6 Cavendish Square, London W1G 0PD, England, UK
Tel: +44 (0)20 7323 4464 Fax: +44 (0)20 7323 5258
Website: http://www.jkx.co.uk

20 March 2017

JKX Oil & Gas plc
('JKX' or the 'Company')
FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

JKX Oil & Gas plc (LSE: JKX), announces its final results for the year ended 31 December 2016.

CEO Tom Reed said "In the face of considerable uncertainty at the beginning of the year, our team has increased production, re-engineered our field development plans, improved relationships with our stakeholders, restructured and extended the significant short-term bond liabilities and focused our Company on the technical challenges to come.

We are actively seeking to mitigate our litigation risks and potential liabilities with the Ukrainian Government so that our development drilling in Ukraine can recommence.

The investment in our Rudenkivske gas field in Ukraine is significant, and we continue to work with the Ukrainian Government to improve the investment environment for such projects."

Key financials

- Revenue: $73.8m (2015: $88.5m)
- Loss from operations before exceptional charges: $3.9m (2015: $10.7m)
- Exceptional charges: $30.8m (2015: $64.9m)
- Loss for the year: $37.1m (2015: $81.5m)
- Loss per share: 21.56 cents (2015: 47.32 cents)
- Net cash generated from operating activities: $14.6m (2015: $9.1m)
- Total cash: $14.3m (2015: $26.3m)
- Net debt: $2.5m (2015: $8.1m)
- Capital expenditure: $5.6m (2015: $8.7m)

Operational highlights

- Average production increased 12% to 10,083 boepd (2015: 8,996 boepd)
- Reconstructed and implemented Field Development Plans and formed a new team in Ukraine
- Restarted production in Hungary after a break of more than 3 years
- Reduced, restructured and extended the short-term bond liabilities
- Implemented significant cost savings across the Group, in particular at London headquarters
- Commenced resolution of the inherited legal disputes with the Ukrainian Government

Goals

- Amicably settle all legal disputes with the Ukrainian Government
- Accelerate the Rudenkivske field development project in Ukraine
- Monetise assets in Russia

For further information please contact:

EM Communications **+44 (0) 20 3709 5711**
Stuart Leasor, Jeroen van de Crommenacker

Chairman's Statement

Just over 12 months ago, your newly-appointed Board of Directors promised to resolve the various challenges that were facing the business through transparent communication, by addressing key legacy problems, by increasing efficiency and production, and by reducing needless costs.

On its appointment in January 2016, the Board was confronted with many issues including:

- legal conflicts in Ukraine and with significant shareholders;
- significant contingent liabilities in Ukraine relating to production taxes;
- license suspensions in Ukraine;
- bloated costs throughout the Group;
- stagnated field development, and
- a $30.1 million bond repayment in less than 12 months, which the Company could not afford.

To address these, in 2016, we have:

- managed our inherited legal challenges in Ukraine and halted legal action on shareholder disputes;
- successfully resolved all Ukrainian licence suspensions;
- rebuilt the Group's Field Development Plans ('FDPs') and assembled a world-class execution team;
- reduced and restructured the Company's bond liabilities, which was formally approved by bondholders on 3 January 2017;
- reduced operating costs, and
- further strengthened the Board.

Ukrainian legal cases – international arbitration

In 2015 the Company commenced arbitration proceedings against Ukraine on the basis of overpayment of production taxes ('Rental Fees') plus damages.

The main arbitration case was heard in early July 2016 and a decision from the tribunal was awarded on 6 February 2017.

Despite the Company's belief to the contrary, the international arbitration tribunal ruled that Ukraine was found not to have violated its treaty obligations in respect of the levying of Rental Fees but awarded the Company damages of $11.8 million plus interest, and costs of $0.3 million in relation to subsidiary claims. This can be seen as only a small success against the full claim which was valued at more than $200 million.

Ukrainian legal cases – local claims

The Group has made provision for potential liabilities arising from separate court proceedings over the amount of Rental Fees paid in Ukraine by its Ukrainian operating subsidiary, Poltava Petroleum Company ('PPC'), for certain periods since 2010, which total approximately $33.9 million (including interest and penalties). PPC continues to contest these claims in the Ukrainian courts.

Claims relating to 2007, which were unresolved in the prior year and amounted to $6 million, are now considered closed following a Supreme Court of Ukraine ruling in favour of PPC.

Taking into account the damages and interest of $12.2 million awarded to the Company by the international tribunal and the Ukrainian court proceedings against the Group in respect of production taxes totalling $33.9 million, there is a net shortfall of $21.7 million owed by the Group to the Government of Ukraine. Should PPC lose the claims in respect of production taxes due for 2010 and 2015, and the Ukrainian Authorities demand immediate settlement, the Group does not currently have sufficient cash resources to settle these claims and this risk, if realised, could impact the going concern status of the Company. These risks are fully addressed in Note 2 to the financial information.

In addition, PPC has suffered searches by the National Police of Ukraine starting in June 2016, with two further searches in January 2017. The searches increasingly appeared to take on the form of harassment rather than a legitimate investigation into PPC's business operations. We continue to fully cooperate with the enquiry and believe that PPC is in full legal compliance with all relevant Ukrainian law and regulation. These searches have been a significant distraction for the Board and JKX staff, and damaging to Ukraine's investment climate. We have engaged with both the US and UK embassies in Kiev in order to register our complaints in this matter.

We have commenced the settlement process with the Government in Ukraine to settle the arbitration award and the local tax issues so that the Company can return its focus to key operational matters.

Ukrainian production licenses secured
In January 2016, the State Geology and Mineral Resources Survey of Ukraine suspended four of PPC's subsoil use permits. The authority gave a list of actions that were required in order to cancel the suspension (including a change to the minimum production requirements under the licenses) and would normally have given the operator sufficient time to remedy the failings. Instead PPC was given only one month to do so.

Following successful legal action, PPC has now renewed all four of these licenses until 2024 and also received a ruling from the Kharkiv Administration Court of Appeal which deemed the original suspensions to have been illegal.

Rebuilding of Field Development Plans ('FDPs')
Our reconstructed Field Development Plans have revealed that applying modern technology and techniques in well construction and field development design, our Rudenkivske gas field has much greater potential than was previously considered economic. Further details of the FDPs are provided in The Chief Executive's statement.

Bond repayment and restructuring
Through 2016, we reduced the principal amount of outstanding bonds from $36 million to $16 million. This was achieved through a $10 million scheduled repayment in February and various market purchases of bonds of a total principal amount of $10 million at various discounts to face value.

On January 3 2017 the Bondholders approved a restructuring of the remaining $16 million of Bonds, the detail of which is provided in the Financial Review. The repayment of the Bonds are now well within the operating cash flow capabilities of the Company enabling the business to move forward with its development plans.

Reducing operating costs and overheads
Measures were taken immediately following the appointment of the new Board in January 2016 to significantly reduce the cost burden of the Company's London headquarters, reducing headcount and moving all remaining staff onto one floor of the building, where we previously occupied four floors. We have been able to extract ourselves from the long-term lease on one of the unoccupied floors and continue negotiations with the landlord to extract the Company from the long-term lease agreements on the other two floors.

During 2016, headcount reductions have been made in Ukraine and Russia of 18% and 14%, respectively. The benefits of our cost reduction actions during 2016 will be seen in 2017 and we continue to identify further cost-saving opportunities.

Your Board
Following the replacement of the entire Board on 28 January 2016, the composition of the Board did not comply with the UK Corporate Governance Code in respect of the number of independent Non Executive Directors. To address this, in April, two new independent Non Executive Directors were appointed.

Alan Bigman and Bernie Sucher both bring extensive knowledge of working at the highest levels in the region combined with directly relevant experience which will be of great benefit to the Company. As independent directors, Alan and Bernie have strengthened the corporate governance credentials of the Company which ensures that the interests of all shareholders are protected.

At the Company's AGM on 28 June 2016, the resolutions to accept the appointment of Alan and Bernie were rejected by a small number of shareholders but with enough votes to prevent the resolutions being passed. Given the very low turnout of voting shareholders, the fact that the vast majority of voting shareholders were in favour of the appointments and the need for value-adding independent directors, the Board re-appointed both Alan and Bernie at a subsequent Board Meeting. The shareholders will be asked to approve these appointments at the next Annual General Meeting. The result of last year's AGM underlines that if shareholders want to ensure a high-quality board and good governance, they must exercise their right to vote at General Meetings.

People
The Board continues to be impressed and often humbled by the level of dedication, talent, and perseverance shown by staff throughout the Group, especially during a year in which we were trying to drive such significant change. We believe that our teams are capable of accomplishing market leadership in our field, and much more.

The road ahead

We are working with the Ukrainian Government to amicably settle all claims and secure support in creating an environment in which JKX can execute its Field Development Plans, invest in gas production and assist Ukraine to achieve energy independence.

2016 began with some major changes at the board level, and uncertainty with regards to our future. Yet we endured that uncertainty, increased production, improved relationships with our stakeholders and have more focused teams with a clearer understanding of our organisational and technical challenges. We achieved some significant gains during 2016 but have also suffered some setbacks. With a renewed purpose, strategic focus and the right people in the right places, we enter 2017 with optimism.

Finally, I wish to thank all our shareholders and staff for their support of the Company and the new Board through this year of challenging transformation. We have achieved a significant amount in our first 12 months, but relish the challenges and opportunities that 2017 presents.

Paul Ostling
Chairman

Chief Executive's Statement

Your Board was appointed in January 2016 with a straightforward strategy: remove obstacles to growth, plan development in a modern context using modern technology, finance and execute. We wanted to move the Company away from fighting various legal battles and back to the business of finding and producing hydrocarbons. That strategy translated into four main goals for the year:

1) Resolve the Ukrainian production tax liabilities and the International Arbitration dispute, and restructure the inherited issues of the 2013 Convertible Bond;

2) Reassess the assets and rebuild the Field Development Plans ('FDPs') from primary data utilising latest generation development techniques and technologies;

3) Obtain financing for the FDPs; and

4) Improve operations and engineering, particularly in Ukraine, and build a team capable of world-class, high-performance execution.

We achieved most of our goals and made significant progress with our plan to restore shareholder value to JKX. We did not achieve all of our plans however. Financing particularly remains difficult for the Company for a variety of reasons. Financing our development plans in the most accretive way per share is a primary focus for the team in 2017 and we will keep you posted on results.

We have set the stage for financing and growth by providing both a clear plan and managing inherited liabilities. We have restructured and extended the convertible bond term for an additional three years, reached a decision in the Hague on our inherited arbitration conflict with the Government of Ukraine, rebuilt the Field Development Plans for Russia and Ukraine, removed needless costs and formed a new execution team.

Whilst we now have the international arbitration result, it was much delayed in coming and we are yet to settle that case with the Government of Ukraine. For this and other reasons, financing the development plan remains a work-in-progress. These are the two major challenges outstanding after our first 12 months.

Performance

During the year:

- average production increased 12% to 10,083 boepd (2015: 8,996 boepd);
- Field Development Plans were reconstructed and an enhancement program based on technical potential commenced. Results are positive;
- production has restarted in Hungary after three years of inactivity;
- short term Bond liabilities were renegotiated on favourable terms;
- the monetisation process of our Russian assets continues;
- the Group's technical team was rebuilt and located in Ukraine; and
- significant costs savings were implemented throughout the Group.

Despite the exceptional costs incurred by the Group's non-core activity, I am pleased to report that the Group has maintained positive cash flow for the year, generating $17.0m of cash from operations. The exceptional administrative costs are detailed further in Note 9 to the financial information and discussed in the Financial Review.

Production

Beginning in the second quarter, the Company has calculated the technical potential of existing well stock, matched that potential against current production, and worked to close gaps between actual and potential production in a continuous, systemic manner. This approach slowed the expected natural decline in gas production overall and increased oil production, and we expect further positive results in 2017. This approach will be the basis for managing well stock in our Company going forward. Further details of work completed during the year is provided in our Regional operations update.

Gas production in Russia was 30% higher at 36.1 MMcfd (2015: 27.7 MMcfd) due to well-27 coming on line in late 2015 and successful workovers and maintenance throughout the year. Gas production in Ukraine was down 11% to 18.6 MMcfd (2015: 21.1 MMcfd) due to the suspension of development drilling since 2015 and the natural decline in the fields, offset by enhancements. Oil production increased by 10% due to work-over activities on the existing well stock.

Ukraine

Average production in Ukraine was down 7% for the year at 4,001 boepd (2015: 4,325 boped). The suspension of development drilling in Ukraine since 2015 and minimal work-over activity led to significant declines in production. Arresting that decline and reversing the trend required the implementation of the enhancement program based on technical potential, a step-up of workover activities in the second half and has seen positive results as of this writing with a production increase of 9.9% month-on-month from January 2016 to January 2017.

Further details of work completed during the year is provided in our Regional Operations.

Russia

Production and cash flow remains stable with work-over and acid treatments required on a regular basis to combat harsh conditions in our 5000m deep, HTHP wells. We will be replacing production strings with chrome tubing in some wells during 2017 which will result in more stable production and an ability to open chokes due to better control of temperature-related string expansion.

Average production from the Koshekhablskoye field was 6,082 boepd (2015: 4,670 boepd). Periodic acid treatments have been performed during the year to maintain production rates in the four producing wells.

Hungary

In December, a sidetrack of the Hn-2 well on our Hajdunanas field targeted the remaining Pannonian reservoir gas and the oil potential of the underlying Miocene volcanoclastic sequence. This was the first drilling operation completed in Hungary since JKX assumed operatorship in November 2014.

The Hn-2ST well tested 1.5 MMcfd from the Pannonian Pegasus sands and 2.8 MMcfd from a lower Pannonian sand interval; the latter being a newly discovered productive horizon in the field.

Gas sales commenced on 2 February 2017 at an initial rate of 1.8 MMcfd, after a production and sales break of more than three years.

Field Development Plans (‘FDPs’)

A crucial step to setting the Company on the path of growing shareholder value was the generation of new Field Development Plans. We rebuilt the development plans from primary geological and production data and with a ‘Texas’ economic and engineering perspective using the latest best practices in drilling and completions. The results were very encouraging and these FDPs have now given us a map from which we are able to identify exactly where future shareholder value will come from and what resources and personnel will be required to execute these plans.

Ukraine

Perhaps most importantly for shareholders, the reconstruction of the Field Development Plans has revealed that using a modern, North American development approach for the Rudenkivske field could realise over $3bn of gas sales at today’s prices. While this is obviously easier said than done, the size of this prize more than justifies the challenges facing our team on the surface.

The Rudenkivske field is estimated to contain 2.8 trillion cubic feet of gas in place (2C). Utilising modern development and completion techniques could result in the production of as much as 600 billion cubic feet of gas over the field’s lifetime. Analogous fields to Rudenkivske’s structure and depositional environment in North America were identified and their experience and empirical data were used in the Company’s planning. These North American fields were also previously considered uneconomic, and have recently been successfully developed using advanced well construction and field development design.

The full field development model for the Rudenkivske field includes 135 wells over ten years and results in plateau production of approximately 110 million standard cubic feet per day (18,300 barrels of oil equivalent per day). Total capital investment over the same period is currently estimated at US$660 million, much of which could be financed from operating cash flow.

The primary risk to this development, we should state, is the heterogeneity of the gas-bearing sand lenses and the actual net to gross ratio between sand and shale layers. Both are below the resolution of available seismic data. Large volume, low-viscosity fracturing maximizes our chances of overcoming both of these challenges, and initial wells will be studied carefully to improve our knowledge.

In the fourth quarter, the Company began to implement an enhancement program for the Rudenkivske field in Ukraine with the workover of well NN16, which was completed on 6 November. Initial peak hourly production from NN16 was 16.4 MMcfd of gas and 467 boepd of condensate on a 48/64ths" choke (3,200 boepd total) but has since declined. Gas lift is currently being implemented at well NN16 to restore production and increase overall recovery.

