

2020

Annual Report



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STRATEGIC REPORT

How we performed this year

Update:

Despite the ongoing COVID-19 pandemic and turbulence in the international commodity markets, JKX has delivered a solid performance in 2020, demonstrating its resilience in the face of significant uncertainty. We have continued work on our fields in Ukraine and Russia whilst looking for new opportunities in our existing portfolio and monitoring opportunities for strategic acquisition.

Revenue	Profit from operations before exceptional items*	Profit for the year
\$69.6m	\$11.8m	\$19.9m
2019: \$101.7m	2019: \$23.1m	2019: \$22.2m
Cash generated from continuing operations	Cash flow used in investing activities	Total year-end cash
\$28.9m	\$12.8m	\$24.3m
2019: \$41.4m	2019: \$26.5m	2019: \$20.6m

Outlook:

- Assets continue to generate positive cash flow despite the ongoing pandemic, reduction in capital expenditure and market turbulence;
- We continue our field development activities in Ukraine whilst reviewing new opportunities, both within our existing portfolio and externally;
- We hope to receive final decisions in most of our outstanding tax cases in 2021.

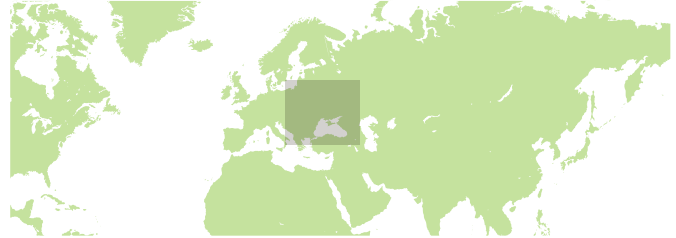
*See page 20 for exceptional items.

