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JKX OIL & GAS plc ("JKX")

ANNOUNCES

WELL TEST RESULTS FROM SECOND WELL IN KOSHEKHABLSKOYE FIELD, RUSSIA

JKX Oil & Gas plc ("JKX") is pleased to announce the results of its second well test in the Koshekhablskoye Field, located in the Republic of Adygea, Russia. Well 20 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 flowing wellhead pressure of 1,510 psi. This result far exceeds the Company's expectations.

The first well to be worked over and recompleted in the field, Well-27, was tested in September 2009. The well was under-reamed and an acid stimulation carried out to improve productivity and remove damage to the original borehole. The well subsequently tested at 13 MMcfd on a 36/64" choke, significantly in excess of the rates anticipated at the time of acquisition of the field.

Well-20 differs from Well-27 in that the original wellbore was not utilised, but a sidetrack initiated from the existing wellbore just above the reservoir section and drilled through the reservoir to a TD of 5,060m. After running a new completion, Well-20 was tested without acid stimulation on a higher choke setting (60/64") than previously used for Well-27. The well rapidly cleaned-up and production recorded at a rate of 22.6 MMcfd, more than five times the maximum rate recorded historically. The well will now be tested under multiple choke sizes, including a 36/64" choke, comparable to that used in the Well-27 test. It is expected that the rate will be well in excess of that recorded for Well-27.

This new test result indicates that the use of modern drilling practices and fluids combined with improved completion techniques result in significantly higher well productivities than experienced historically in the Koshekhablskoye field. Also, the result presents an opportunity to improve project metrics in a number of significant ways:

(i) Rig program deferral: Fewer producers and therefore well workovers are needed to satisfy plant capacity for field start-up, offering the opportunity for part of the current rig program to be deferred.

(ii) Plant upgrades: Higher well deliverability presents the opportunity to accelerate production and field NPV significantly through the use of a second gas processing train.

(iii) Callovian Upside: Recent well results have demonstrated that old drilling and completion practices significantly compromised productivity from the main Oxfordian reservoir. It is possible that the deeper Callovian reservoir suffered in a similar way. Consequently, the results of the commitment well which is scheduled for later in the year could provide further upside to the project.

(iv) Field Profile and Reserves: Confirmation of field pressure combined with historical field pressure trends and high well deliverability have significantly reduced reservoir delivery risk.

A full field reserves review will be undertaken once the field starts gas export, and the field pressure response to sustained depletion allows accurate reserves calculations. However, the increased well productivity will improve both project economics and the level of booked reserves.

For further information please contact:

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