In December well NN47, located in the north of the field, tested gas and condensate from the V-25 interval in the Visean sands - the main focus of the FDP. The well tested an initial maximum rate of 16.9 MMcfd and 668 boepd of condensate on a 137/64th" choke prior to declining to 11.5 MMcfd of gas and 255 boepd of condensate within 36 hours. More information will be provided once production rate has stabilised.

These enhancement projects, in addition to providing increased production, are also providing valuable data that will further refine our development plan for the field.

Monetisation of Russian and Hungarian assets

Russia

The FDP for our Russian gas field resulted in increased 2P reserves at the end of the year mainly due to the addition of reserves attributable to a new Callovian well, which is planned for 2018. The recommended vertical well location intersects a predicted porous reservoir within the Lower Callovian (V), Upper Callovian (I-IV), and Oxfordian reservoirs. Good well control and seismic data provided high confidence that at least one gas target will be productive. Net pay maps have revealed volumes previously not accounted for by material balance. The full potential of this well is currently booked in resources, and will migrate to reserves based on the results of drilling the Callovian well.

Hungary

Following the sale of a 50% interest in a small, early stage gas discovery in June, JKX operates six Mining Plots (production licences) in Hungary covering 200 sq km in which it has a 100% equity interest.

A reassessment of all of our Hungarian licenses is underway and a new FDP for the Hajdunanas field will be produced in 1H 2017. In addition, JKX continues to seek a farm-in partner to participate in the further development of the Group's remaining Hungarian licence interests.

Slovakia

In the Svidnik, Medzilaborce, Snina and Pakostov exploration licences in the Carpathian fold belt in north east Slovakia (JKX 25%), the Operator (DiscoveryGeo) had planned to drill two prospects in 2016 but a combination of revised permitting procedures and local activist opposition has delayed well location permitting and construction. The Operator now hopes to spud the first well of a larger three well programme in 2017.

Teams, operations and efficiencies

A new integrated technical team has been assembled in Kiev which includes eight new staff with wide ranging expertise in the latest equipment, technology and practices in engineering, geology and operations, mainly from North America. These appointments have greatly improved our engineering capacity and our operational teams in Ukraine have been challenged with a new organisational structure, guiding principles and technical/economic approach for 2017. Progress is good so far, and evolving our culture to match our high-performance peers in North America will be a major project for our Company in 2017.

The road ahead

2017 will be the year in which we resume development operations in Ukraine. We have a few remaining legacy challenges to overcome first, but the technical plans, execution team and facilities are already in place. The prize is enormous.

In Russia we will continue to seek ways to monetize the asset, and macroeconomics and international political conditions have improved considerably for both Russia and Russian gas. We hope to have more success in monetization this year.

In Hungary and Slovakia we will continue to develop our fields on an opportunistic basis, depending on available financing, and conduct a detailed re-assessment of our development plans there based on our side-track results.

On the corporate level, we continue to mitigate short-term liabilities and seek financing for operations. Progress was significant in 2016, and we intend to finalize our corporate issues during the course of this year.

On 6 February 2017, the international arbitration tribunal issued its Award on the Company's claims against Ukraine and ruled that Ukraine was found not to have violated its treaty obligations in respect of excessive levying of production taxes, but awarded the Company damages of approximately $11.8 million plus interest, and costs of $0.3 million in relation to subsidiary claims. While disappointed with the overall result, the end of this arbitration presents us with an opportunity to settle terms with the Government if Ukraine and agree to terms under which the Company can drop its various legal strategies and get back to drilling for oil and gas.

We remain involved in litigation in Ukraine and have made provisions against potential liabilities arising from separate court proceedings over the amount of production taxes paid, which total approximately $33.9 million (including interest and penalties). While we continue to contest these claims through the Ukrainian legal system, we also feel it appropriate to fully provide for the liabilities.

Once we have mitigated the Group's short-term litigation risks with the Ukrainian Government, development drilling in Ukraine will recommence and we will seek sources of capital to expand and accelerate the drilling campaign.

The process of monetisation of our Russian asset continues, which includes maximising cash generation and cost-cutting and the repatriation of surplus funds. We will update shareholders as soon as appropriate with specific progress.

The Board continues to believe that the Company has great potential given its current geological, physical and human assets. We have an exceptionally talented team from the board room to the rigs, and I am personally proud to be associated with such a group of individuals and optimistic on our future.

I wish to thank all the JKX staff for their support and professional performance and thank our shareholders for their ongoing confidence in our team and our strategy.

Tom Reed
Chief Executive Officer

Financial Review

When I joined the Board on January 28th 2016, there were several financial challenges facing the Company, not least the need to finance or restructure the 2013 Convertible Bonds (the 'Bonds') and resolve several legal processes and associated liabilities. This was in the context of low hydrocarbon pricing, recent depreciation of local currencies and a need to formulate a new strategy for the Company. In the narrative below it can be seen how we have addressed these challenges and enter 2017 in a healthier financial position.

Results for the year

The Group recorded a loss for the year of $37.1m (after exceptional charges of $29.7m (net of tax effects), mainly relating to the provision for production based taxes for 2015 and replacement of the Board in January 2016) which is significantly lower than the loss of $81.5m (after exceptional charges of $55.7m (net of tax effects), mainly relating to impairment charge for oil and gas assets and the provision for production based taxes for 2010) in 2015. The loss before exceptional items has decreased from $25.8m to $7.5m with lower realisations in both Ukraine and Russia (due to significant volatility and depreciation in local currencies) and lower gas production in Ukraine, being offset by increased production in Russia due to well-27 coming back on line and some reductions in costs (also affected by local currency depreciation).

Revenue

Despite production gains of 12% across the Group, significantly lower commodity prices and the weakening of local currencies resulted in a 16.6% fall in revenues to $73.8m (2015: $88.5m). If we adjust 2015 revenues for the weakening in local currencies, the fall in revenues was only $4.0m or 5% (see revenue bridge chart).

Group revenues	**2016 $m**	**2015 $m**	**Change $m**	**% Change**
Ukraine	54.8	72.2	(17.4)	(24.1)
Russia	19.0	16.3	2.7	16.6
Total	**73.8**	**88.5**	**(14.7)**	**(16.6)**

Ukrainian revenues	**2016 $m**	**2015 $m**	**Change $m**	**%Change**
Gas	35.9	53.1	(17.2)	(32.4)
Oil	15.1	14.1	1.0	7.1
Liquefied Petroleum Gas ('LPG')	3.8	4.6	(0.8)	(17.4)
Other	-	0.4	(0.4)	(100)
Total	**54.8**	**72.2**	**(17.4)**	**(24.1)**

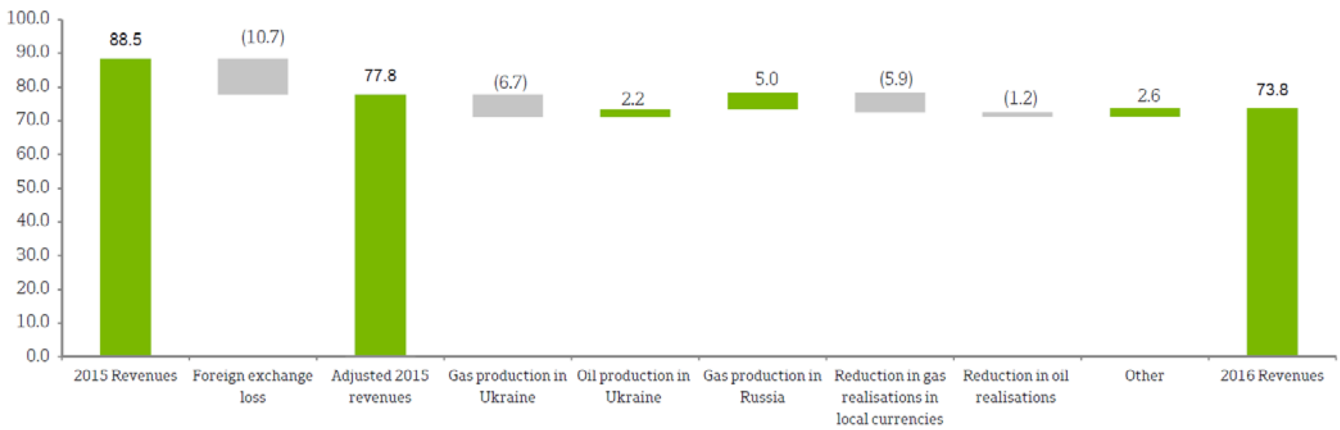
Realisations	**2016**	**2015**	**% Change**
Ukraine			
Gas ($/Mcf)	5.92	7.65	(22.6)
Oil ($/bbl)	45.94	49.75	(7.7)
LPG ($/tonne)	374.81	442.59	(15.3)
Russia			
Gas ($/Mcf)	1.49	1.68	(11.3)
Group			
Gas ($/Mcf)	2.95	4.20	(29.8)
Oil ($/bbl)	45.94	49.75	(7.7)
LPG ($/tonne)	374.81	442.59	(15.3)

Average exchange rates	2016	2015	Change	% Change
Russia (RUB/$)	66.83	61.31	(5.52)	(9.0)
Ukraine (UAH/$)	25.59	22.12	(3.47)	(15.7)

Revenues

Revenues bridge

Group revenues ($m)



Ukrainian revenues

Gas sales volumes in Ukraine were 7.3% lower at 3,661 boepd (2015: 3,948 boepd) as a result of reduced gas production to 3,099 boepd (2015: 3,503 boepd) due to the suspension of all drilling activity in Ukraine in early 2015. The natural decline in production was successfully mitigated by workovers and well-intervention treatments.

In Ukraine, average gas realisations in US Dollars declined by 22.6% from $7.65/Mcf to $5.92/Mcf mainly due to the 15.7% devaluation of the Hryvnia. Before the introduction of a new law affecting the Ukrainian gas market on 1 October 2016, the state regulator made periodic adjustments for Hryvnia/$ exchange rate fluctuations which impacted gas realisations and artificially inflated them. From 1 October 2015, these periodic adjustments ceased and gas prices have followed market trends. Further decline in realisations is explained by excessive quantities of imported gas from Europe which depressed prices and reduced demand from industrial customers. The lower gas production and realisations in Ukraine were the key detrimental factors affecting revenue in 2016 with most other revenue components showing a positive trend.

The increase in oil production was particularly pronounced due to a successful workover of well Ignativske-132 early in the year which has high oil content. However, oil realisations reduced from $49.75/bbl in 2015 to $45.94/bbl in 2016 (a fall of 7.7%) which was in line with international price movements. Oil prices in Ukraine were higher than Brent in the second half of 2016 due to the lack of cheap illegal products, but this failed to compensate for the overall price decline.

Lower gas production volumes directly affected LPG production and sales. The $0.8m (17.4%) decline in LPG revenues was due to lower production volumes combined with a reduction in the domestic market price, resulting from increased competition through imported product.

Russia revenues

Russian gas sales made up 60.8% of the Group's volumes sold (2015: 52.1%) but the Russian sales volumes currently attract considerably lower realisations than the Ukrainian volumes and therefore the increased proportion of Russian gas sales led to a 29.8% decrease in the Group average gas price realised to $2.95/Mcf (2015: $4.20/Mcf).

Production in Russia was higher by 30.2% to 6,082 boepd (2015: 4,670 boepd) due to well-27 coming on line in late 2015 following repairs throughout that year. However this was not sufficient to compensate for price reductions. Gas prices in Russia dropped by 11.3% to $1.49/Mcf (2015: $1.68/Mcf) due to a 9.5% reduction to the gas sales price from 1 July 2016 obtained from our sole customer supplemented by the devaluation of the Russian Rouble. We negotiated a 5-year "take or pay" contract to give us more certainty over cash flow from our customer, albeit at a lower price. We have completed a review of the potential customer base in Russia and conclude that, for the time being, the current contract is the best we can achieve in terms of price and cash flow certainty.

Loss from operations

Loss from operations before exceptional charges for the year was $3.9m (2015: loss $10.7m) representing a $6.8m improvement. This was the result of a decrease of $20.8m in cost of sales, a $0.7m decrease in the Group's administrative expenses and foreign exchange effects compensating for the $14.7m decrease in Group revenues discussed above.

Cost of sales

The $20.8m decrease in cost of sales to $56.0m (2015: $76.8m) comprises the following items:

- a decrease in Russian operating costs by $0.5m, a 5.0% reduction;
- a decrease in other Russian operating costs of $2.6m due to additional income from insurance proceeds for well-27 than was estimated at the end of 2015;
- a decrease in Ukrainian operating costs by $0.5m, a 5.4% reduction;
- a reduction in the depreciation, depletion and amortisation ('DD&A') charge of $7.5m;
- production based taxes lower by $8.6m, predominantly related to lower production in Ukraine;
- a decrease in Rest of World costs of $1.5m; and
- an increase in the doubtful debt provision in Ukraine of $0.5m (nil in 2015). The provision was recorded due to strong evidence that one of our customers is experiencing financial difficulties resulting in a significant deterioration in their credit worthiness, although we continue to use multiple avenues to recover this debt.

The decrease in Russian operating costs of $0.5m is largely due to lower Russian property tax charges which have decreased by approximately $0.6m to $0.9m (2015: $1.5m) due to the reduced value of the Russian assets subject to property tax. This was offset by storage costs associated with chrome tubing strings ($0.6m) and increased acid stimulation of wells needed to maintain stable production ($0.4m). We plan to utilise the chrome tubing during planned workovers in 2017 and will therefore see lower storage costs in 2017.

Ukrainian operating costs decreased by $0.5m, mainly due to the effects of Hryvnia devaluation from an average of UAH22.12/$ to an average of UAH25.59/$ (a depreciation of 15.7%) and staff reductions in many technical departments. This was partly offset by an increase in local salaries of up to 50% in January 2016 after two years without pay rises within a high-inflation environment.

Operating costs in Rest of World decreased by $1.5m mainly due to staff reductions in the London office. Further to completion of new Field Development Plans, we have assembled an integrated technical team with world-class on-shore experience which will be critical in delivering our strategy during 2017 and beyond.

The DD&A charge reduced by $7.5m, largely as a result of a lower asset carrying values resulting from impairments recognised in Ukraine.

Production taxes

Production based tax expense (before exceptional items) for the year was $17.7m (2015: $26.2m), representing a 32.4% decrease which has been recognised in cost of sales.

In Ukraine, although the gas production rate applicable in 2015 was 55%, our subsidiary was subject to 28% as a result of an Interim Award issued by an international arbitration tribunal which required the Government of Ukraine to limit the collection of production taxes ('Rental Fees') on gas produced by PPC, to a rate of 28%. The Interim Award remained in effect until the final ruling. In the period from January to October 2015, Rental Fees were recorded at 55% rate but then adjusted in November 2015 to reflect the average rate of 28%.

In December 2015, the Ukrainian Government passed legislation to reduce the gas production tax in Ukraine from 55% to 29% with effect from 1 January 2016. So the effective rate that we have recognised year-on-year is very similar (28% versus 29%) but the lower production has resulted in lower taxes.

In February 2017 the international arbitration tribunal issued its Award on the Company's claims and awarded the Company damages of approximately $11.8m plus interest and costs of $0.3 million in relation to our Ukrainian subsidiary's claims. The tribunal dismissed the main element of the Company's claim for payment of excessive Rental Fees. The tribunal ruled that Ukraine was found not to have violated its treaty obligations in respect of excessive levying of such taxes.

Our subsidiary continues defending its position in the Ukrainian courts regarding the Rental Fees levied for 2010 and 2015 but we have now fully provided for the liabilities for both these years following the result of the international arbitration. Due to the need for a further process to legalise the $11.8 million award in the Ukrainian courts, we have not recognised this as an asset at this stage.