STRATEGIC REPORT

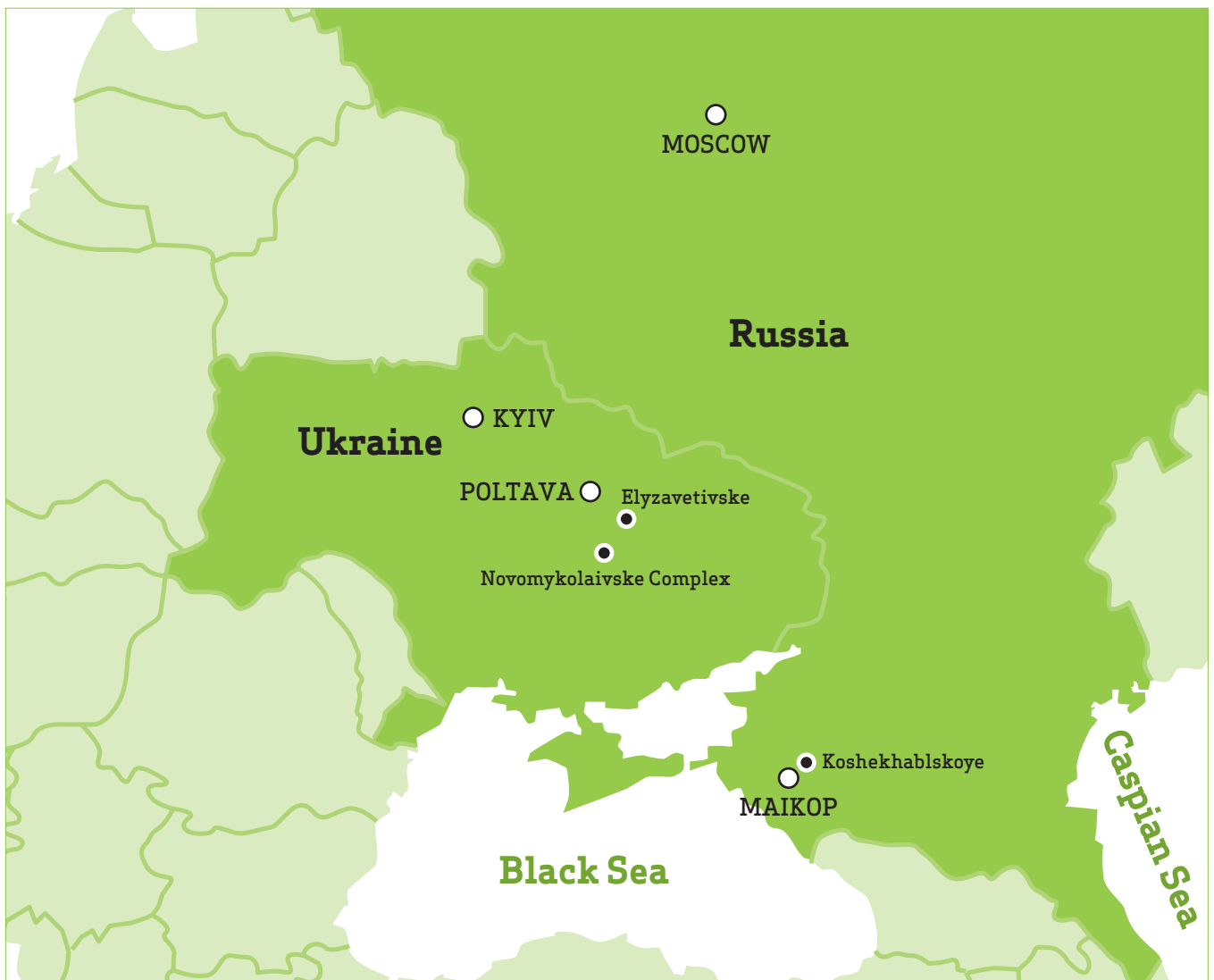
Our business

What we do

JKX is an oil and gas exploration and production company focused on eastern Europe.



Where we operate



Group statistics

	Ukraine	Russia	Group*
Licences	1. Ignativske 2. Elyzavetivske 3. Rudenkivske 4. Novomykolaivske 5. Movchanivske 6. Zaplavska	1. Koshekhabskoye	13 licences
Total licence area, sq. km	405	33	638
Stage	Exploration Appraisal Development Production	Appraisal Development Production	Exploration Appraisal Development Production
Production			
2020 Gas production, Mcmd	653	905	1,558
2020 Oil production, bopd	1,007	61	1,068
2020 total production, boepd	4,849	5,389	10,238
Reserves			
2P reserves, MMboe	24.7	58.9	83.6
3P reserves, MMboe	35.3	92.9	128.2
2C resources, MMboe	66.9	39.1	106
Staff	322	201	530

*Includes Hungary.

STRATEGIC REPORT

Chairman's statement



"The company remained profitable during 2020 ending the year with net cash reserves of \$24.3 million, representing a 18% increase over cash reserves at the end of 2019 (31 December 2019: \$20.6 million)."

I am pleased to be writing to you after my first full year as Chairman of your company.

2020 has been an unexpectedly challenging year for all, and your company has been no exception. However before considering the company's performance I would like to acknowledge the resilience and dedication that our staff and contractors have shown during the ongoing COVID-19 pandemic.

The measures that we rapidly implemented across the Group in order to mitigate the threat to our staff, our contractors and our communities have been largely successful. Whilst the Group has recorded cases of COVID-19 across our workforce, I am glad to be able to confirm that at the time of writing all those affected have made a recovery to a point where they have been able to, or we anticipate that they will soon be able to, return to work.

We remain committed to the communities in which we operate and as part of our Corporate Social Responsibility programme we have also provided funding and material to support the local and national medical responses in Russia and Ukraine.

Turning then to our performance in 2020, your company has again managed to deliver a full year profit (2020: \$19.9m). Whilst this is below the 2019 outcome it is a credible result given the challenges your company has faced, including the postponement of a number of capital projects in both Russia and Ukraine as a result of the ongoing pandemic.



Final data shows that Group production volumes fell by 5% year-on-year during 2020 when compared to the 2019 performance, but with production levels remaining well above the 2018 result. Sales prices were also negatively impacted with both gas prices and oil and condensate prices declining significantly in 2020.

Despite these challenges the company remained profitable during 2020 ending the year with an increase in net cash reserves to \$24.3 million, see page 1, representing a 18% increase over cash reserves at the end of 2019 (31 December 2019: \$20.6 million), further strengthening your company's financial position and ensuring its increased resilience in the current challenging environment.

As the Chief Executive Officer explains further in his report, the company has had its \$12.1 million international arbitration award against the Government of Ukraine recognised in the Ukrainian courts and will continue to press for rapid settlement. The company also continues to successfully protect its position in relation to litigation relating to 2010 and 2015 tax claims.

Outlook.

Our focus on cost control, production optimisation and sound company management will continue during 2021 and the Board and executive management remain committed to maximising value from our core assets.

With the company's growing cash reserves we have increased our focus on identifying additional growth opportunities, both within our existing portfolio and as part of an acquisition strategy focusing on Ukraine - an area in which we have a deep understanding and a proven track record. In contrast to many companies we remain willing and able to acquire and develop appropriate assets as opportunities are identified and evaluated.

