00 a.m. on 29 January 2010, or such later time and date as the Joint Bookrunners may in their absolute discretion determine (being no later than 5.00 p.m. on the Long Stop Date).

9. Payment default

A Placee's entitlement to receive any Placing Shares will be conditional on the Joint Bookrunners' receipt of payment from the relevant Placee by the relevant time to be stated in the written confirmation referred to above, or by such later time and date as the Joint Bookrunners may in their absolute discretion determine. The Joint Bookrunners may, in their absolute discretion, waive such condition, and shall not be liable to any Placee in the event of it deciding whether to waive or not to waive such condition.

If any Placee fails to make such payment by the required time for any Placing Shares (1) the Company may release itself (if it decides in its absolute discretion to do so) and will be released from all obligations it may have to allot and/or issue any such Placing Shares to such Placee or at its direction which are then unallotted and/or unissued, (2) the Company may exercise all rights of lien, forfeiture and set-off over and in respect of any such Placing Shares to the fullest extent permitted under its articles of association or otherwise by law and to the extent that such Placee then has any interest in

or rights in respect of any such shares, (3) the Company or, as applicable, the Joint Bookrunners may sell (and each of them is irrevocably authorised by such Placee to do so) all or any of such shares on such Placee's behalf and then retain from the proceeds, for the account and benefit of the Company or, where applicable, the Joint Bookrunners (i) any amount up to the total amount due to it as, or in respect of, subscription monies, or as interest on such monies, for any Placing Shares, (ii) any amount required to cover any stamp duty or stamp duty reserve tax arising on the sale, and (iii) any amount required to cover dealing costs and/or commissions necessarily or reasonably incurred by it in respect of such sale, and (4) such Placee shall remain liable to the Company and to the Joint Bookrunners for the full amount of any losses and of any costs which it may suffer or incur as a result of it (i) not receiving payment in full for such Placing Shares by the required time, and/or (ii) the sale of any such Placing Shares to any other person at whatever price and on whatever terms are actually obtained for such sale by or for it. Interest may be charged in respect of payments not received by the Joint Bookrunners for value by the required time referred to above at the rate of two percentage points above the current Bank Rate of the Bank of England.

10. Placees' warranties and undertakings to the Company and the Joint Bookrunners

By orally agreeing with the relevant Joint Bookrunner to acquire Placing Shares under the Placing, a Placee irrevocably represents, warrants, undertakes and acknowledges to each of the Company and the Joint Bookrunners, on behalf of itself and each company in its Group (if any) ("Group" meaning in relation to a company, that company, any company of which it is a subsidiary (having the meaning set out in section 1159 of the Companies Act 2006 as amended) (its holding company) and any other subsidiary of such holding company), in each case as a fundamental term of such Placee's application for Placing Shares and of the Company's obligation to allot and/or issue any Placing Shares to it or at its direction, that:

- (a) represents and warrants that it has read this announcement, including the Appendix, in its entirety;
- (b) it agrees to and accepts all of the terms set out in this Appendix 1 and in the Contract Note (if any) and that it has the funds available and it has the power and authority to subscribe for the Placing Shares and to give all confirmations and to execute and deliver all documents necessary to effect such subscription;
- (c) its rights and obligations in respect of the Placing will terminate only in the circumstances described in this Appendix 1 and will not be capable of rescission or termination by it in any other circumstances;
- (d) the contents of this announcement, which has been issued by the Company, is the sole responsibility of the Company and of no other persons;
- (e) it has neither received nor relied on any other information, representation, warranty or statement (express or implied), written or oral, made at any time by or on behalf of the Company or the Joint Bookrunners (or either of them) and neither the Company, the Joint Bookrunners nor their respective Affiliates will be liable for any Placee's decision to participate in the Placing based on any other information, representation, warranty or statement, other than as contained in this announcement (for which the only person(s) responsible to it is or are the person(s) stated in this announcement as having accepted responsibility for such information, representation, warranty or statement);