In December 2016, the Ukrainian Government passed legislation reducing the royalty on oil production from a maximum of 45% to 29%, which will positively affect our performance in 2017.

In Russia, the gas and condensate mineral extraction tax ('MET') rate applicable in 2016 was 350 Roubles/Mcm (2015: 292 Roubles/Mcm). The formula for MET is based on gas prices, gas production as a share of total hydrocarbon output and complexity of gas reservoirs (depletion rates, depth of the producing horizons and geographical location of producing fields). Our Russian subsidiary, Yuzhgazenergie LLC ('YGE'), is entitled to a 50% discount based on the depth of our gas reservoirs.

In addition to production taxes, YGE is subject to a 2.2% property tax which is based on the net book value of its Russian assets as calculated for property tax purposes. This amounted to $0.4m in 2016 (2015: $0.7m) and is included in other cost of sales.

Exceptional charges

Exceptional charges of $26.3m in 2016 comprised the following items:

- $24.3m of provision for production-based taxes in respect of 2015 recognised as a result of the tribunal's dismissal of the Company's claim for overpayment of Rental Fees (as noted above);
- $2.0m of non-cash impairment charge for the Group's oil and gas assets in Hungary.

Further exceptional charges of $4.5m in 2016 included mainly the following:

- $2.5m of severance costs and additional remuneration which the previous board approved and paid prior to the General Meeting in January 2016;
- $0.5m of professional services incurred in relation to the General Meeting and the replacement of the Board on 28 January 2016;
- $0.7m severance costs incurred as a result of staff reductions, mainly at the Group's London headquarters; and
- a $0.6m onerous lease provision to cover the Group's liability for long-term lease contracts relating to London office. The Company has been successful in transferring the lease for one of the three unused floors at the London office and continues to try to exit from the remaining two leases.

Exceptional charges of $64.9m in 2015 included the following items:

- a non-cash impairment charge of $51.1m for the Group's oil and gas assets;
- a provision of $10.9m recognised as a result of a judgement against our Ukrainian subsidiary in respect of the rental fees case related to 2010; and
- a provision for legal costs of $3.0m (including interest) to be reimbursed as a result of the judgement of the Supreme Court which allowed an appeal by Eclairs Group Limited ('Eclairs') and Glengary Overseas Limited ('Glengary') and their nominees against the Court of Appeal's judgment that the voting restrictions placed on them on 31 May 2013 by the Company were valid.

Administrative expenses

Excluding the exceptional costs above, administrative expenses have increased by $4.7m to $22.2m (2015: $17.5m) mainly due to:

- An increase in legal and professional fees of $3.6m;
  - professional services of $1.2m incurred in respect of the updating of the Field Development Plans and implementation of new strategy, compensated by savings of $0.3m in professional fees due to review of the cost base and removal of unnecessary services;
  - legal fees of $0.4m incurred in connection with the restrictions imposed on the exercise of voting and other rights of two shareholders, Eclairs and Glengary, in January 2016;
  - legal and court fees of $1.4m related to the court cases in Ukraine in respect of 2007, 2010 and 2015 Rental Fees; and
  - and an increase in arbitration legal and court fees of $0.8m due to timing of the work with the main case being held in July 2016.
- An increase in other costs of $1.7m mainly due to a reduced allocation of administrative staff costs to operating activities (the reverse side of the $1.5m decrease in operating costs noted above); and

- A decrease of $0.6m in staff costs across the Group as a result of review of support staff requirements.

Since our appointment we have implemented a number of steps to identify cost efficiency possibilities and were able to significantly reduce the costs of the Company's London headquarters. Head office headcount has been reduced by 45% and we now occupy one floor of the building where we previously occupied four floors. Headcount reductions in both Ukraine and Russia were initiated during the latter half of the year, the benefits of which will be felt in the 2017 financial year.

Net finance charges

Finance costs have decreased by $1.9m to $4.6m (2015: $6.5m) comprising convertible bond interest. Overall the liability significantly reduced as a result of the redemption of $12.0m of the Bonds in February 2016 and repurchase and subsequent cancellation of Bonds with face value of $2.2m, $1.4m and $6.4m, made in June, September and October 2016, respectively.

A $0.6m charge (2015: $1.9m) of the fair value movement on the derivative liability represents the change in fair value of the conversion option associated with the convertible bond issued in February 2013.

Finance income of $1.8m (2015: $1.3m) comprises income from bank deposits of $0.7m (2015: $1.3m) and a gain on the repurchase of convertible bonds of $1.1m.

Taxation

The total tax credit for the year was $1.0m (2015: $1.2m credit) comprising a current tax charge of $1.3m (2015: $4.8m) in respect of Ukraine, a deferred tax credit before exceptional items of $1.2m (2015: charge of $3.1m) and a deferred tax credit of $1.2m in respect of exceptional items (2015: $9.2m). The fall in the current tax charge to $1.3m reflects lower profitability in Ukraine where the corporate tax rate for 2016 was 18% and remains at this level for 2017.

The total deferred tax credit of $2.4m (2015: $6.1m credit) comprises:

- a $2.9m credit (2015: $2.1m credit) reflecting the recognition of deferred tax assets in respect of Russian and Hungarian tax losses carried forward to future periods; and
- a net $0.5m charge (2015: $4.0m credit) relating to provision for rental fees in Ukraine and other tax timing differences on our oil and gas assets in Russia, Ukraine and Hungary.

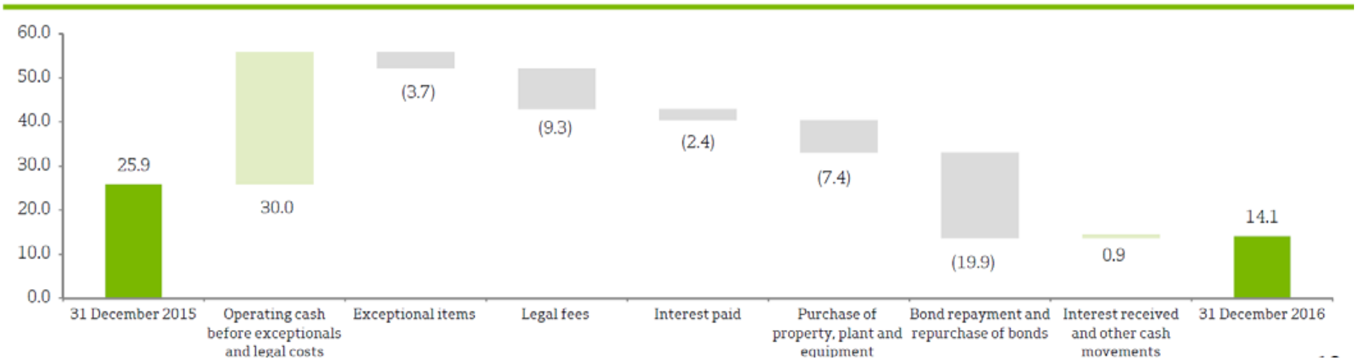
Loss for the year

Loss for the year before exceptional charges (net of tax effects) was $7.5m (2015: $25.8m). Basic loss per share before exceptional items was 4.34 cents (2015: 14.97 cents). Basic loss per share after exceptional items was 21.56 cents (2016: 47.32 cents).

Cash flows

Cash flows bridge

Movement in cash ($m)



The cash flow bridge chart very clearly summarises the financial journey of the Company over the course of 2016. Once we add exceptional items and one-off legal costs to the $17.0m of cash generated from operations our cash income more than doubled to $30.0m (2015: $12.8m) due to the reduced net loss as discussed above. With the brought forward cash balance of $25.9m, this provided the Company with $55.9m with which to operate the business and resolve historic liabilities.

Exceptional items totalling $3.7m comprise $2.5m of severance costs and additional remuneration paid to the previous Board, $0.5m of professional services incurred in relation to the General Meeting and the replacement of the Board on 28 January 2016 and $0.7m severance costs incurred as a result of staff reductions, mainly at the Group's London headquarters.

Legal fees of $9.3m mainly relate to:

- $3.9m of international arbitration costs;
- $2.8m for the reimbursement of Eclairs' and Glengary's legal fees in respect of prior years' shareholder disputes;
- $1.4m in respect of the Rental Fee claims in Ukraine for 2007, 2010 and 2015;
- $0.4m incurred in connection with the restrictions imposed on the exercise of voting and other rights of Eclairs and Glengary in January 2016; and
- general corporate advice including Bond restructuring.

Group capital spend remained low at $7.4m but included a full review of operations and capital projects and preparation of new Field Development Plans.

Net cash outflow from financing activities of $19.8m comprises the $10.9m redemption of the Bond in February 2016 in addition to $9.0m used to repurchase convertible Bonds in June, September and October 2016, which were subsequently cancelled, offset by a movement in restricted cash of $0.1m. These repurchases and cancellation were instrumental in enabling the Company to renegotiate the Bond terms with Bondholders towards the end of 2016 resulting in an agreed restructuring in early January 2017, which significantly reduced the short-term liabilities facing the Company (see below).

No dividends were paid to shareholders in the period (2015: nil).

Cash and cash equivalents

The resultant decrease in cash and cash equivalents in the year before adjusting for foreign exchange effects was $11.3m (2015: increase $1.6m). Cash movements explained above allowed liquidity to be successfully maintained with a reduction in year-end cash balances to $14.1m (31 December 2015: $25.9m). Given the significant one-off cash costs described above, we look forward to being able to invest far more of our operational cash flow into operational activities during 2017 rather than in resolving historic issues.

Liquidity

The Group employs a number of financial instruments to manage the liquidity associated with the Group's operations. These include cash and cash equivalents, together with receivables and payables that arise directly from our operations.

Soon after our appointment, we started negotiations to restructure $24.6m Bond liability which was due in February 2017. Redemption of $12 million of the Bonds was settled in February 2016. As noted above, in order to reduce this liability and to improve the Company's ability to restructure the Bonds, repurchases, and subsequent cancellation, amounting to $2.2 million, $1.4 million and $6.4 million were made in June, September and October 2016, respectively, utilising improved operating cash flows within the Group. These purchases were all made at discounts to face value.

By lowering the overall liability and reducing the number of Bondholders with which to negotiate, in January 2017 the Company was able to restructure the remaining $16 million of Bonds resulting in the liability being amortised over three years starting from February 2018 with a small accretion payment of $2.6 million being due in February 2017. The financing of the Bonds are now within the operating cash flow capabilities of the Company and the business can move forward with its development plans subject to resolution of the Group's legal issues in Ukraine.

Outlook

When we announced our 2015 annual results, we concluded that our main objective will be to restore the shareholder value in JKX. We focused on reducing costs and implementing a robust capital allocation policy which can ensure maximised cash flows from our assets and improvements to the Company's profitability and liquidity.

During 2016 we used this increased cash flow to resolve inherited legal battles with our stakeholders and started rebuilding relationships with those main stakeholders, including the Ukrainian Government. This will allow us to focus on our main activity in 2017 - to invest in oil and gas production.

We completed new Field Development Plans for Ukraine and Russia which will unlock full technical potential using expertise and working practices from North America. This will enable us to embark on an investment programme to increase production volumes in Ukraine, where we are planning to restart our drilling programme in 2017. We are currently looking at different options to raise external financing needed to implement our new exciting strategy.

We can also draw a line under our claim against the Ukrainian Government for overpayment of production taxes as in February 2017 the international arbitration tribunal issued its Award on the Company's claims and awarded the Company damages of approximately $11.8 million plus interest, and costs of $0.3 million in relation to subsidiary claims. We have restarted the dialogue with Ukrainian Government to achieve the best possible outcome for all of us.

The Company is firmly committed to Ukraine having been present there for more than 20 years with a highly experienced and committed workforce and we will endeavour to increase the cash generation capabilities of our resources in the country.

I would like to reiterate the statements of both our Chairman and CEO in that it has been a challenging and exciting year at the Company and it has been an honour to work with our many colleagues across the Group. I look forward to addressing further challenges with them all during 2017 and taking the Company forward.

Russell Hoare
Chief Financial Officer

Regional operations update

Group production
In 2016 Group average production was 10,083 boepd (2015: 8,996 boepd), comprising 54.7 MMcfd of gas (2015: 48.7 MMcfd) and 967 bpd of oil and condensate (2015: 871 bpd), an overall increase in production of 12%.

Ukraine

Novomykolaivske licences

Production
Average production from the Novomykolaivske group of fields in 2016 was 2,553 boepd (2015: 2,611 boepd) comprising 10.0 MMcfd of gas (2015: 10.9 MMcfd) and 879 bpd of oil and condensate (2015: 794 bpd). Despite the cancellation of all development expenditure since early 2015, oil production increased by 11% in 2016 while gas production decreased by 8%, although the decline in gas production has to be viewed in the context of a declining field and lack of an effective development plan in the first half of the year. We have implemented an enhancement program targeting the technical potential of existing well stock which has resulted in the increase in oil production and enabled a smaller reduction in gas production than would otherwise have been the case. The decline in gas is mainly attributed to a year on year natural decline of 1.5 MMcfd observed in the Ignativske field.

Development and drilling
No drilling took place in 2016 as the new board focused on rebuilding Field Development Plans ('FDPs') using global best practices, including drilling, fracturing and completion techniques from North America. Several technical advisors with a broad range of global and regional expertise were engaged.
The FDP for Ukraine identifies a technical solution to potentially unlock approximately 600 billion cubic feet of recoverable gas reserves previously considered uneconomic at the Rudenkivske gas field in addition to significant enhanced oil recovery opportunities in existing fields.

Work commenced on the initial stages of the FDP, including the acquisition and preparation of existing wellbores for stimulation, and the re-start of water injection into Ignativske. Production optimisation operations continued with the TW-100 and the recently leased Cooper LTO-550 and ZJ-20 workover rigs and rigless interventions.

- As part of the re-start of the Ignativske pilot waterflood project in the first half of last year, re-pressurisation of IG138 occurred in July. This led to the opening of the well in August and production of 5.5 Mstb of oil in the following two months. An electrical submersible pump was sourced for IG110 which will enable injection to be increased to 10,000 bbls/d as part of the FDP.
- A cement plug over the T2 and Devonian Sands was drilled out in IG-132, which resulted in a significant increase in production. Initial rates were over 1,100 bbls/d and total incremental production was 96 Mstb of oil and 129 MMcf of gas.
- In the Movchanivske North Field M171 was worked over to deepen the gas lift, followed by M153 where additional perforations were also added. Both of these projects were as a result of the newly generated enhancement list and both added to oil production quickly and with minimal investment.
- Rigless interventions included velocity string installations in M155, M157, M159, M162, M167, and IG106. In addition, a plunger lift system was installed in M160. All of these installations increased gas and condensate production quickly and with minimal investment.
- Successful re-entry of two old leased wells, NN16 and NN47, was completed in the Rudenkivske field. NN16 recovered a total of 100 MMcf of gas and 1.9 Mstb of condensate from the Devonian horizon in the southern part of the field. At the year end, NN47 had recovered a total of 37 MMcf of gas and 1.7 Mstb of condensate from the Visean horizon in the Northern part of the field. The success of both of these projects was due to the use of modern perforating technologies.
- Work started on 19R to prepare the well for fracturing in 2017 as outlined in the FDP.
- Wireline operations have focussed on the clearance of wax and salt build up in the production tubing of a number of wells. A sustained programme of wax clearance has stabilised oil production.

Production facilities
Operations at the main processing facility, the LPG plant and the oil loading facility continued smoothly throughout the year. A new water treatment vessel was installed at the main processing facility. Minor piping

modifications continue to enhance production. A routine annual plant shutdown of 2 days for maintenance was successfully completed in September.

Improvements at the oil loading terminal included an upgrade of the fire protection system and the installation of an additional loading point to enable loading of road tankers in addition to rail cars.