Following the unexpected collapse of the sale of our Hungarian assets the Board will continue to review its options but will remain focused on areas that present the best opportunities for your company given its resourcing, knowledge base and experience, as discussed in more detail by the CEO in his report.

Despite the continuing challenges your company faces, it has made good progress during 2020. I continue to be optimistic whilst recognising the magnitude of the issues that JKX, and the industry as a whole, faces.



Charles Valceschini

Chairman
31 March 2021



STRATEGIC REPORT

Chief Executive's statement



"I would like to thank the women and men of JKX for their dedication and loyalty in making your company free of long term debt, profitable and with increased net cash during the ongoing COVID-19 pandemic."

2020 has been another year of challenge, not just for JKX but for the Oil and Gas industry. Despite the impact of the ongoing COVID-19 pandemic, the unprecedented decline in global commodity prices and our inability to execute work as originally planned the company remained profitable, demonstrated its operational resilience and maintained liquidity through active cost management.

This successful outcome results from the rapid HSE, finance and operational initiatives that we have taken including "socially distanced" working practices, testing for concerned staff and the adoption of a revised mid-year budget to protect liquidity and free cash.

None of this would have been possible without the loyalty and support of our women and men who have risen to the challenges in an exemplary manner. Before considering the year in more detail I would like to recognise their contribution and thank them for their commitment during a period that has been difficult for all of us. The dedication and loyalty of the JKX Team has made it possible to strengthen our shared culture despite the challenges of the last year.

Our performance

Despite the challenges of 2020 we have managed to achieve a minimal reduction in production performance compared to 2019. Our financial performance has however been negatively impacted by the significant year-on-year fall in oil and gas prices, with average Ukrainian gas sales prices having fallen from \$206/Mcm in 2019 to \$132/Mcm in 2020 and oil prices having decreased from \$61/bbl in 2019 to \$44/bbl in 2020.

Consequently, despite delivering a positive financial performance during this unprecedented year our operating profit before exceptional items was \$11.8m in 2020 (2019: \$23.1m).

In order to minimise the negative impact of the decline in sales prices the Group's management implemented austerity measures to defer capital costs and cut operational and administrative costs.

These measures were implemented in March 2020 with Poltava Petroleum Company ("PPC") management salaries temporarily reduced by up to 25%, PPC's staff number reduced by 15% and a full review of capital and other costs. In May 2020 the remaining PPC staff salaries were temporarily reduced with the largest reductions (of up to 25%) being borne by the highest paid and without changes for other staff. The Board approved a revised Group budget in June 2020 that cut operating costs by \$4.9m or 21% lower than in 2019 (2020: \$17.9m, 2019: \$22.8m) and administrative costs decreased by \$3.1m or 23% (2020: \$10.1m when 2019: \$13.2m).

Our operations

In both Ukraine and Russia we have continued to focus on operational risk management, developing existing fields step by step with proven, low risk technology. A particular emphasis of 2020 has been to minimise capex and we consequently decided to suspend the drilling program from April to October. Despite this group production was only 5% lower in 2020 than in 2019 (2020: 10,238 boepd, 2019: 10,748 boepd). This was achieved through the drilling of one high producing well in Ukraine, low cost additional perforations on existing wells in Ukraine and the continuing benefits of two Russian workovers that had been completed in 2019.

Despite the suspension of the drilling program described above we achieved three new wells, two sidetracks and 13 workovers in Ukraine in 2020. The most successful Ukrainian well in 2020 was IG143 completed in Q1 which achieved a flow rate of 539 boepd.

Enhancements made to the LPG facility in Ukraine during a planned shut-down allowed us to increase our LPG yield by 34%, exceeding expectations. Subsurface studies have now been completed on the Devonian reservoir in Rudenkivske which has allowed us to identify a number of potential well locations, and progress is being made towards drilling at the most prospective of these.

In Ukraine we achieved a 174% reserves replacement ratio, largely through careful management of the West Mashivska Field and lower production decline than had been anticipated.

In 2020 PPC successfully converted the Zaplavaska exploration licence into a 20-year production license. Work has commenced to unlock remaining resource potential in the Devonian and Visean reservoirs located in this field.

Meanwhile in Russia production has increased by 4% (2020: 5,389 boepd, 2019: 5,158 boepd) despite Well 20 ceasing production in February 2020. This increase in production is the result of two successful workovers in 2019 with production from these wells more than offsetting the loss of production from Well 20. In addition, production from existing wells has been more stable than expected enabling us to use a lower cost coiled tubing contractor as less acid stimulation treatments are now required to maintain production.