- (f) it has only relied on this announcement and on its own investigation of the business, financial or other position of the Company in accepting a participation in the Placing;
- (g) it is not a customer of the Joint Bookrunners (or either of them) in relation to the Placing, but rather a corporate finance contact. Neither of the Joint Bookrunners is acting for it in connection with the Placing and will not be responsible to it in respect of the Placing for providing protections afforded to their respective customers or for advising it on the Placing;
- (h) neither it nor any company in its Group has been, and will not be, given any warranty or representation by the Company, the Joint Bookrunners (or either of them) or by any Affiliate of either of them in relation to any Placing Shares;
- (i) it will pay the full amount at the Placing Price as and when required in respect of all Placing Shares allocated to it in accordance with such terms and will do all things necessary on its part to ensure that payment for such shares and their delivery to it or at its direction is completed in accordance with the standing CREST instructions (or, where applicable, standing certificated settlement instructions) that it has in place with the Joint Bookrunners (or either of them) or puts in place with the Joint Bookrunners (or either of them) with their agreement;
- (j) it is entitled to acquire Placing Shares under the laws of all relevant jurisdictions which apply to it and it has complied, and will fully comply, with all such laws (including where applicable, the Terrorism Act 2000, the Anti-Terrorism, Crime and Security Act 2001, the Proceeds of Crime Act 2002, the Terrorism Act 2005 and the Money Laundering Regulations 2007, each as amended from time to time) and has obtained all governmental and other consents (if any) which may be required for the purpose of, or as a consequence of, such acquisition, and it will provide promptly to the Joint Bookrunners such evidence, if any, as to the identity or location or legal status of any person which the Joint Bookrunners (or either of them) may request from it in connection with the Placing (for the purpose of complying with any such laws or regulations or ascertaining the nationality of any person or the jurisdiction(s) to which any person is subject or otherwise) in the form and manner requested by the Joint Bookrunners (or either of them) on the basis that any failure by it to do so may result in the number of Placing Shares that are to be allotted and/or issued to it or at its direction pursuant to the Placing being reduced to such number, or to nil, as the Joint Bookrunners may decide at their sole discretion;
- (k) it has complied and will comply with all applicable provisions of FSMA with respect to anything done or to be done by it in relation to any Placing Shares in, from or otherwise involving the United Kingdom and it has not made or communicated or caused to be made or communicated, and it will not make or communicate or cause to be made or communicated, any "financial promotion" in relation to Placing Shares in contravention of section 21 of FSMA;
- (l) it is a FSMA Qualified Investor or it is otherwise a Permitted Person or other person at or to whom any private communication relating to the Company that is a "financial promotion" (as such term is used in relation to FSMA) may lawfully be issued, directed or otherwise communicated, otherwise than by an authorised person, without contravening the restriction in section 21 of FSMA;
- (m) it is acting as principal only in respect of the Placing or, if it is acting for any other person in respect of the Placing (1) it is duly authorised to do so, (2) it is and remains liable to the Company and/or each of the Joint Bookrunners for the performance of all its obligations as a Placee in respect of the Placing (regardless of the fact that it is

acting for another person), (3) it is both an "authorised person" for the purposes of FSMA and a "qualified investor" as defined at Article 2.1(e)(i) of the Prospectus Directive acting as agent for such person, and (4) such person is either (i) a FSMA Qualified Investor or (ii) its "client" (as defined in section 86(2) of FSMA) that has engaged it to act as his agent on terms which enable it to make decisions concerning the Placing or any other offers of transferable securities on his behalf without reference to him;