Elyzavetivske Production Licence

Production

Average production from the Elyzavetivske field in 2016 was 1,448 boepd (2015: 1,715 boepd) comprising 8.6 MMcfd of gas (2015: 10.1 MMcfd) and 23 bpd of condensate (2015: 29 bpd), an overall 16% decrease in production on the average for 2015. The decrease is as a result of the pressure decline in the field.

Development and drilling

There was no drilling activity on the Elyzavetivske field during the year although new field development plans on the Elyzavetivske field and West Mashivska licence were completed.

Production facilities

The Elyzavetivske production facility continues to operate efficiently and there have been no further changes.

Russia

Koshekhablskoye licence

Production

Average production from the Koshekhablskoye field in 2016 was 6,082 boepd (2105: 4,670 boepd) comprising 36.1 MMcfd of gas (2015: 27.7 MMcfd) and 65 bpd (2015: 48 bpd) of condensate, a 30% increase on the average for 2015. This increase is due mainly to full year of production from well-27 which came back on line in late 2015.

Licence obligations

The Group's Russian operating subsidiary Yuzhgazenergie ('YGE') maintains a regular dialogue with Rosnedra, the licencing authority, to ensure that the authorities are kept abreast with progress on the field development and the associated exploration and reserves determination commitments.

Rosnedra, is fully aware that there are certain licence commitments under YGE's Koshekhablskoye licence which have not been met and have issued YGE with notices to this effect. YGE is addressing these issues and expects to resolve them in 2017.

Development and drilling

After completion of the well-27 workover at the end of 2015, there were no additional workover activities in 2016. Routine acid treatment has been carried out using coiled tubing on the main producing wells.

Production from well-20 has declined from 17.5 MMcfd to 14.1 MMcfd through the year without any additional acid stimulation. During a routine wireline operation in the middle of the year a fish was lost in the hole which has prevented further acid stimulation taking place, but despite this production has remained relatively stable.

The north flank well-25 has been producing gas at rates between 5.5-12.4 MMcfd with three acid treatments in the year. Well-27 has been producing gas at rates between 8.3–12.2 MMcfd on a monthly average basis, having required eight acid treatments through the year. The deep east-flank well-15 continues to produce approximately 0.6 MMcfd on a monthly average basis.

Production facilities

There were no changes to the facilities in 2016. An unscheduled shutdown of the plant in May was prolonged in order to complete the annual maintenance which had originally been planned for later in the year.

Reserves Audit

A reserves audit was carried out by Degoyler and MacNaughton in 2016 which increased total 2P reserves for the field to 80.3 MMboe (2015: 66.1 MMboe). Proved reserves have been slightly reduced, due to higher resolution geological modeling showing slightly less drainage area. Probable reserve categories have increased due to the addition of reserves attributable to a new Callovian well, which is planned for 2018, and net pay maps revealing volumes previously not accounted for by material balance.

Hungary

JKX now operates the following six new Mining Plots (production licences) in Hungary covering 200 sq km and which are 100% owned by Riverside Energy Kft, the Company's wholly-owned Hungarian subsidiary:

Hajdunanas IV	28 sq km
Hajdunanas V	7 sq km
Tiszavasvari IV	41 sq km
Emod V	100 sq km
Pely I	18 sq km
Jaszkiser II	6 sq km

The licence terms enable JKX to carry out appraisal and development activity over a 30 year period.

Hajdunanas field

Production from the Hajdunanas and Gorbehaza Fields in north east Hungary, which form the Hajdunanas IV Mining Plot, was suspended by the previous operator in 2013.

In December, a sidetrack of the Hn-2 well was started to access the remaining Pannonian reservoir gas and to test the oil potential of the underlying Miocene volcanoclastic sequence, which was previously productive in the Hn-1 well. This was the first drilling operation completed since JKX assumed operatorship in November 2014.

The Hn-2ST well tested 1.5 MMcfd from the Pannonian Pegasus sands and 2.8 MMcfd from a lower Pannonian sand interval. The latter is a newly discovered productive horizon in the field.

Gas sales commenced on 2 February 2017 at an initial rate of 1.8 MMcfd, after a production and sales break of more than three years. Production forecasting and development planning is underway and future work may include a workover of the existing Hn-1 well to add production from the Lower Pannonian reservoir interval.

JKX continues to seek a farm-in partner to participate in the further development of the Hajdunanas field and the Group's other Hungarian licence interests.

Turkeve IV Mining Plot

During the year, JKX sold its 50% beneficial interest in the Ny-7 discovery (within the Turkeve IV Mining Plot) to the operator.

Slovakia

Exploration

JKX holds a 25% equity interest in the Svidnik, Medzilaborce, Snina and Pakostov exploration licences in the Carpathian fold belt in north east Slovakia. A programme of magneto-telluric geophysical surveys combined with seismic re-interpretation has led to the identification of a number of shallow prospects across the licences.

The 128 sq km Pakostov licence was applied for and approved in 2015 as protection acreage around material prospects identified in the Medzilaborce licence. The Operator (DiscoveryGeo) had planned to drill two of these prospects in 2016 but a combination of revised permitting procedures and local activist opposition has delayed well location permitting and construction. The Operator now hopes to spud the first well of a larger three well programme in 2017.

JKX Reserves & Resources

Consultants DeGolyer & MacNaughton ('D&M') conducted an evaluation of the Group's reserves and resources position as at 31 December 2016 and a summary is presented in the tables below.

Total remaining 2P reserves at 31 December 2016

	31-Dec-15	Revisions	Production	31-Dec-16
TOTAL				
Oil MMbbl	3.9	0.3	(0.4)	3.9
Gas Bcf	551	101.6	(20.0)	632.6
Oil + Gas MMboe	**95.8**	**17.2**	**(3.7)**	**109.3**
UKRAINE				
Oil MMbbl	3.3	0.1	(0.3)	3.1
Gas Bcf	158.4	4.0	(6.8)	155.6
Oil + Gas MMboe	**29.7**	0.8	**(1.5)**	**29.1**
RUSSIA				
Oil MMbbl	0.7	0.1	(0.0)	0.8
Gas Bcf	392.5	97.7	(13.2)	476.9
Oil + Gas MMboe	**66.1**	**16.4**	**(2.2)**	**80.3**

P+P (2P) Reserves

Proved and Probable (2P) Group reserves increased from 95.8 MMboe at year end 2015 to 109.3 MMboe at 31 December 2016. The changes are shown on a field-by-field basis in the table below:

MMboe	Dec-15	Production	Revisions	Dec-16
Ukraine				
Ignativske	3.0	(0.5)	1.4	3.9
Movchanivske	1.6	(0.2)	(0.8)	0.6
Novomykolaivske	0.8	(0.1)	0.1	0.7
Rudenkovskoye	20.6	(0.0)	1.6	22.2
Zaplavska	0.5	-	(0.5)	0
sub-total Novo-Nik production licences	*26.4*	*(0.9)*	*1.9*	*27.4*
Elyzavetivske	3.2	(0.5)	(1.0)	1.7
Total Ukraine	***29.7***	***(1.5)***	***0.8***	***29.1***
Russia				
Koshekhablskoye	66.1	(2.2)	16.4	80.3
Total	**95.8**	**(3.7)**	**17.2**	**109.3**

JKX P+P+P (3P) Reserves

D&M also carried out a full assessment of the upside potential in each field, the "Possible" reserves. These reserves have been calculated independently by D&M and are outlined below.

MMboe	P+P+P
Ukraine	
Ignativske	5.6
Movchanivske	0.7
Novomykolaivske	0.8
Rudenkovskoye	38.7
Zaplavska	0.0
sub-total Novo-Nik production licences	*45.8*
Elyzavetivske	3.5
Total Ukraine	***49.3***
Russia	
Koshekhablskoye	120.0
Hungary	
Hajdunanas	0.2
Total	**169.5**

JKX Contingent Resources

These contingent resources disclosed below are those volumes of hydrocarbons which are potentially recoverable from known accumulations but which are not currently considered to be commercially recoverable. The categories of 1C, 2C or 3C are used to reflect the range of uncertainty. These contingent resources are tabulated below.

MMboe	1C (low)	2C (best)	3C (high)
Ignativske	12.0	17.5	50.1
Movchanivske	0.0	1.3	2.8
Novomykolaivske	0.0	0.0	0.1
Rudenkovskoye	9.3	101.4	381.8
Zaplavska	0.0	0.4	1.4
sub-total Novo-Nik production licences	*21.3*	*120.6*	*436.2*
Elyzavetivske	0.0	6.2	20.8
Total Ukraine	21.3	126.8	457.0
Koshekhablskoye	24.1	74.8	107.5
Hajdunanas	0.0	0.0	0.0
Tiszavasvari 6	0.2	0.3	0.7
Total	**45.7**	**201.8**	**565.2**

Principal Risks and Uncertainties

The Board has completed a robust assessment of the most significant risks and uncertainties which could impact the business model, long-term performance, solvency or liquidity, and the results are summarised below.

The principal risks set out below are not set out in any order of priority, are likely to change and do not comprise all the risks and uncertainties that the Group faces.

What is the risk	How do we manage it?
EXTERNAL RISKS – WITHIN OUR CONTROL	
Tax legislation ***Description:*** The Group is exposed to changes in local tax laws, particularly in Ukraine. Governments in emerging markets sometimes bring in new tax laws which are effective immediately but are subject to varying interpretations and changes, which may be applied retrospectively. Other risks include a weak judicial system that is susceptible to outside influence, and can take an extended period for the courts to reach final judgment. ***Impact:*** If Management's interpretation of tax legislation does not align with that of the tax authorities, the tax authorities may challenge transactions which could result in additional taxes, penalties and fines which could have a material adverse effect on the Group's financial position and results of operations. JKX's Ukrainian operating subsidiary, Poltava Petroleum Company ('PPC'), has at times sought clarification of their status regarding a number of production related taxes. PPC continues to defend itself in court against action initiated by the tax authorities regarding production related taxes for August to December 2010 ('2010 Claims') and for January to December 2015 ('2015 Claims'). In addition, in February 2017, the Company was awarded approximately $11.8 million in damages plus interest and costs of $0.3 million by an international arbitration tribunal pursuant to a claim made against Ukraine under the Energy Charter Treaty to recover Rental Fees and damages incurred since 2011.	The Board continues to receive regular legal advice regarding the cases against PPC in respect of the 2010 Claims and 2015 Claims. The Company intends to begin a dialogue with the Government of Ukraine in order to satisfy the terms of the international arbitration award and to reach a mutually beneficial outcome. The Group maintains a transparent and open relationship with local, regional and national tax authorities in Ukraine and Russia. In respect of the 2010 Claims and 2015 Claims, provisions of $10.6 million and $23.3 million, respectively, have been recognised in these financial statements to reflect the Company's estimate of the potential liability. Except for the $33.9 million provision in respect of the 2010 and 2015 Claims, the Group's financial statements do not include any other 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 tax uncertainties.
Geopolitical - *Ukraine*	
74% of the Group's revenues and most of its profits and cash flow from operations are derived from its activities in Ukraine. Recent geopolitical tensions with Russia, political instability and ongoing military action in parts of Ukraine have negatively impacted its economy, financial markets and relations with the Russian Federation. Any continuing or escalating military action in eastern Ukraine could have a further adverse effect on the economy. ***Impact:*** If the country does not peacefully resolve the current conflict as well as secure additional financing, there is a risk it may default on its obligations and/or introduce new decrees to increase government funds from	To date, our operations have not been directly impacted by the unrest in Ukraine or the military conflict in the east. The Company also takes all reasonable measures to reduce and limit our commercial exposure in Ukraine through the use of careful selection of contracting parties, advanced payments and careful cash management. The Field Development Plan and future investment program in JKX's Ukrainian assets has been designed with contingencies to implement should these geopolitical risks increase and/or begin to impact operations.

What is the risk	How do we manage it?
independent companies in Ukraine. Changes in law or the regulatory environment and the possibility of immediate implementation could have a sudden material adverse effect on the Group's operations and financial position, which would reduce the Group's profits and cash flows.	
Geopolitical - *Group*	
Description: Most of the Group's operations and more than 97% of our oil and gas assets are located in Ukraine and Russia and the oil, gas and condensate that we produce is sold into their domestic markets. Both countries display emerging market characteristics where the right to production can be challenged by State and non-State parties. The business environment is such that a challenge may arise at any time in relation to the Group's operations, licence history, compliance with licence commitments and/or local regulations. In addition, local legislation constantly evolves as the governments attempt to manage the economies and business practices regarding taxation, banking operations and foreign currency transactions. The constantly evolving legislation can create uncertainty for local operations if guidance or interpretation is not clear. ***Impact:*** The Group's operations and financial position may be adversely affected by interruption, inspections and challenges from local authorities, which could lead to remediation work, time-consuming negotiations and suspension of production licences.	A key priority for the Group is to maintain transparent working relationships with all key stakeholders in our significant assets in Ukraine and Russia and to improve the methods of regular dialogue and ongoing communications locally. Our strategy is to employ skilled local staff working in the countries of operation and to engage established legal, tax and accounting advisers to assist in compliance. The Group endeavours to comply with all regulations via Group procedures and controls or, where this is not immediately feasible for practical or logistical considerations, seeks to enter into dialogue with the relevant Government bodies.
Commodity prices ***Description:*** JKX is exposed to international oil and gas price movements and political developments in Russia which may affect the regulated gas price. Change in prices will have a direct effect on the Group's trading results. Ukraine has the ability to purchase gas from Europe, which has more closely aligned Ukrainian gas prices with those across Europe, which have almost halved since the beginning of 2015. A prolonged period of low gas prices in Ukraine would impact the Group's liquidity. In Russia, from 1 July 2016 the regulated maximum industrial price has increased by 1.95% however, following a renegotiation of its gas sales contract, YGE has agreed a reduction of 9.5% to the price at which it sells its gas to its sole buyer. Oil prices recovered slightly from recent historic lows in 2016 and are predicted to remain lower for longer by many market commentators. The Company sells the oil it produces at prices determined by the global oil market. ***Impact:*** A period of low oil and/or gas prices could lead to impairments of the Group's oil and gas assets and may impact the Group's ability to support its long-term capital investment programme (see Liquidity Risk below) and reduce shareholder returns including dividends and share price.	JKX's policy is not to hedge commodity price exposure on oil, gas, LPG or condensate. JKX attempts to maximise stability and predictability of prices under long term contracts with reputable customers. This minimises exposure to abrupt price movements, ensuring sales are as closely matched as possible, in terms of timing and volume, to production. In 2016, most of the oil and gas production in Ukraine is sold by way of auctions, conducted with a frequency aimed to achieve as close as practicable the aforementioned matching principle. In Russia, all gas produced is sold to a local gas trading company through a gas sales contract which remains in place through 2017. The Company continues to seek to engage other buyers of its gas in Russia to improve realisations.