Our financial stability

The Group's financial strength remains robust as evidenced by the final repayment of the long-term debt of \$5.8m in February 2020. Precautionary cost-cutting measures were implemented in March 2020 with operational and administrative expenses reduced across all locations and capital expenditure postponed until 2021.

Additionally, we continue to defend our legal position and to enforce the award of US\$12.1million made by the International Tribunal in The Hague. We have had notable success in litigation of the remaining 2015 rental fee claims and we are still awaiting a final ruling from the Supreme Court in relation to a claim for underpayment of rental fees for 2010.

Managing our risks

The maintenance of an adequate internal control framework and appropriate risk management are essential to our success. Appropriate policies and procedures are implemented across the Group and are subject to regular review to ensure that they remain appropriate and fit for purpose.

Geological and operational risks are essential to our business

and we continue to maintain and to improve our internal expertise and supplement this with the use of appropriate contractors and specialists to mitigate these risks.

2020 saw the most severe fall in the gas price in Ukraine in over 20 years although at the time of writing the trend is more positive and we continue to rely on the trading expertise of our commercial team to achieve best sales price.

In the light of this turbulence, we remain focused on the control of operational and administrative costs and we perform regular economic analysis of our planned capital projects to ensure that profitability remains central to our decision making.

Outlook

The Group's focus for 2021 is Ukraine, continuing development of the Devonian in Ignativske and working up exploration prospects in our own acreage. We continue to explore new business opportunities both through the acquisition of new licences through transparent mechanisms such as online auctions and tenders for production sharing agreements, as well as continuing with the development of our current licences.

Whilst 2021 will continue to present us with challenges I take confidence from our strengthening financial position and the dedication and skills of our men and women that will be key to the continuing success of your company.



Victor Gladun

Director
Chief Executive Officer

STRATEGIC REPORT

Market overview - Ukraine

Why are we here?

Ukraine is our most important market. Gas consumption in Ukraine continues to exceed its domestic production.

Gas consumption in Ukraine was up 3% compared to the previous year. The worldwide downward trend in natural gas prices in 2020 recovered in September. The subsequent rise in hydrocarbon prices in Ukraine means that drilling projects are again profitable and we look forward to resuming these operations.

Reserves

Ukraine's proven gas reserves are the second largest in Europe at 1.1 trillion m³. JKX is looking to increase its own reserves through the acquisition of new licences.

Regulatory and investment climate

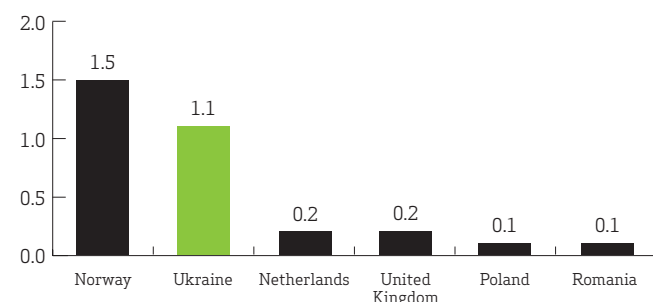
The Government of Ukraine announced several large scale oil and gas projects covering a combined area of almost 45,000 sq.km. It signed eight oil and gas Production Sharing Agreements (PSAs) with both local and international companies. Additionally, it re-launched the Yuzivksa PSA (ex-Shell) and Black Sea shelf projects.

Other notable developments in 2020 include Resolution 993 of the Cabinet Ministers of Ukraine which formalises the procedures for conducting auctions for special permits of subsoil use. This involves the use of electronic auctions and guarantees a transparent approach to the acquisition of licences.

The Ministry of Ecology also published a new draft Subsoil Code which aligns with EU directive 94/22. The new code's aims are to update and unify many pieces of legislation to simplify the administrative burden on businesses, attract foreign investment and reduce Ukraine's dependence on energy imports.