- (n) nothing has been done or will be done by it in relation to the Placing or to any Placing Shares that has resulted or will result in any person being required to publish a prospectus in relation to the Company or to any Ordinary Shares in accordance with FSMA or the United Kingdom prospectus rules or in accordance with any other laws applicable in any part of the European Union or the European Economic Area;
- (o) it is not, and is not acting in relation to the Placing as nominee or agent for, a person who is or may be liable to stamp duty or stamp duty reserve tax in respect of any agreement to acquire (or any acquisition of) shares or other securities at a rate in excess of 0.5 per cent. (including, without limitation, under sections 67, 70, 93 or 96 of the Finance Act 1986 concerning depositary receipts and clearance services), and the allocation, allotment, issue and/or delivery to it, or any person specified by it for registration as holder, of Placing Shares will not give rise to any liability (including, without limitation, any liability under the aforementioned sections);
- (p) it will not treat any Placing Shares in any manner that would contravene any legislation or regulation applicable in any territory or jurisdiction, it has compiled and will continue to comply with all necessary formalities in any such territory or jurisdiction and no aspect of its participation in the Placing will contravene any legislation applicable in any territory or jurisdiction in any respect or cause the Company or the Joint Bookrunners (or either of them) or any of their respective Affiliates to contravene any such legislation in any respect;
- (q) the Placing shares are being offered and sold only outside the United States in an "offshore transaction" in accordance with Regulation S under the US Securities Act, and that none of the Placing Shares have been or will be registered under the US Securities Act, or under the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, or otherwise transferred, directly or indirectly, in or into the United States or any of its territories or possessions, any state of the United States and the District of Columbia, except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the US Securities Act;
- (r) it is not acquiring the Placing Shares as a result of any "directed selling efforts" (as defined in Regulation S under the Securities Act);
- (s) the Joint Bookrunners (and each of them) may (in their absolute discretion) satisfy their obligations to procure Placees by themselves agreeing to become Placees in respect of some or all of the Placing Shares or by nominating any other Affiliate or any person associated with any Affiliate to do so;
- (t) time is of the essence as regards its obligations under this Appendix 1;
- (u) this Appendix 1 and any contract which may be entered into between it and the relevant Joint Bookrunner and/or the Company pursuant to it or the Placing, and all disputes or claims arising out of or in connection with either this Appendix 1 or any such contract (including any non-contractual obligation arising in connection with the same)

shall be governed by and construed in accordance with the laws of England, for which purpose it submits to the exclusive jurisdiction of the courts of England and Wales as regards any claim, dispute, or matter arising out of or relating to this Appendix 1 or such contract, except that each of the Company and each of the Joint Bookrunners shall have the right to bring enforcement proceedings in respect of any judgement obtained against such Placee in the courts of England and Wales in the courts of any other relevant jurisdiction;

- (v) each right or remedy of the Company or each of the Joint Bookrunners provided for in this Appendix 1 is in addition to any other right or remedy which is available to such person and the exercise of any such right or remedy in whole or in part shall not preclude the subsequent exercise of any such right or remedy;
- (w) any document that is to be sent to it in connection with the Placing will be sent at its risk and may be sent to it at any address provided by it to the Joint Bookrunners;
- (x) nothing in this Appendix 1 shall exclude any liability of any person for fraud on its part;
- (y) all times and dates in this Appendix 1 are subject to amendment at the discretion of the Joint Bookrunners except that in no circumstances will the date scheduled for Admission be later than the Long Stop Date;
- (z) none of its rights or obligations in respect of the Placing is conditional on any other person agreeing to acquire any Placing Shares under the Placing and no failure by any other Placee to meet any of its obligations in respect of the Placing shall affect any of its obligations in respect of the Placing;
- (aa) it has acknowledged the contents of paragraph 2 of this Appendix 1 and that it, or the beneficial owner, as applicable, is entitled to subscribe for Placing Shares under the laws of all relevant jurisdictions which apply to it, or the beneficial owner, as applicable, and that it has fully observed such laws and obtained all such governmental and other guarantees and other consents in either case which may be required thereunder and complied with all necessary formalities;
- (bb) it undertakes that the person who it specifies for registration as holder of the Placing Shares will be (i) itself or (ii) its nominee, as the case may be. Neither of the Joint Bookrunners nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Each Placee and any person acting on behalf of such Placee agrees to participate in the Placing and it agrees to indemnify the Company and Oriel Securities in respect of the same on the basis that the Placing Shares will be credited to the CREST stock account of Oriel Securities (CREST ID: 601) who will hold them as nominee for the subscribers of such shares until settlement in accordance with its standing settlement instructions;
- (cc) it acknowledges and understands that the Company, each of the Joint Bookrunners and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements and undertakings which are given to each of the Joint Bookrunners on its own behalf and on behalf of the Company and are irrevocable;
- (dd) it acknowledges that neither of the Joint Bookrunners, nor any of their respective Affiliates nor any person acting on behalf of the Joint Bookrunners (or either of them) or their respective Affiliates is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing nor providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or

indemnities contained in the Placing Agreement nor the exercise or performance of any of the Joint Bookrunners' rights and obligations thereunder including any rights to waive or vary any conditions or exercise any termination right; represents and warrants that it has not offered or sold and will not offer or sell any Placing Shares to persons in the United Kingdom prior to Admission except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 85(1) of the FSMA; and