What is the risk	How do we manage it?
Foreign exchange exposure ***Description:*** The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Ukrainian Hryvnia and the Russian Rouble. The US Dollar is the currency which influences the majority of the Group's revenues and capital costs. Although a proportion of costs are incurred in US Dollars, most operating costs are influenced by the local currencies of the countries where the Group operates, principally Ukrainian Hryvnia and Russian Rouble. During 2016, the average Hryvnia and Rouble exchange rate devalued by 9% and 16% respectively, against the US Dollar. As a result, the Group's operating costs in US$ terms including the cost of production, operating and general admin costs decreased however the Group reported a foreign exchange gain of $0.4m in the income statement as a result of the devaluation of the Hryvnia and the strengthening of the Rouble. The strengthening of the Rouble increased the carrying value of the assets held in Russia resulting in the Group's net assets increasing by $19.6m and increased the value of Group revenues and costs which are reported in US$. ***Impact:*** Appreciation of the Ukrainian Hryvnia or depreciation of the Russian Rouble against the US Dollar or prolonged periods of exchange rate volatility may adversely affect the Group's business results.	The Group attempts to match, as far as practicable, receipts and payments in the same currency and also follow a range of commercial policies to minimise exposures to foreign exchange gains and losses. These include minimising exposure to the Hryvnia denominated sales, which continue to account for more than 70% of Group revenues, and the Rouble-based operating and capital costs. All our gas sales and most of our costs in Russia are denominated in Roubles which mitigates the Group's exposure to any Rouble/US Dollar fluctuations, The Group's normal policy is not to hedge foreign exchange risk but to continually monitor internal and external guidance on expected future currency exchange movements and manage the currency of the Group's major cash flows and holdings to minimise our potential exposure.
OPERATIONAL RISKS – NOT WITHIN OUR CONTROL	
Reservoir performance ***Description:*** The hydrocarbon reservoirs that we operate in Ukraine and Russia generate the cash flow that underpins the Group's growth. These reservoirs may not perform as expected, exposing the Group to lower profits and less cash to fund planned development. Production from our mature fields at the Novomykolaivske Complex in Ukraine require a high level of maintenance and intervention to maintain production at recent levels. In Russia, acidization of wells and other well maintenance procedures to increase stabilised production continued through the year. In 2015, well integrity issues arose requiring two out of the five producing wells to be shut-in. One of the wells, well-05, remains shut-in. ***Impact:*** Accurate reservoir performance forecasts from fields in Ukraine and Russia are critical in achieving the desired economic returns and to determine the availability and allocation of funds for future investment into the exploration for, or development of, other oil and gas reserves and resources. If reservoir performance is lower than forecast, sufficient finance may not be available for	There is daily monitoring and reporting of the well performance at all our fields in Ukraine and Russia. Production data is analysed by our in-house technical expertise. This supports well intervention planning and further field development. Our subsurface specialists and industry-recognised personnel are part of the daily monitoring and reservoir management process of our fields in Ukraine and Russia. JKX's in-house team of drilling, engineering and subsurface experts continue to be closely involved in the remediation work in Russia, well prioritisation on mature fields in Ukraine and our other field development plans. In 2016, the Board engaged several North American technical advisers with a broad range of global and regional expertise to support JKX's technical teams in reconstructing the Group's Field

What is the risk	How do we manage it?
planned investment in other development projects which will result in lower production, profits and cash flows.	Development Plans and associated expected reservoir performance.
Environmental, asset integrity or safety incidents ***Description:*** We are exposed to a wide range of significant health, safety, security and environmental risks influenced by the geographic range, operational diversity and technical complexity of our oil and gas exploration and production activities. ***Impact:*** Technical failure, non-compliance with existing standards and procedures, accidents, natural disasters and other adverse conditions where we operate, could lead to injury, loss of life, damage to the environment, loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires and explosions. Failure to manage these risks effectively could result in loss of certain facilities, with the associated loss of production, or costs associated with mitigation, recovery, compensation and fines. Poor performance in mitigating these risks could also result in damaging publicity for the Group.	Health, safety and the environment is a priority of the Board who are involved in the planning and implementation of continuous improvement initiatives. A London-based HSECQ Manager reports directly to the Chief Executive Officer. The Group HSECQ Manager is responsible for maintaining a strong culture of health, safety and environmental awareness in all our operational and business activities. The HSECQ Manager reports to the Board on a monthly basis with details of Group performance. Operations in Ukraine, Russia and Hungary all have a dedicated HSECQ Team of local personnel led by an HSECQ Manager who reports to the HSECQ Director for that particular region. All locations have HSE Management Systems modelled on the ISO 9000 series, OHSAS 18001 and ISO 14001. Appropriate insurances are maintained at Group level by reputable insurers to manage the Group's financial exposure to any unexpected adverse events arising out of the normal operations.
Bribery and corruption ***Description:*** The UK Bribery Act places onerous requirements on UK companies to demonstrate the effectiveness of their anti-bribery measures. ***Impact:*** Failing to implement adequate systems to prevent bribery and corruption could result in prosecution of the Company and its officers.	We prohibit bribery and corruption in any form by all employees and by those working for and/or connected with the business. Our Group Compliance Manager is responsible for anti-bribery and corruption matters and, with the support of the Board, implements an Annual Compliance Plan. Progress against the Plan is reported and discussed at every Audit Committee meeting. The compliance programme focusses on training, monitoring, risk management, due diligence and regular review of policies and procedures. Employees are expected to report actual, attempted or suspected bribery to their line managers or through our independently managed confidential reporting process, which is available to all staff as well as third parties.

Directors' Responsibilities Statement on the Annual Report

The responsibility statement below has been prepared in connection with the Company's full annual report for the year ended 31 December 2016. Certain parts thereof are not included within this announcement.

Each of the Directors confirm that, to the best of their knowledge:

- the Group and parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group;
- the Annual Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- the Annual Report and financial statements, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy;
- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The responsibility statement was approved by the Board of directors on 17 March 2017 and is signed on its behalf by:

Tom Reed	**Russell Hoare**
Chief Executive Officer	**Chief Financial Officer**

Consolidated income statement

for the year ended 31 December

	Note	2016 $000	2015 $000
Revenue	3	73,848	88,535
Cost of sales			
Exceptional item –production based taxes	7	(24,340)	(10,854)
Exceptional item - provision for impairment of oil and gas assets	4	(2,000)	(51,055)
Other production based taxes		(17,737)	(26,255)
Other cost of sales		(38,290)	(50,517)
Total cost of sales		(82,367)	(138,681)
Gross loss		(8,519)	(50,146)
Exceptional items	9	(4,484)	(2,988)
Other administrative expenses		(22,182)	(17,525)
Total administrative expenses		(26,666)	(20,513)
Gain/(loss) on foreign exchange		431	(4,919)
Loss from operations before exceptional items		(3,930)	(10,681)
Loss from operations after exceptional items		(34,754)	(75,578)
Finance income		1,836	1,289
Finance costs		(4,636)	(6,500)
Fair value movement on derivative liability	6	(599)	(1,921)
Loss before tax		(38,153)	(82,710)
Taxation – current	8	(1,341)	(4,827)
Taxation – deferred			
- before the exceptional items	8	1,209	(3,132)
- on the exceptional items	8	1,170	9,206
Total taxation	8	1,038	1,247
Loss for the year attributable to equity shareholders of the parent company		(37,115)	(81,463)
Basic loss per 10p ordinary share (in cents)			
- before exceptional items	10	(4.34)	(14.97)
- after exceptional items	10	(21.56)	(47.32)
Diluted loss per 10p ordinary share (in cents)			
- before exceptional items	10	(4.34)	(14.97)
- after exceptional items	10	(21.56)	(47.32)

Consolidated statement of comprehensive income

for the year ended 31 December

	2016 $000	2015 $000
Loss for the year	(37,115)	(81,463)
Comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods when specific conditions are met		
Currency translation differences	19,634	(26,277)
Other comprehensive income/(loss) for the year, net of tax	19,634	(26,277)
Total comprehensive loss attributable to:		
Equity shareholders of the parent	(17,481)	(107,740)

Consolidated statement of financial position

as at 31 December

	Note	2016 $000	2015 $000
ASSETS			
Non-current assets			
Property, plant and equipment	4(a)	194,510	194,649
Intangible assets	4b)	7,706	7,812
Other receivable		3,277	3,534
Deferred tax assets		18,724	15,603
		224,217	221,598
Current assets			
Inventories		4,585	3,689
Trade and other receivables		4,174	11,695
Restricted cash		201	312
Cash and cash equivalents		14,067	25,943
		23,027	41,639
Total assets		247,244	263,237
LIABILITIES			
Current liabilities			
Trade and other payables		(15,687)	(18,977)
Borrowings	5	(16,795)	(10,856)
Provisions	7	(34,510)	(10,854)
Derivatives	6	(1,341)	-
		(68,333)	(40,687)
Non-current liabilities			
Provisions	7	(4,264)	(4,135)
Other payables		(3,277)	(3,534)
Borrowings	5	-	(23,494)
Derivatives	6	-	(2,171)
Deferred tax liabilities		(14,537)	(14,950)
		(22,078)	(48,284)
Total liabilities		(90,411)	(88,971)
Net assets		156,833	174,266
EQUITY			
Share capital		26,666	26,666
Share premium		97,476	97,476
Other reserves		(159,911)	(179,545)
Retained earnings		192,602	229,669
Total equity		156,833	174,266

Consolidated statement of changes in equity

	Share capital $000	Share premium $000	Retained Earnings $000	Other reserves $000	Total equity $000
At 1 January 2015	26,666	97,476	310,474	(153,268)	281,348
Loss for the year	-	-	(81,463)	-	(81,463)
Exchange differences arising on translation of overseas operations	-	-	-	(26,277)	(26,277)
Total comprehensive loss attributable to equity shareholders of the parent	-	-	(81,463)	(26,277)	(107,740)
Transactions with equity shareholders of the parent					
Share-based payment charge	-	-	658	-	658
Total transactions with equity shareholders of the parent	-	-	658	-	658
At 31 December 2015	26,666	97,476	229,669	(179,545)	174,266
At 1 January 2016	26,666	97,476	229,669	(179,545)	174,266
Loss for the year	-	-	(37,115)	-	(37,115)
Exchange differences arising on translation of overseas operations	-	-	-	19,634	19,634
Total comprehensive loss attributable to equity shareholders of the parent	-	-	(37,115)	19,634	(17,481)
Transactions with equity shareholders of the parent					
Share-based payment charge	-	-	48	-	48
Total transactions with equity shareholders of the parent	-	-	48	-	48
At 31 December 2016	26,666	97,476	192,602	(159,911)	156,833

Consolidated statement of cash flows

for the year ended 31 December

	2016 $000	2015 $000
Cash flows from operating activities		
Cash generated from operations	17,038	12,797
Interest paid	(2,392)	(3,040)
Income tax paid	(10)	(696)
Net cash generated from operating activities	14,636	9,061
Cash flows from investing activities		
Decrease in held-to-maturity investments	-	2,700
Interest received	753	1,612
Proceeds from sale of property, plant and equipment	550	-
Purchase of intangible assets	(90)	(612)
Purchase of property, plant and equipment	(7,366)	(5,630)
Net cash used in investing activities	(6,153)	(1,930)
Cash flows from financing activities		
Restricted cash	111	247
Repayment of borrowings	(10,856)	(5,738)
Repurchase of convertible bonds	(9,036)	-
Net cash used in financing activities	(19,781)	(5,491)
(Decrease)/increase in cash and cash equivalents in the year	(11,298)	1,640
Cash and cash equivalents at 1 January	25,943	25,384
Effect of exchange rates on cash and cash equivalents	(578)	(1,081)
Cash and cash equivalents at 31 December	14,067	25,943

1. General information

The consolidated financial information for JKX Oil & Gas plc (the 'Company') and its subsidiaries (together 'the Group') set out in this preliminary announcement has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2016 (the 'financial statements'). The auditors have reported on the 2016 financial statements and their reports were unqualified and did not contain statements under s498(2) or (3) Companies Act 2006. The auditors' report on the 2016 financial statements, whilst unqualified, contained an emphasis of matter which drew attention to the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern, for further details see Note 2. The auditors' report on the 2015 accounts also contained an emphasis of matter which drew attention to the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

The 2016 Annual Report was approved by the Board of Directors on 17 March 2017, and will be mailed to shareholders in April 2017. The financial information in this statement is audited but does not have the status of statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Full accounts for JKX Oil and Gas plc for the year ended 31 December 2015 have been delivered to the Registrar of Companies. The auditors' report on the full financial statements for the year to 31 December 2015 was unqualified and did not contain statements under Section 498 (1) (regarding adequacy of accounting records and returns), or under Section 498 (3) (regarding provision of necessary information and explanations) of the United Kingdom Companies Act 2006.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted for use in the European Union. The accounting policies used by JKX Oil and Gas plc (the 'Group',) are consistent with those set out in the 2015 Annual Report. A full list of accounting policies will be presented in the 2016 Annual Report.

Going concern

The majority of the Group's revenues, profits and cash flow from operations are currently derived from its oil and gas production in Ukraine, rather than Russia.

The Company's Ukrainian subsidiary, Poltava Petroleum Company ('PPC') has made provision for potential liabilities arising from separate court proceedings regarding the amount of production taxes ('Rental Fees') paid in Ukraine for certain periods since 2010, which total approximately $33.9 million (including interest and penalties, see Note 8). PPC continues to contest these claims through the Ukrainian legal system.

In addition, in 2015 and as detailed in Note 8, the Company and its wholly-owned Ukrainian and Dutch subsidiaries commenced international arbitration proceedings against Ukraine under the Energy Charter Treaty and BIT seeking a repayment of Rental Fees that PPC has paid on production of oil and gas in Ukraine since 2011, in addition to damages to the business.

In February 2017, the international arbitration tribunal ruled that Ukraine was found not to have violated its treaty obligations in respect of the levying of Rental Fees but awarded the Company damages of $11.8 million plus interest, and costs of $0.3 million in relation to subsidiary claims. No adjustment has been made in these financial statements to recognise any possible future benefit to the Company that may result from the tribunal award in the Company's favour for damages of $11.8 million plus interest, and costs of $0.3 million, with the tribunal ruling subject to enforcement proceedings in Ukrainian courts.

Taking into account the damages awarded to the Company and the Ukrainian court proceedings against PPC in respect of production taxes, there is a net shortfall of $21.7 million owed by the Group to Ukraine. Should PPC lose the claims against it in respect of production taxes due for 2010 and 2015, and the Ukrainian Authorities demand immediate settlement, the Group does not currently have sufficient cash resources to settle the claims and this would affect its ability to meet its obligations to creditors and bondholders.

Accordingly, the Group's going concern assessment is sensitive to the outcome of the production-related tax disputes with the Ukrainian Government.

The Directors have concluded that it is necessary to draw attention to the potential impact of the Group becoming liable for additional Rental Fees in Ukraine as a result of unfavourable outcomes in one or both of the ongoing court proceedings. It is unclear whether either or both of these claims against PPC will be realised and settlement enforced but they are material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

However, based on the Group's cash flow forecasts, the Directors believe that the combination of its current cash balances, expected future production and resulting net cash flows from operations, as well as the availability of additional courses of action with respect to financing and/or negotiation with Ukraine for the settlement of any successful production tax claim, mean that it is appropriate to continue to adopt the going concern basis of accounting in preparing these financial statements. These financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

3. Segmental analysis

The Group has one single class of business, being the exploration for, evaluation, development and production of oil and gas reserves. Accordingly the reportable operating segments are determined by the geographical location of the assets.

There are four (2015: four) reportable operating segments which are based on the internal reports provided to the Chief Operating Decision Maker ('CODM'). Ukraine and Russia segments are involved with production and exploration; the 'Rest of World' are involved in exploration, development and production and the UK includes the head office and purchases material, capital assets and services on behalf of other segments. The 'Rest of World' segment comprises operations in Hungary and Slovakia.

Transfer prices between segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, segment expense and segment results include transfers between segments. Those transfers are eliminated on consolidation.

Segment results and assets include items directly attributable to the segment. Segment assets consist primarily of property, plant and equipment, inventories and receivables. Capital expenditures comprise additions to property, plant and equipment and intangible assets.