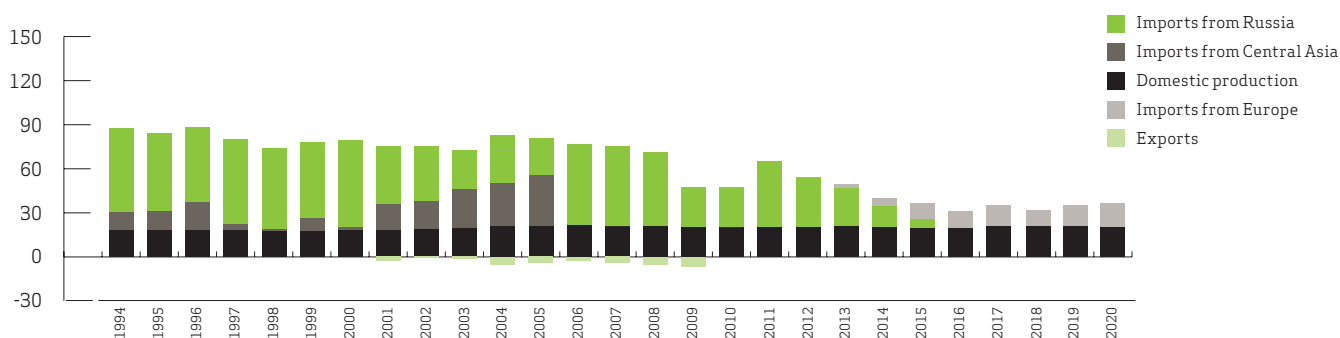
Total proven gas reserves in Europe

Trillion cubic metres



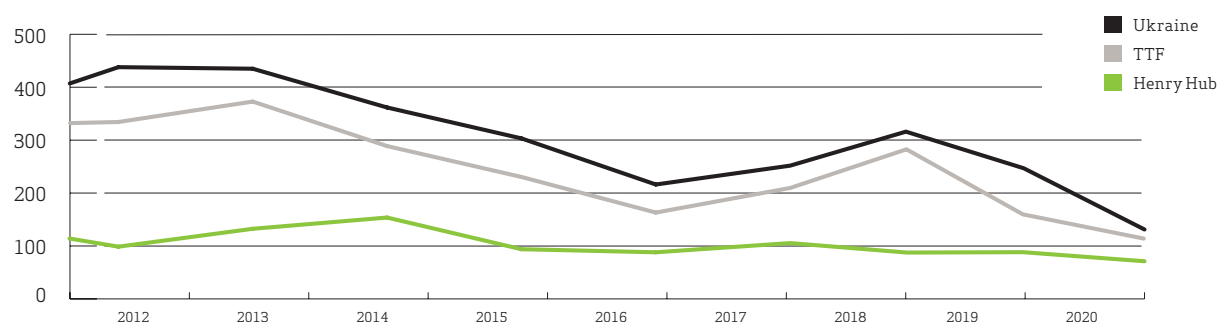
The above figures were stated as at the end of 2019, as per the latest BP statistical review available as at 31 December 2020

Ukraine's gas balance 1994-2020 (bcm)



Source: Energobusiness; Company Research.

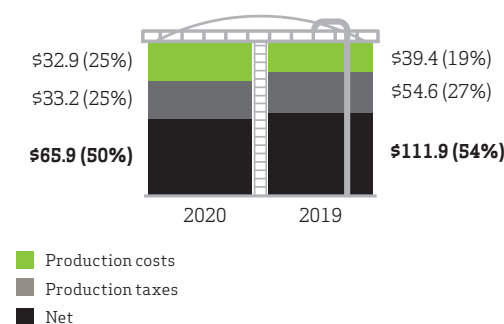
Ukraine's gas price premium (\$/Mcm)



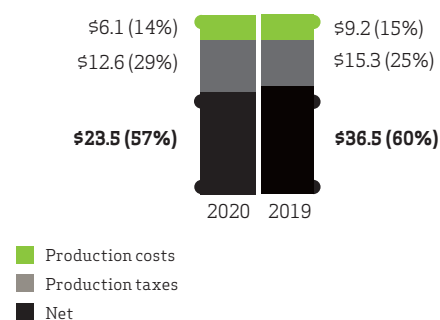
Source: Company Research.

Netback

Netback analysis of gas sales (at \$132.0/Mcm in 2020 and \$206.0/Mcm in 2019)



Netback analysis of oil sales (at \$44.0/bbl in 2020 and \$61.0/bbl in 2019)



Principal risks associated with our business in Ukraine (detail on pages 30-41)

Liquidity, funding, and portfolio management	A
Commodity prices and FX fluctuations	H
Reservoir and operational performance	C

JKX's assets in Ukraine



Novomykolaivske Complex

Our Novomykolaivske Complex reserves comprise five distinct fields producing into one Gas Processing Facility ('GPF'). In addition we have a Liquefied Petroleum Gas ('LPG') facility which extracts LPG from our produced gas for sale into the expanding Ukrainian market.