- (ee) acknowledges that its allocation (if any) of Placing Shares will represent a maximum number of Placing Shares which it will be entitled, and required, to subscribe for, and that the Company may call upon it to subscribe for a lower number of Placing Shares (if any), but in no event in aggregate more than the aforementioned maximum;
- (ff) agrees to indemnify and hold the Company, the Joint Bookrunners and their respective Affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, acknowledgements, agreements and undertakings in this Appendix and further agrees that the provisions of this Appendix shall survive after completion of the Placing;
- (gg) acknowledges that its commitment to subscribe for Placing Shares on the terms set out herein and in the Contract Note will continue notwithstanding any amendment that may in future be made to the terms of the Placing and that Placees will have no right to be consulted or require that their consent be obtained with respect to the Company's conduct of the Placing; and
- (hh) acknowledges that it has knowledge and experience in financial, business and international investment matters as is required to evaluate the merits and risks of subscribing for the Placing Shares. It further acknowledges that it is experienced in investing in securities of this nature and is aware that it may be required to bear, and is able to bear, the economic risk of, and is able to sustain a complete loss in connection with the Placing. It has relied upon its own examination and due diligence of the Company and its associates taken as a whole, and the terms of the Placing, including the merits and risks involved.

The rights and remedies of the Company and each of the Joint Bookrunners under these terms and conditions are in addition to any rights or remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

APPENDIX 2

DEFINITIONS

Unless the context otherwise requires, the following definitions apply in the main body of this announcement:

"2P reserves"

proven plus probable reserves;

"announcement"

this announcement (including the Appendices)

"Admission"

the admission of all of the Placing Shares to listing on the Official List in accordance with the Listing Rules and admission of the New Placing Shares to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Listing Rules;

"Bcf"

billion cubic feet of gas;

"boepd"

barrels of oil equivalent per day;

"Bookbuilding"

has the meaning set out in paragraph 4 of Appendix 1 of this announcement;

"Brewin Dolphin"

Brewin Dolphin Limited;

"contingent resources"

those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies;

"E&P"

oil and gas exploration and production;

"Enlarged Share Capital"

the Company's issued share capital immediately after completion of the Placing;

"Existing Ordinary Shares"

the Ordinary Shares in issue at the date of this document;

"FSA"

the UK Financial Services Authority;

"FSU"

the former Soviet Union;

"FSMA"

the Financial Services and Markets Act 2000, as amended;

"FTSE 250 index"

the index comprised of mid-capitalised companies traded on the London Stock Exchange as published by FTSE International Limited;

"Hawkpoint"

Hawkpoint Partners Limited;

"Group"

the Company together with its subsidiaries;

"Joint Bookrunners"

Oriel Securities and Brewin Dolphin;

"Listing Rules"

the listing rules made by the UKLA pursuant to Part VI of the FSMA;

"LPG "

liquefied petroleum gas;

"London Stock Exchange"

London Stock Exchange plc;

"MMboe"

million barrels of oil equivalent;

"MMcfd"

million cubic feet of gas per day;

"Ordinary Shares"

ordinary shares of 10p each in the capital of the Company;

"Official List"

the Official List of the UKLA;

"Oriel Securities"

Oriel Securities Limited;

"pence"

pence sterling;

"Permitted Persons"

has the meaning set out in paragraph 1 of Appendix 1 of this announcement;

"Placee"

has the meaning set out in paragraph 1 of Appendix 1 of this announcement;

"Placing"

the conditional placing by the Joint Bookrunners of the Placing Shares with investors at the Placing Price pursuant to the Placing Agreement;

"Placing Agreement"

the conditional agreement dated 26 January 2010 between the Company and the Joint Bookrunners relating to the Placing;

"Placing Price"

265 pence per Placing Share;

"Placing Shares"

14,257,270 new Ordinary Shares to be placed pursuant to the Placing;

"Shareholders"

holders of issued Ordinary Shares;

"UK"

United Kingdom of Great Britain and Northern Ireland;

"UKLA"

the UK Listing Authority, a division of the Financial Services Authority;