2016	UK $000	Ukraine $000	Russia $000	Rest of World $000	Sub Total $000	Eliminations $000	Total $000
External revenue							
Revenue by location of asset:							
– Oil	-	15,092	665	-	15,757	-	15,757
– Gas	-	35,945	18,343	-	54,288	-	54,288
– Liquefied petroleum gas	-	3,776	-	-	3,776	-	3,776
– Management services/other	-	23	4	-	27	-	27
	-	54,836	19,012	-	73,848	-	73,848
Inter segment revenue:							
– Management services/other	9,168	-	-	-	9,168	(9,168)	-
	9,168	-	-	-	9,168	(9,168)	-
Total revenue	9,168	54,836	19,012	-	83,016	(9,168)	73,848
Loss before tax:							
Loss from operations	(11,083)	(18,984)	(741)	(3,807)	(34,615)	(139)	(34,754)
Finance income					1,836	-	1,836
Finance cost					(4,636)	-	(4,636)
Fair value movement on derivative liability					(599)	-	(599)
					(38,014)	(139)	(38,153)
Assets							
Property, plant and equipment	204	93,010	97,894	3,402	194,510	-	194,510
Intangible assets	-	-	-	7,706	7,706	-	7,706
Other receivable	-	-	3,277	-	3,277	-	3,277
Deferred tax	-	3,556	12,578	2,590	18,724	-	18,724
Inventories	-	1,884	2,701	-	4,585	-	4,585
Trade and other receivables	914	338	2,621	301	4,174	-	4,174
Restricted cash	-	-	-	201	201	-	201
Cash and cash equivalents	6,146	5,480	1,899	542	14,067	-	14,067
Total assets	7,264	104,268	120,970	14,742	247,244	-	247,244
Total liabilities	(22,677)	(55,093)	(7,453)	(5,188)	(90,411)	-	(90,411)
Non cash expense (other than depreciation and impairment)	-	-	265	257	522	-	522
Exceptional item - provision for impairment of oil and gas assets	-	-	-	2,000	2,000	-	2,000
Exceptional item – production based taxes	-	24,340	-	-	24,340	-	24,340
Exceptional items – administrative expenses	4,454	-	-	30	4,484	-	4,484
Increase in property, plant and equipment and intangible assets	10	4,051	250	1,339	5,650	-	5,650
Depreciation, depletion and amortisation	381	12,028	7,355	-	19,764	-	19,764

2015	UK $000	Ukraine $000	Russia $000	Rest of World $000	Sub Total $000	Eliminations $000	Total $000
External revenue							
Revenue by location of asset:							
– Oil	-	14,106	526	-	14,632	-	14,632
– Gas	-	53,112	15,625	-	68,737	-	68,737
– Liquefied petroleum gas	-	4,585	-	-	4,585	-	4,585
– Management services/other	-	411	170	-	581	-	581
	-	72,214	16,321	-	88,535	-	88,535
Inter segment revenue:							
– Management services/other	11,459	-	-	-	11,459	(11,459)	-
	11,459	-	-	-	11,459	(11,459)	-
Total revenue	11,459	72,214	16,321	-	99,994	(11,459)	88,535
Loss before tax:							
Loss from operations	(8,704)	(53,796)	(9,292)	(3,705)	(75,497)	(81)	(75,578)
Finance income					1,289	-	1,289
Finance cost					(6,500)	-	(6,500)
Fair value movement on derivative liability					(1,921)	-	(1,921)
					(82,629)	(81)	(82,710)
Assets							
Property, plant and equipment	828	100,634	88,178	5,009	194,649	-	194,649
Intangible assets	-	-	-	7,812	7,812	-	7,812
Other receivable	-	-	3,534	-	3,534	-	3,534
Deferred tax	-	4,713	10,890	-	15,603	-	15,603
Inventories	-	2,022	1,667	-	3,689	-	3,689
Trade and other receivables	904	2,733	7,352	706	11,695	-	11,695
Restricted cash	6	-	-	306	312	-	312
Cash and cash equivalents	19,298	6,054	187	404	25,943	-	25,943
Total assets	21,036	116,156	111,808	14,237	263,237	-	263,237
Total liabilities	(45,322)	(31,138)	(10,220)	(2,291)	(88,971)	-	(88,971)
Non cash expense (other than depreciation and impairment)	300	173	4,821	283	5,577	-	5,577
Exceptional item - provision for impairment of oil and gas assets	-	49,549	-	1,506	51,055	-	51,055
Exceptional item – production based taxes	-	10,854	-	-	10,854	-	10,854
Exceptional item – legal costs	2,988	-	-	-	2,988	-	2,988
Increase in property, plant and equipment and intangible assets	41	2,830	5,150	687	8,708	-	8,708
Depreciation, depletion and amortisation	537	21,603	5,451	-	27,591	-	27,591

Major customers	2016 $000	2015 $000
1 Ukraine	-	20,168
2 Russia	19,008	16,151

There is 1 customer in Russia that exceed 10% of the Group’s total revenues (2015: 2, one in Ukraine and one in Russia).

4. (a) Property, plant and equipment

2016	Oil and gas assets: Oil and gas fields Ukraine $000	Oil and gas assets: Gas field Russia $000	Oil and gas assets: Oil and gas fields Hungary $000	Other assets $000	Total $000
Group					
Cost					
At 1 January	560,186	177,469	36,289	20,315	794,259
Additions during the year	3,947	84	1,249	277	5,557
Foreign exchange equity adjustment	-	35,770	-	240	36,010
Disposal of property, plant and equipment	(110)	(142)	(567)	(2,536)	(3,355)
At 31 December	564,023	213,181	36,971	18,296	832,471
Accumulated depreciation, depletion and amortisation and provision for impairment					
At 1 January	459,551	89,291	32,687	18,081	599,610
Depreciation on disposals of property, plant and equipment	(110)	(54)	-	(2,265)	(2,429)
Exceptional item – provision for impairment of oil and gas assets	-	-	2,000	-	2,000
Foreign exchange equity adjustment	-	18,837	-	179	19,016
Depreciation charge for the year	11,572	7,219	-	973	19,764
At 31 December	471,013	115,293	34,687	16,968	637,961
Carrying amount					
At 1 January	100,635	88,178	3,602	2,234	194,649
At 31 December	93,010	97,888	2,284	1,328	194,510

Oil and gas fields in Russia have no items under construction (2015: $3.7m).

2015	Oil and gas assets: Oil and gas fields Ukraine $000	Oil and gas assets: Gas field Russia $000	Oil and gas assets: Oil and gas fields Hungary $000	Other assets $000	Total $000
Group					
Cost					
At 1 January	557,509	223,518	36,214	20,567	837,808
Additions during the year	2,677	5,094	75	249	8,095
Foreign exchange equity adjustment	-	(50,984)	-	(331)	(51,315)
Disposal of property, plant and equipment	-	(159)	-	(170)	(329)
At 31 December	560,186	177,469	36,289	20,315	794,259
Accumulated depreciation, depletion and amortisation and provision for impairment					
At 1 January	388,996	108,143	31,181	17,014	545,334
Depreciation on disposals of property, plant and equipment	-	(83)	-	(124)	(207)
Exceptional item – provision for impairment of oil and gas assets	49,549	-	1,506	-	51,055
Foreign exchange equity adjustment	-	(23,914)	-	(249)	(24,163)
Depreciation charge for the year	21,006	5,145	-	1,440	27,591
At 31 December	459,551	89,291	32,687	18,081	599,610
Carrying amount					
At 1 January	168,513	115,375	5,033	3,553	292,474
At 31 December	100,635	88,178	3,602	2,234	194,649

Exceptional item – provision for impairment of oil and gas assets

During 2015 impairment triggers were noted in respect of our oil and gas assets in Ukraine and Hungary. Impairment tests were completed resulting in impairments of $51.1m comprised of $49.6m in respect of our Ukrainian oil and gas fields and $1.5m in respect of our Hungarian oil and gas fields (see Note 4 (b)).

Full impairment disclosures for each of the impairment tests are made in Notes 4 (c), (d), (e) and (f).

4. (b) Intangible assets: exploration and evaluation expenditure

2016	Ukraine $000	Hungary $000	Rest of World $000	Total $000
Group				
Cost:				
At 1 January	1,308	814	13,353	15,475
Additions during the year	-	-	90	90
Effect of exchange rates on intangible assets	-	-	(196)	(196)
At 31 December	1,308	814	13,247	15,369
Provision against oil and gas assets				
At 1 January and 31 December	1,308	-	6,355	7,663
Carrying amount				
At 1 January	-	814	6,998	7,812
At 31 December	-	814	6,892	7,706

2015	Ukraine $000	Hungary $000	Rest of World $000	Total $000
Group				
Cost:				
At 1 January	1,308	768	13,519	15,595
Additions during the year	-	46	566	612
Effect of exchange rates on intangible assets	-	-	(732)	(732)
At 31 December	1,308	814	13,353	15,475
Provision against oil and gas assets				
At 1 January and 31 December	1,308	-	6,355	7,663
Carrying amount				
At 1 January	-	768	7,164	7,932
At 31 December	-	814	6,998	7,812

4. (c) Impairment test for property, plant and equipment

A review was undertaken at the reporting date of the carrying amounts of property, plant and equipment to determine whether there was any indication of a trigger that may have led to these assets suffering an impairment loss. Following this review impairment triggers were noted in relation to the Russian assets (see Note 4 (e)) and the Hungarian assets (see Note 4 (f)). In respect of the Group's Ukrainian assets, impairment triggers were noted in 2015 and a full impairment review was completed, however no impairment triggers were noted in 2016 (see Note 4 (d)).

As there is no readily available market for the Group's oil and gas properties, fair value is derived as the net present value of the estimated future cash flows arising from the continued use of the assets, incorporating assumptions that a typical market participant would take into account.

The value in use of an oil and gas property is generally lower than its Fair Value Less Costs of Disposal ('FVLCD') as value in use reflects only those cash flows expected to be derived from the asset in its current condition. FVLCD includes appraisal and development expenditure that a market participant would consider likely to enhance the productive capacity of an asset and optimise future cash flows. Consequently, the Group determines recoverable amount based on FVLCD using a Discounted Cash Flow ('DCF') methodology.

The DCF was derived by estimating discounted after tax cash flows for each CGU based on estimates that a typical market participant would use in valuing such assets.

The impairment tests compared the recoverable amount of the respective CGUs noted below to the respective carrying values of their associated assets. The estimates of FVLCD meet the definition of level three fair value measurements as they are determined from unobservable inputs.

4. (d) Impairment test for the Ukrainian oil and gas assets - 2015 information

Change in spelling of Ukrainian production licences

For the 2016 financial statements, all of the names of the Company's Ukrainian production licences have been changed to their Ukrainian language spelling. A list of the changes made from the previous years' financial statement is as follows:

2016 financial statements	***Previous years' financial statements***
Rudenkivske	Rudenkovskoye
Ignativske	Ignatovskoye
Movchanivske	Molchanovskoye
Novomykolaivske	Novo-Nikolaevskoye
Zaplavska	Zaplavskoye
Elyzavetivske	Elizavetovskoye

2015

During 2015, the geopolitical situation in Ukraine, the economic impact of the devaluation of the Ukrainian Hryvnia and the uncertainty about the political, fiscal and economic outlook increased the Company's post tax discount rate used in its DCF calculations for impairment testing on the Ukrainian assets. The post tax discount rate increased from 17.2% to 20.0%. Together with the continued decline in international oil and gas prices during 2015, these constituted an impairment trigger and accordingly an impairment test was undertaken.

Poltava Petroleum Company ('PPC'), a wholly owned subsidiary of JKX, holds 100% interest in five production licences (Ignativske, Movchanivske, Rudenkivske, Novomykolaivske, Elyzavetivske) and one exploration licence (Zaplavska) in the Poltava region of Ukraine.

The Ignativske, Movchanivske, Rudenkivske, Novomykolaivske production licences contain one or more distinct fields which, together with the Zaplavska exploration licence, form the Novomykolaivske Complex ('NNC').

The Elyzavetivske production licence is located 45km from the Novomykolaivske Complex and has its own gas production facilities.

Ukrainian Cash Generating Units ('CGUs')

In respect of the Group's Ukraine assets the NNC forms a single CGU as these contain oil and gas fields which are serviced by a single processing facility and do not have separately identifiable cash inflows. In addition they have commonality of facilities, personnel and services.

The Elyzavetivske licence also has its own separate processing facilities and separately identifiable cash flows and therefore is a distinct CGU for the purpose of the impairment test. During 2015 an extension to the Elyzavetivske production licence was awarded to PPC which included the West Mashivska field. Due to the proximity of the West Mashivska field to the Elyzavetivske plant, production will be tied back to the Elyzavetivske processing facilities and therefore forms part of this CGU.

In accordance with IAS 36, the impairment review was undertaken in US$ being the currency in which future cash flows from NNC and Elyzavetivske will be generated.

Key Assumptions 2015 – NNC and Elyzavetivske

The key assumptions used in the impairment testing were:

- Production profiles: these were based on the latest available information provided by independent reserve engineers, DeGolyer & MacNaughton, as at 31 December 2014 adjusted for 2015 production volumes and data and reassessed internally. Such information included 3P reserves for NNC and Elyzavetivske (including the West Mashivska extension) of 28.4 MMboe and 5.0 MMboe, respectively.
- Economic life of field: it was assumed that the title to the licences is retained and that the NNC licence term will be successfully extended beyond its current 2024 expiration date through to the economic life of the field (expected to be around 2032). The economic life of the Elyzavetivske field is currently expected to be around 2023.
- Gas prices: during 2015 Ukraine acquired the ability to purchase gas from Europe rather than being completely dependent on Russia for imports. As such, Ukrainian gas prices are expected to be more aligned with European gas prices in future but also influenced by Russian-Ukrainian border price and international oil prices. The gas price used for 2016 is based on current and forecast gas prices realised by PPC. For the following six years a forward gas price curve was used with gas prices increasing at 2.8% thereafter.
- Oil prices: the Company used a forward price curve for the next six years and an increase of 2.8% per annum thereafter.
- Production taxes: the Company has assumed production tax rates of 29% for gas and 45% for oil which were introduced by the government on 1 January 2016.
- Capital and operating costs: these were based on current operating and capital costs in Ukraine for both projects. Estimates were provided by third parties and supported by estimates from our own specialists, where necessary.

Post tax nominal discount rate of 20%. This was based on a Capital Asset Pricing Model analysis consistent with that used in previous impairment reviews.

Based on the key assumptions set out above:

- the NNC's oil and gas assets were impaired by $49.6m after significant erosion of the headroom from the prior year due to the increase in discount rate applied, the international oil and gas price decline and the new expectation that prices will remain lower for longer.
- Elyzavetivske's recoverable amount (including the West Mashivska extension) exceeds its carrying value by $34.9m and therefore Elyzavetivske's oil and gas assets were not impaired.

Any impairment is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to likely and potential changes in key assumptions has therefore been provided below.

The impact on the impairment calculation of applying different assumptions to gas prices, production volumes, production tax rates, future capital expenditure and post-tax discount rates, all other inputs remaining equal, would be as follows:

Sensitivity analysis 2015 for the NNC and Elyzavetivske

		NNC Increase/(decrease) in impairment of $49.6m for NNC CGU $m	Elyzavetivske Increase/(decrease) in impairment headroom of $34.9m for Elyzavetivske CGU $m
Impact if gas price:	increased by 20%	(37.6)	13.1
	reduced by 20%	37.6	(13.1)
Impact if gas production volumes:	increased by 10%	(24.0)	6.7
	decreased by 10%	24.0	(6.7)
Impact if future capital expenditure:	increased by 20%	27.5	(3.9)
	decreased by 20%	(27.5)	3.9
Impact if post-tax discount rate:	increased by 2 percentage points to 22.0%	9.5	(1.8)
	decreased by 2 percentage points to 18.0%	(11.0)	2.0

4. (e) Impairment test for Yuzhgazenergie LLC ('YGE'), Russia

Following the 2007 acquisition of YGE in Russia, a technical and environmental re-evaluation of YGE's Koshekhablskoye gas field redevelopment was undertaken by the Group. The re-evaluation resulted in a revised development plan and production profile. The development plan and production profile have continued to be refined since that time.

For purposes of testing for impairment triggers of YGE's non-current assets, the Company took account of developments since the last test for impairment in 2014, based on the assessment of FVLCD.