Elyzavetivske field

Our Elyzavetivske licence and GPF, which are 45km from our Novomykolaivske Complex, began commercial production in 2014. The field currently produces from ten wells.

Ukrainian reserves

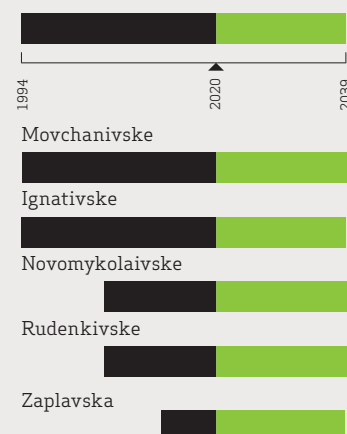
At the end of 2020, our 2P reserves in Ukraine comprised 3,153 MMcm of gas and 2.5 MMbbl of oil (total 24.7 MMboe including 3.6 MMboe of LPG).

Project life cycle

Novomykolaivske Complex

26 years

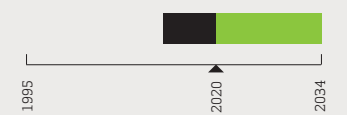
of commercial production to date



Elyzavetivske field

7 years

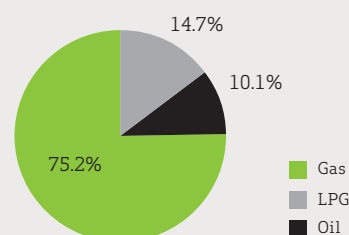
of commercial production to date



Reserves

Reserves split

75.2% gas



STRATEGIC REPORT

Market overview - Russia

Why are we here?

We have access to high quality, long life reserves in Russia together with an established processing facility.

Gas prices are stable and continue to increase year-on-year. According to the latest forecast by the Russian Ministry of Economic Development, gas prices are expected to rise steadily over the next three years in line with inflation. The planned well workovers this year will increase production thus boosting the company's net cash flow.

The demand for natural gas in the region has remained high since continuous-cycle industrial producers all over Russia's south have not stopped working amid the country's COVID-19 restrictions.

Our Koshekhablskoye field is located in the Adygea Republic in southern Russia. This region still has some of the country's highest gas prices. This is because the gas industry's key reference price, the regulated price for industrial consumers set by Gazprom, is based on the distance from Russia's key producing region Nadym Pur Taz (NPT) in Russia's far north. Adygea is located more than 4,000 km from NPT.

Adygea's regional authorities are working proactively on investment projects aimed at boosting industrial potential and as the major local energy supplier we look forward to their development.

Due to the depth of the main production horizons in our Koshekhablskoye field, we enjoy a significant production tax break as compared to other non-Gazprom producers.

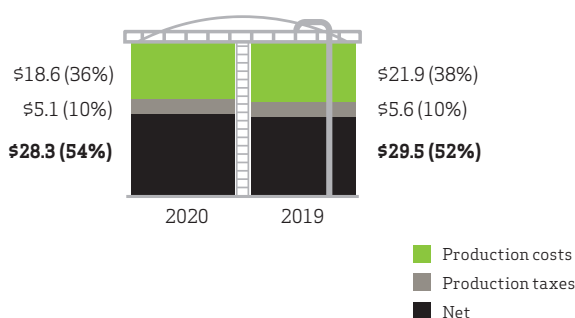
Notwithstanding our access to some of the highest regional gas prices in Russia, we continue to seek opportunities to increase gas sale margins. In the longer term we remain extremely well placed for any liberalisation of the gas market in Russia.

Regulated gas pricing by region (RUB/Mcm)

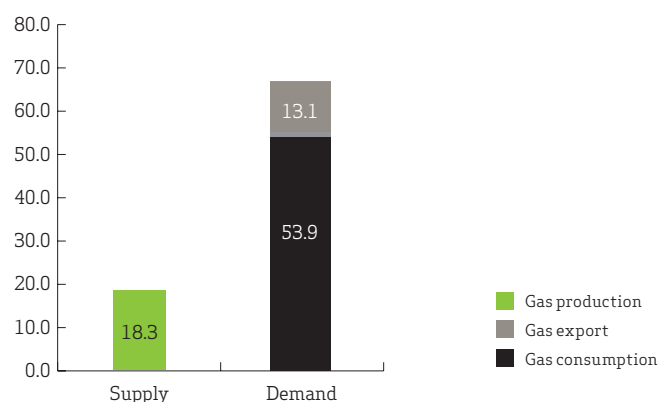
Region	Residential price	Industrial price
Yamalo-Nenets AO	2687	2688
Khanty-Mansi AO	3140	3163
Chelyabinsk	3761	4181
Samara	3813	4400
Moscow	3921	4903
Adygea	3974	5005

Netback

Netback analysis of gas sales (at \$52.0/Mcm in 2020 and \$57.0/Mcm in 2019)



Southern Russia gas supply and demand (Bcm)



Source: Company Research.