In Russia, the regulated maximum industrial gas price in Russia was increased by 1.95% from 1 July 2016 however, following a renegotiation of the gas sales contract, the Company agreed a reduction of 9.5% to the price at which it sells its gas to its sole gas customer in Russia in return for a longer-term "take or pay" agreement. This price reduction had not been anticipated in previous impairment reviews.

The Company is seeking to engage other buyers of its gas in southern Russia to improve gas realisations there and broaden its customer base.

This revision to our estimate of the future Russian gas prices constituted an impairment trigger. Accordingly an impairment test was undertaken.

In accordance with IAS 36, the impairment review was been undertaken in Russian Roubles, which is the functional currency of YGE.

Key Assumptions – YGE

The key assumptions used in the impairment testing were:

- Production profiles: these were based on the latest available information provided by independent reserve engineers, DeGolyer & MacNaughton, at 31 December 2016. Such information included 2P reserves for YGE of 79.5 MMboe.
- Economic life of field: it was assumed that YGE will be successful in extending the licence term beyond its current 2026 expiration to the economic life of the field (expected to be around 2048). The discounted cash flow methodology used has not taken account of any opportunities that may exist to extract reserves in a shorter timeframe by investing to increase the current plant capacity.
- Gas prices: for 2017 these were based on the gas sales agreement that the Company had negotiated with its sole gas customer for the forecast gas production in 2017. The gas price is expected to remain at the same level through to 1 July 2017.

- Gas prices: from 1 July 2017 and annually thereafter, the gas prices have been increased by Rouble inflation of between 3.1% and 4.0% through to 2023, and estimated Russian inflation of 5.1% thereafter.
- Capital and operating costs: these were based on current operating and capital costs in Russia, project estimates provided by third parties and supported by estimates from our own specialists, where necessary.
- Post tax nominal Rouble discount rate of 13.2%. This was based on a Capital Asset Pricing Model analysis consistent with that used in previous impairment reviews.

Based on the key assumptions set out above YGE's recoverable amount exceeds it carrying amount by $14.7m and therefore YGE's Koshekhablskoye gas field was not impaired.

Any impairment is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to likely and potential changes in key assumptions has therefore been reviewed below.

The impact on the impairment calculation of applying different assumptions to gas prices, production, future capital expenditure and post-tax discount rates, all other inputs remaining equal, would be as follows:

Sensitivity Analysis

		Increase/(decrease) in impairment headroom of $14.7m for Yuzhgazenergie CGU $m
Impact if Adygean gas price:	growth rates increased by 10% annually	13
	growth rates reduced by 10% annually	(13)
Impact if production volumes:	Increased by 10%	24
	Decreased by 10%	(25)
Impact if future capital expenditure:	Increased by 20%	(12)
	Decreased by 20%	12
Impact if post-tax discount rate:	Increased by 1 percentage point to 14.2%	(9)
	Decreased by 1 percentage point to 12.2%	10

4. (f) Impairment test for Hungarian oil and gas assets

Hungarian property plant and equipment – Folyópart Energia Kft ('FEN')

The Company now holds a 100% interest in six development licences (Mining Plots) through its wholly owned Hungarian subsidiary, Folyópart Energia Kft. The Hajdunanas IV Mining Plot ('HMP') (previously Hernad I licence) contains two suspended wells which experienced an unexpected decline in production rates in 2013.

In December 2016, well Hn-2ST (sidetrack) was successfully completed on the HMP. This is the first drilling operation completed since JKX assumed operatorship in November 2014. The Hn-2ST (sidetrack) did not encounter any productive oil horizons, which had been included in the pre-drill estimates of contingent resources. The results from the Hn-2ST (sidetrack) therefore constituted an impairment trigger and a full impairment review was completed in respect of HMP.

Hungarian Cash Generating Unit ('CGUs')

HMP forms a single CGU which is serviced by a single processing facility and commonality of facilities, personnel and services. In accordance with IAS 36, the impairment review for HMP has been undertaken in US$ being the currency in which future cash flows from HMP will be generated.

Key Assumptions 2016 – HMP

The key assumptions used in the impairment testing in 2016 were:

- Production profiles: these were based on the latest available test and production data from the recent sidetrack Hn-2ST which was provided to independent reserve engineers. Using the independent reserves engineers' assessment, the Company included internally assessed 2P reserves of 0.16 MMboe;
- Oil and gas prices: these were based on current prices being realised and short term price curves derived from expectations in the Hungarian oil and gas market.
- Capital and operating costs: these were based on project estimates provided by third parties and the partner and operator of our Hungarian assets.
- The post tax discount rate of 10% was applied based on a Capital Asset Pricing Model analysis for the Group's Hungarian assets.

Based on the key assumptions set out above HMP's carrying amount exceeded its recoverable amount exceeds by $2.0m and therefore HMP's assets were impaired due to the reduction in the estimated recoverable oil and gas volumes from this field.

Any impairment is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to likely and potential changes in key assumptions has therefore been reviewed below.

The impact on the impairment calculation of applying different assumptions to production, oil and gas prices and future capital and operating costs, all other inputs remaining equal, would be as follows:

		HMP (Increase)/decrease in impairment of $2.0m for HMP CGU $m
Impact if oil and gas prices:	increased by 10%	0.5
	decreased by 10%	(0.5)
Impact if oil and gas production volumes:	increased by 10%	0.5
	decreased by 10%	(0.5)
Impact if future capital and operating costs:	increased by 10%	(0.4)
	decreased by 10%	0.4

Impairment test for Hungarian oil and gas assets – 2015 disclosures

Hungarian property plant and equipment - Turkeve

Through its wholly owned Dutch subsidiary, JKX Hungary B.V., the Company held a 50% beneficial interest in part of the Turkeve IV Mining Plot of 10 sq. km ('Turkeve') surrounding the Ny-7 well which encountered gas. During 2016, JKX sold its 50% beneficial interest in the Ny-7 discovery (within the Turkeve IV Mining Plot) to the operator.

Hungarian intangible assets: exploration and evaluation expenditure - Tiszavasvári-IV Mining Plot (previously Tiszavasvári-6)
The Tiszavasvári-IV Mining Plot contains the Tiszavasvári-6 discovery well ('TZ-6'), which, due to the early stage of appraisal, is classified as an exploration and appraisal asset and recognised within intangible assets.

During 2014 and 2015, there was a sharp decline in international oil and gas prices. In 2015 this constituted an impairment trigger and accordingly an impairment test was undertaken. In 2014, the absence of a firm work programme at year end to develop the Hungarian reserves, and the reclassification of the estimated reserves at the Group's Hungarian oil and gas fields to contingent resources also constituted an impairment trigger.

Hungarian Cash Generating Units ('CGUs')

HMP forms a single CGU which is serviced by a single processing facility and commonality of facilities, personnel and services.

The development of the Turkeve Ny-7 field and the TZ-6 discovery require their own distinct processing facilities. Once these discoveries are developed, they will have separately identifiable cash flows and therefore are two separate CGUs for the impairment test of the Hungarian oil and gas assets.

In accordance with IAS 36, the impairment reviews for the Hungarian assets were undertaken in US$ being the currency in which future cash flows from HMP, Turkeve and TZ-6 will be generated.

Key Assumptions 2015 – HMP, Turkeve and TZ-6

The key assumptions used in the impairment testing in 2015 were:

- Production profiles: these were based on the latest available information provided by our reserve engineers which included contingent resources of 0.6 MMboe for HMP, 0.1 MMboe (net to JKX) for Turkeve and 3.7 MMboe for TZ-6.
- Oil and gas prices: these were based on current prices being realised and short term price curves derived from expectations in the Hungarian oil and gas market.
- Capital and operating costs: these were based on project estimates provided by third parties and the partner and operator of our Hungarian assets.
- The post tax discount rate of 10% was applied. This was based on a Capital Asset Pricing Model analysis for our Hungarian assets.

Accordingly the impairment review is dependent on judgement used in determining the most appropriate basis for the assumptions and estimates made by management, particularly in relation to the key assumptions described above. Sensitivity analysis to likely and potential changes in key assumptions has therefore been provided below.

Based on the key assumptions set out above:

- HMP recoverable amount exceeds its carrying value by $1.3m at 31 December 2015 and therefore the oil and gas assets related to HMP were not impaired;
- Turkeve was impaired by $1.5m at 31 December 2015 after significant erosion of the headroom from the prior year due to international oil and gas price decline, the new expectation that prices are to remain lower for longer and the reduction in contingent resources from 0.3 MMboe to 0.1 MMboe due to a reassessment of field development options; and
- TZ-6 recoverable amount exceeds its carrying value by $1.0m at 31 December 2015 and therefore oil and gas assets relating to TZ-6 were not impaired.

In respect of the 2015 impairment review, the impact on the impairment calculation of applying different assumptions to production, oil and gas prices and future capital and operating costs, all other inputs remaining equal, would be as follows:

		HMP Increase/(decrease) in impairment headroom of $1.3m for HMP CGU $m	Turkeve Increase/(decrease) in impairment of $1.5m for Turkeve CGU $m	TZ-6 Increase/(decrease) in impairment headroom of $1.0m for TZ-6 CGU $m
Impact if oil and gas prices:	increased by 20%	2.2	(0.5)	1.0
	decreased by 20%	(2.2)	0.3	(0.8)
Impact if oil and gas production volumes:	increased by 10%	1.2	(0.2)	0.5
	decreased by 10%	(1.1)	0.2	(0.5)
Impact if future capital and operating costs:	increased by 20%	(1.9)	0.2	(0.9)
	decreased by 20%	1.9	(0.2)	0.9

5. Borrowings

	2016 $000	2015 $000
Current		
Convertible bonds due 2018	16,795	10,856
Term-loans repayable within one year	16,795	10,856
Non-Current		
Convertible bonds due 2018	-	23,494
Term-loans repayable after more than one year	-	23,494

Convertible bonds due 2018

On 19 February 2013 the Company successfully completed the placing of $40m of guaranteed unsubordinated convertible bonds with institutional investors which are due 2018 raising cash of $37.2m net of issue costs.

The Bonds have an annual coupon of 8 per cent per annum payable semi-annually in arrears. The Bonds are convertible into ordinary shares of the Company at any time from 1 April 2013 up until seven days prior to their maturity on 19 February 2018 at a conversion price of 76.29 pence per Ordinary Share, unless the Company settles the conversion notice by paying the Bondholder the Cash Alternative Amount (see below).

Interest, after the deduction of issue costs and the inclusion of the redemption premium, will be charged to the income statement using an effective rate of 18.0%.

Cash Alternative Amount

At the option of the Company, the conversion notice in respect of the Bonds can be settled in cash rather than shares, the Cash Alternative Amount payable is based on the Volume Weighted Average Price of the Company's shares prior to the conversion notice.

Convertible bonds repurchased and cancelled

On 19 February 2016, in accordance with the terms and conditions of the Bonds, the Company repurchased 50 bonds with a total principal amount of $10m (19 February 2015: 20 Bonds, principal amount $4m). In June, September and October 2016, the Company repurchased and subsequently cancelled a total of 50 Bonds with par value of $10m resulting in $1.1m gain on redemption, which has been included in Finance income for the year. The remaining principal amount of outstanding Bonds at 31 December 2016 was $16.0m (2015: $36.0m)

Convertible bonds restructured on 3 January 2017

On 3 January 2017 a special resolution was approved by Bondholders to change the terms and conditions of the Bonds. The main amendments to the terms and conditions of the Bonds were as follows:

- the Bondholder's option to require redemption of all of the outstanding Bonds on 19 February 2017 was deleted;
- the final maturity date of the Bonds was extended to 19 February 2020, with the outstanding principal amount of the Bonds being repaid in three instalments; 33% on 19 February 2018; 33 % on 19 February 2019; and 34% on the 19 February 2020;
- the coupon rate of the Bonds was increased from 8% to 14%;
- the covenant which limited new borrowings by the Company has been removed; and
- the Company will make two payments to Bondholders in respect of prior accretion amounts, on 19 February 2017 and on 19 February 2018 of 12.0% and 3.0%, respectively, of the principal amount of the Bonds;

The revised terms and conditions of the Bond is considered to be a modification and therefore the difference in the amortised cost carrying amount at the modification date will be recognised through a change in the effective interest rate at the modification date through to the end of the revised estimated term of the Bond. There is therefore no immediate impact of the restructuring of the Bond on the Consolidated Income Statement in 2017.

The impact of the amendments to the Bond on the Consolidated Statement of Financial Position was to decrease the carrying amount of the total Bond liability of $18.1m (including the associated derivative) by $0.8m, which will be amortised over the estimated remaining life of the modified Bond.

6. Derivatives

	2016 $000	2015 $000
Current derivative financial instruments		
Reclassification from non-current derivative financial instruments	1,341	-
At the end of the year	1,341	-
Non-current derivative financial instruments		
At the beginning of the year	2,171	1,037
Partial settlement of derivative liability	(1,429)	(787)
Fair value loss movement during the year	599	1,921
Reclassification to current derivative financial instruments	(1,341)	-
At the end of the year	-	2,171

Convertible bonds due 2018 – embedded derivatives

Coupon Makewhole
Upon conversion of a Bond prior to the 19 February 2015 the Company was required to pay an amount of interest equal to the aggregate interest which would have been payable on the principal amount of the Bond if such Bond had been outstanding until 19 February 2015.

Bondholder Put Option
Bondholders have the right to require the Company to redeem the following number of Bonds on the following future dates together with accrued and unpaid interest to (but excluding) such dates:

Redemption Date	Maximum number of Bonds to be redeemed
19 February 2017	all outstanding Bonds

Current liabilities include $16.8m (2015: $10.9m) in respect of the put option available to bondholders on 19 February 2017 (2015: 19 February 2016). On 3 January 2017, this put option was cancelled as part of the Bond restructuring as detailed in Note 5. Bonds with a principal amount of $10.0m were redeemed on 19 February 2016 (19 February 2015: $4.0m) in addition to an early redemption premium of $0.9m (19 February 2015: $0.2m) in accordance with the terms and conditions of the bond.

Company Call Option
The Company can redeem the Bonds early in full but not in part at their principal amount together with accrued interest at any time on or after 19 February 2017 if the Volume Weighted Average Price of the Company's shares over a specified period equal or exceed 130 per cent of the principal amount of the Bonds; or if the aggregate principal amount of the bonds outstanding is less than 15% of the aggregate principal amount originally issued.

Fixed exchange rate
The Sterling-US Dollar exchange rate is fixed at £1/$1.5809 for the conversion and other features.

Convertible Bond restructuring
On 3 January 2017, the Bondholders approved a restructuring of the terms and conditions of outstanding Convertible bonds. See Note 5 for details.

7. Provisions

	Onerous lease provision (2) $000	Production based taxes (1) $000	Total $000
At 1 January 2016	-	10,854	10,854
Foreign currency translation	(5)	(1,273)	(1,278)
Amount provided in the year	594	24,340	24,934
At 31 December 2016	589	33,921	34,510

1. The provision for production based taxes, which has been recognised as a charge in the 2016 Consolidated income statement, is in respect of a claim against PPC for additional Rental Fees for the period January to December 2015 (2015: for the period from August to December 2010). Both claims are being contested in the Ukrainian courts (see Note 8). The amount is denominated in Ukrainian Hryvnia ('UAH') and is stated above at its US$-equivalent amount using the 2016 year end rate of UAH27.19/$ (2015: UAH 24.0/$). The provision is based on the total value of the claims plus interest and penalties. The Board believes that the claims are without merit under Ukrainian law and the Company will continue to contest it vigorously. No contingent liabilities exist in respect of Ukrainian production taxes (2015: $30.0m).
2. See Note 9 for details.

Non-current provisions	Ukraine $000	Russia $000	Hungary $000	Total $000
Provision for site restoration				
At 1 January 2016	1,477	2,078	580	4,135
Foreign exchange adjustment	-	(145)	(5)	(150)
Revision in estimates	20	-	-	20
Unwinding of discount	46	213	-	259
At 31 December 2016	1,543	2,146	575	4,264

The provision in respect of Ukraine represents the present value of the well and site restoration costs that are expected to be incurred up to 2034 (2015: 2034). The Russia provision results from the decommissioning of 12 wells (2015:12) and removal of plant as required by the license obligation. Decommissioning is due to take place from 2017 to 2048 (2015: 2016 to 2048). The provisions are made using the Group's internal estimates that management believe form a reasonable basis for the expected future costs of decommissioning.

8. Taxation

Analysis of tax on loss	2016 $000	2015 $000
Current tax		
UK - current tax	-	-
Overseas - current year	1,341	4,827
Current tax total	1,341	4,827
Deferred tax		
Overseas – prior year	(1,767)	-
Overseas - current year	(612)	(6,074)
Deferred tax total	(2,379)	(6,074)
Total taxation	(1,038)	(1,247)

Factors that affect the total tax charge

The total tax credit for the year of $1.0m (2015: $1.2m credit) is higher (2015: higher) than the average rate of UK corporation tax of 20% (2015: 20.25%). The differences are explained below:

Total tax reconciliation	2016 $000	2015 $000
Loss before tax	(38,153)	(82,710)
Tax calculated at 20.00% (2015: 20.25%)	(7,631)	(16,749)
Other fixed asset differences		
Net change in unrecognised losses carried forward	3,485	5,341
Differences relating to prior years	(1,767)	-
Permanent foreign exchange differences	3,327	10,769
Effect of tax rates in foreign jurisdictions	271	(256)
Rental fee provision	3,211	-
Other non-deductible expenses	191	1,839
Recognition of prior year losses	(2,125)	(2,191)
Total tax charge	(1,038)	(1,247)

The total tax credit for the year was $1.0m (2015: $1.2m credit) comprising a current tax charge of $1.3m (2015: $4.8) in respect of Ukraine, a deferred tax credit before exceptional items of $1.2m (2015: charge of $3.1m) and a deferred tax credit of $1.2m in respect of exceptional items (2015: $9.2m). The fall in current tax charge to $1.3m reflects lower profitability in Ukraine. In Ukraine, the corporate tax rate for 2016 was 18% and remains at this level for 2017. The total deferred tax credit of $2.4m (2015: $6.1m credit) comprises: a $2.9m credit reflecting the recognition of deferred tax assets in respect of Russian and Hungarian tax losses carried forward to future periods; and a net $0.5m charge (2015: $4.0m) relating to provision for Rental Fees in Ukraine and other tax timing differences on our oil and gas assets in Russia, Ukraine and Hungary.

Taxes charged on production of hydrocarbons in Ukraine and Hungary are included in cost of sales. The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 20%.

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.

The main rate of UK corporation tax reduces to 19% from 1 April 2017. In the March 2016 Budget a reduction in the main rate of UK corporation tax to 17% in 2020 was announced, which has not been substantively enacted. The impact of the rate reduction is not expected to have a material impact on UK current taxation.

The corporation tax rate in Ukraine for 2016 was 18% (2015: 18%).

Taxation in Ukraine – production taxes

Since Poltava Petroleum Company's ('PPC's') inception in 1994 the Company has operated in a regime where conflicting laws have existed, including in relation to effective taxes on oil and gas production.

In order to avoid any confusion over the level of taxes due, in 1994, PPC entered into a licence agreement with the Ukrainian State Committee on Geology and the Utilisation of Mineral Resources ('the Licence Agreement') which set out expressly in the Licence Agreement that PPC would pay royalties on production at a rate of only 5.5% of sales value for the duration of the Licence Agreement.

Pursuant to the Licence Agreement, PPC was granted an exploration licence and four 20-year production licences, each in respect of a particular field. In 2004, PPC's production licences were renewed and extended until 2024, Subsoil Use Agreements were signed and attached to the licences and operations continued as before.

The Company and PPC have continued to invest in Ukraine on the basis that PPC would pay a royalty on sales at a rate of 5.5%.

In December 1994, a new fee on the production of oil and gas (known as a 'Rental Payment' or 'Rental Fee') was introduced through Ukrainian regulations. On 30 December 1995, JKX, together with its Ukrainian subsidiaries (including PPC), was issued with a Joint Decision of the Ministry of Economy, the Ministry of Finance and the State Committee for the Oil and Gas ('the Exemption Letter'), which established a zero rent payment rate for oil and natural gas produced in Ukraine by PPC for the duration of the Licence Agreement for Exploration and Exploitation of the Fields. Based on the Exemption Letter PPC did not expect to pay any Rental Fees.

Rental Fees paid since 2011

In 2011, new laws were enacted which established new mechanisms for the determination of the Rental Fee. Notwithstanding the Exemption Letter, in January 2011 PPC began to pay the Rental Fee in order to avoid further issues with the Ukrainian authorities but without prejudice to its right to challenge the validity of the demands.

Since 2011, the Rental Fees paid by PPC have amounted to more than $180 million. These charges have been recorded in cost of sales in each of the accounting periods to which they relate.

International arbitration proceedings

In 2015, the Company and its wholly-owned Ukrainian and Dutch subsidiaries commenced arbitration proceedings against Ukraine under the Energy Charter Treaty, the bilateral investment treaties between Ukraine and the United Kingdom and the Netherlands, respectively. In these proceedings, the Company sought a repayment of $169 million in Rental Fees that PPC has paid on production of oil and gas in Ukraine since 2011, in addition to damages to the business.

During 2015 Rental Fees in Ukraine were increased to 55% and capital control restrictions were introduced. On 14 January 2015, an Emergency Arbitrator issued an Award ordering Ukraine not to collect Rental Fees from PPC in excess of 28% on gas produced by PPC, pending the outcome of the application to a full tribunal for the Interim Award. On 23 July 2015 an international arbitration tribunal issued an Interim Award (replacing the Emergency Award) requiring the Government of Ukraine to limit the collection of Rental Fees on gas produced by PPC to a rate of 28%.

The Interim Award was to remain in effect until final judgement is rendered on the main arbitration case, which was heard in early July 2016. A decision from the tribunal was awarded on 6 February 2017.

The tribunal ruled that Ukraine was found not to have violated its treaty obligations in respect of the levying of Rental Fees but awarded the Company damages of $11.8 million plus interest, and costs of $0.3 million in relation to subsidiary claims.

Rental Fee demands

The Group currently has two claims (2015: three) for additional Rental Fees being contested through the Ukrainian court process. These arise from disputes over the amount of Rental Fees paid by PPC for certain periods since 2010 (2015:

2007), which in total amount to approximately $34.2 million (31 December 2015: $41 million) (including interest and penalties), as detailed below. All amounts are being claimed in Ukrainian Hryvnia ('UAH') and are stated below at their US$-equivalent amounts using the year end rate of $1:UAH27.2 (2015: $1:UAH 24.0).

- August – December 2010: approximately $10.6 million (2015: $10.9 million) (including $6.1 million (2015: $5.0 million) of interest and penalties). On 11 March 2014 PPC won the case in the Poltava Court. The tax office appealed and the Kharkov Court of Appeal reversed the earlier decision. PPC lost an appeal to the High Administrative Court of Ukraine and lost four appeals to the Supreme Court of Ukraine. It is currently engaged in appeal processes in the High Administrative Court and is considering the basis of a further appeal to the Supreme Court. The Board intends to continue to pursue a successful decision in this case.

  As part of these proceedings, property, plant and equipment that cost UAH158m (approximately $5.8million (2015: $6.3 million) at the year end rate of $1:UAH27.2 (2015: $1:UAH24.9) was required to be pledged as security against the non-settlement of the 2010 Rental Fee claim that may arise in the event that the Ukrainian authorities are successful. The net book value of the property, plant and equipment is $22.0 million based on the historical exchange rates at the dates of acquisition which were between $1:UAH5 and $1:UAH8.
- January – December 2015: approximately $23.3 million (2015: $24 million) (including $10.8 million (2015: $9 million) of interest and penalties). Following the commencement of international arbitration proceedings at the beginning of 2015 (see above), from July 2015 PPC reverted to paying a 28% Rental Fee for gas production (instead of the revised official rate of 55%) as a result of the awards granted under the arbitration. PPC also declared part of its Rental Fee payments at 55% for the first 6 months of 2015 as overpayments and consequently stopped paying the Rental Fee for gas in order to align the total payments made in 2015 with the 28% rate awarded made under the arbitration proceedings. The Ukrainian tax authorities have issued PPC with claims for the difference between 28% and 55%. PPC is in the process of court hearings in respect of the claim, although the Company considers such claims to be in direct violation of the Interim Award received from the arbitration tribunal, noted above. In addition, in April 2016, the tax authorities issued PPC with a separate demand for $0.1 million of penalties and interest on unpaid Rental Fees for the period of August-October 2015. PPC also filed lawsuits against the tax authorities to cancel the application of such additional penalties and interest.

The Interim Award for PPC to pay Rental Fees at 28% for 2015 was to remain in effect until final judgement is rendered on the main arbitration case. Following the tribunal's dismissal of the Company's claim for overpayment of Rental Fees, an exceptional charge of $24.3 million has been charged to the Consolidated income statement in the year (2015: $10.9 million) relating to the January – December 2015 claim

A provision totalling $33.9 million is recognised at 31 December 2016 (2015: $10.9 million) in respect of the claim for the periods from August-December 2010 and from January- December 2015.

No adjustment has been made to recognise any possible future benefit to the Company that may result from the tribunal award in the Company's favour for damages of $11.8 million plus interest, and costs of $0.3 million.

In the prior year there was a claim of approximately $6 million (including $3 million of interest and penalties) relating to the period January – March 2007. During the period the Supreme Court of Ukraine ruled in favour of the Company in respect of this claim and a second parallel case related to this claim was won by PPC with the High Administration Court of Ukraine.

9. Exceptional item – administrative expenses

During the year, the exceptional items as detailed below have been included in administrative expenses in the income statement:

	2016 $000	2015 $000
Exceptional item – onerous lease provision (1) (see Note 7)	(594)	-
Exceptional item – lease costs (2)	(209)	-
Exceptional item – remuneration and severance costs (3)	(3,681)	-
Exceptional item – legal costs (4)	-	(2,988)
	(4,484)	(2,988)

1. The onerous lease provision covers the Group's liability for onerous lease contracts relating to London office. Following reduction in London office staff, three out of the four floors of the occupied building became surplus to requirements. Provision has been determined as the present value of the unavoidable costs relating to rents and rates to the end of the lease terms, net of the expected sub-lease income, discounted at 6%. The remaining life of the leases at 31 December 2016 is 5 years.
2. Represents rent and rate costs for the 4 months to 31 December 2016 relating to three floors of the London office building.
3. Exceptional charges of $3.7million comprise the following:
   $2.5 million of severance costs and additional remuneration which the previous Board approved and paid prior to the General Meeting on 28 January 2016;
   $0.5 million of professional advisory fees incurred in relation to the General Meeting and the replacement of the Board on 28 January 2016;
   $0.7 million severance costs incurred as a result of staff reductions mainly at the Group's London headquarters.
4. The Company has been involved in Court proceedings since July 2013 with two shareholders.
   The shareholders appealed to the Supreme Court contesting the Appeal Court ruling made in May 2014 in favour of the Company. In December 2015 the Supreme Court overturned the Appeal Court ruling and therefore the Company was required to settle the appropriate portion of the legal expenses incurred by the two shareholders during the process. The amount recognised in the income statement 2015 represents their legal costs that the Company paid in 2016.

10. Loss per share

The calculation of the basic and diluted loss per share attributable to the owners of the parent is based on the weighted average number of shares in issue during the year of 172,125,916 (2015: 172,125,916) and the loss for the relevant year.

Loss before exceptional item in 2016 of $7,461,522 (2015 loss: $25,772,141) is calculated from the 2016 loss of $ 37,115,477 (2015: $81,463,000) and adding back exceptional items of $ 30,823,955 (2015: 64,896,496) less the related deferred tax on the exceptional items of $ 1,170,000 (2015: $9,205,637).

The diluted earnings per share for the year is based on 172,125,916 (2015: 172,125,916) ordinary shares calculated as follows:

	2016 $000	2015 $000
Loss		
Loss for the purpose of basic and diluted earnings per share (loss for the year attributable to the owners of the parent):		
Before exceptional item	(7,462)	(25,772)
After exceptional item	(37,115)	(81,463)

Number of shares	2016	2015
Basic weighted average number of shares	172,125,916	172,125,916
Dilutive potential ordinary shares:		
Share options	-	-
Weighted average number of shares for diluted earnings per share	172,125,916	172,125,916

In accordance with IAS 33 (Earnings per share) the effects of antidilutive potential have not been included when calculating dilutive loss per share for the year end 31 December 2016 (2015: nil). 13,925,410 (2015: 29,849,048) potentially dilutive ordinary shares associated with the convertible bonds (Note 6) have been excluded as they are antidilutive in 2016, however they could be dilutive in future periods.

There were 3,101,400 (2015: 12,740,100) outstanding share options at 31 December 2016, of which 1,341,750 (2015: 7,141,100) had a potentially dilutive effect. All of the Group’s equity derivatives were anti-dilutive for the year ended 31 December 2016.

11. Events after the reporting date

Convertible Bond restructuring

On 3 January 2017, the Bondholders approved a restructuring of the terms and conditions of outstanding Convertible Bonds. See Note 5 for details.

Tribunal Award

In 2015 the Company commenced arbitration proceedings against Ukraine on the basis of overpayment of production taxes (‘Rental Fees’) plus damages, as explained more fully in Note 8. The main arbitration case was heard in July 2016.

On 6 February 2017 the international arbitration tribunal ruled that Ukraine was found not to have violated its treaty obligations in respect of the levying of Rental Fees but awarded the Company damages of $11.8m plus interest, and costs of $0.3m in relation to subsidiary claims.

No adjustment has been made to recognise any possible future benefit to the Company that may result from the tribunal award.

Following the tribunal decision, a provision totalling of $23.6m was recognised at 31 December 2016 in respect of Rental Fees for the period from January- December 2015 (see Notes 7 and 8 for details).

Glossary

2P reserves	Proved plus probable
3P reserves	Proved, probable and possible
P50	Reserves and/or resources estimates that have a 50 per cent probability of being met or exceeded
AFE	Authorisation For Expenditure
AIFR	All Injury Frequency Rate
Bcf	Billion cubic feet
Bcm	Billion cubic metres
bcpd	Barrel of condensate per day
boe	Barrel of oil equivalent
boepd	Barrel of oil equivalent per day
bopd	Barrel of oil per day
bpd	Barrel per day
bwpd	Barrels of water per day
cfpd	Cubic feet per day
EPF	Early Production Facility
FEN	Folyópart Energia Kft
GPF	Gas Processing Facility
HHN	HHE North Kft
Hryvnia	The lawful currency of Ukraine
HSECQ	Health, Safety, Environment, Community and Quality
HTHP	High Temperature High Pressure
KPI	Key Performance Indicator
LIBOR	London InterBank Offered Rate
LPG	Liquefied Petroleum Gas
LTI	Lost Time Injuries
Mbbl	Thousand barrels
Mboe	Thousand barrels of oil equivalent
Mcf	Thousand cubic feet
Mcm	Thousand cubic metres
MMcfd	Million cubic feet per day
MMbbl	Million barrels
MMboe	Million barrels of oil equivalent
PPC	Poltava Petroleum Company
Roubles	The lawful currency of Russia
RR	Russian Roubles
sq.km	Square kilometre
TD	Total depth
$	United States Dollars
UAH	Ukrainian Hryvnia
US	United States
VAT	Value Added Tax
YGE	Yuzhgazenergie LLC

Conversion factors 6,000 standard cubic feet of gas = 1 boe