JKX's assets in Russia



Koshekhablskoye field

Koshekhablskoye gas field is located in the Republic of Adygea, southern Russia where gas resource is scarce and there are high transportation costs from Russia's main gas production area in the far north, 4,000 km away.

Russian reserves

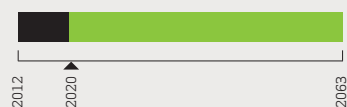
At the end of 2020, our 2P reserves in Russia comprised of 9,885 MMcm of gas and 0.7 MMbbl of oil (total 58.9 MMboe).

Koshekhablskoye project life cycle

Total project life cycle

8 years

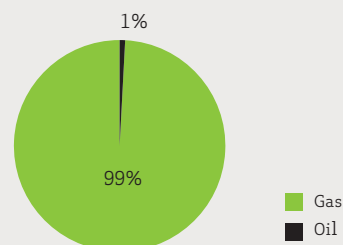
of commercial production to date



Reserves

Reserves split

99% gas



Principal risks associated with our business in Russia (detail on pages 30-41)

Geopolitical and fiscal

B

Reservoir and operational performance

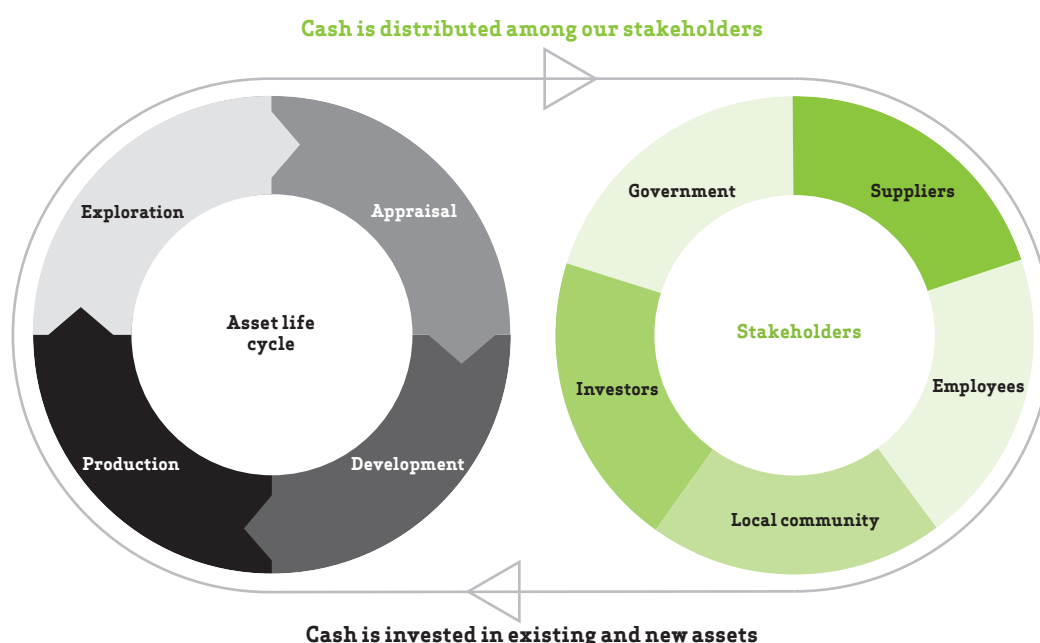
C

STRATEGIC REPORT

Our business model

We strive to create value for our stakeholders by investing in appraisal and development of oil and gas assets in eastern Europe.

We generate revenue from production and sales of oil, gas, condensate and LPG. Cash flow is distributed to our stakeholders and reinvested in our business.



We manage a portfolio of assets in Ukraine and Russia.

We aim to evaluate where we can add the most value and manage our portfolio accordingly.

Exploration

We use highly experienced in-house and contracted technical staff to help us identify exploration targets both within our portfolio and elsewhere.

Appraisal

A large number of legacy wells are located in and around the area of the mature assets operated by JKX. Dedicated efforts to gain access and evaluate valuable data from these wells allow JKX to greatly reduce risks and costs of its appraisal activities and optimise further development planning.

Development

We strive to manage our field development based on 'what's possible' in petroleum engineering, physics and execution.

Production

JKX has engaged experts in the latest drilling, completion and engineering technology from countries we operate in and abroad. Although production decline is a characteristic of oil & gas assets, we strive to minimise decline within our mature fields by identifying and executing production enhancement and workover opportunities.

Government.

Payments to government include production, payroll, corporate, VAT, land, utility, licensing and other taxes and fees. Through payment of taxes and fees we support local and national economies.

Suppliers

Payments to suppliers are made for equipment, materials and services. Where possible, we purchase local goods and services and develop infrastructure that benefits the entire community. However, using new technologies proven internationally is important for maximising returns from investing in and developing our assets.

Employees

We provide jobs in developed, emerging and developing economies, creating local purchasing power and improving standards of living.

Local community

We support local communities through providing both funding and staff time and commitment to charitable causes in Ukraine and Russia.

Investors

We deploy capital provided by our investors, and aim to realise attractive return on investments while adhering to our commitments.

STRATEGIC REPORT

2021 Strategic objectives

Our objective is to be a leading independent, emerging market upstream company and enhance shareholder value by increasing oil and gas production and cash flow through safe and responsible operations.

Our strategic priorities are:**1. Financial and operational stability**

The technical challenges inherent in our business, commodity price volatility and the need to be able to react to future risks and opportunities mean that we have an emphasis on maintaining a liquidity reserve, maintaining strong governance and controls and effectively managing operational, technical, and subsurface risks.

2. Profitable production growth

Our future production profile underpins the value of the Group. We aim to maximise production from our existing fields and to grow our reserve base and hence production through either successful exploration and appraisal activities within our existing assets, or through acquisition of new ones.

3. Operating safely and responsibly

We work in environments that are challenging and hazardous by nature. As well as operating efficiently, it is vital that we also operate safely and responsibly. Our behaviour impacts on our employees, our shareholders, the wider community and the environment. Our performance in the society in which we operate, and the environment, are a critical part of measuring our overall performance.

STRATEGIC REPORT

2021 Strategic priorities

Strategic priority

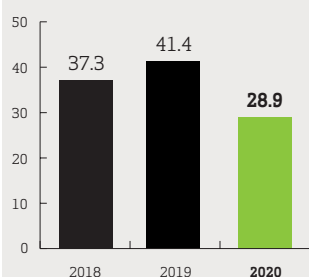
1 Financial and operational stability

Key targets 2021

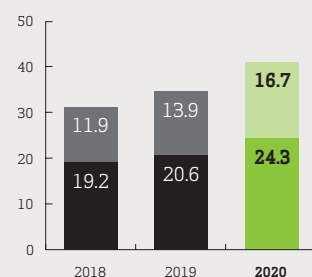
- Growing our liquidity reserve through maximising cash flow and access to external funding
- Maintaining strong and stable governance
- Focus on low-risk investments and use of proven technologies
- Resolution of most of the outstanding rental fee claim cases

Performance to date

Operating cash flow from continuing operations, \$million



Liquidity (cash and available facilities), \$million



■ Cash
■ Facilities

Associated principal risks

(detail on pages 30 to 41)

Liquidity, funding, and portfolio management **A**

Financial discipline and governance **D**

Strategic priority

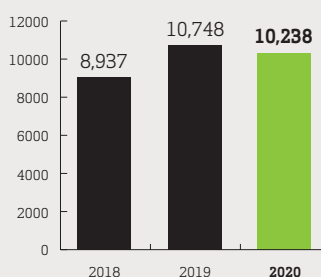
2 Profitable production growth

Key targets 2021

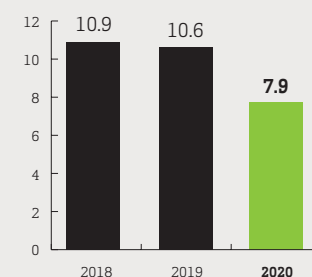
- Continue implementing five year development plan in Ukraine
- Maintain production and positive cash flow generation
- Review other growth opportunities in Ukraine

Performance to date

Production volumes, boepd



EBITDA \$per boe



EBITDA is defined on page 21

Associated principal risks

(detail on pages 30 to 41)

Geopolitical and fiscal **B**

Reservoir and operational performance **C**

Commodity prices and FX fluctuation **H**

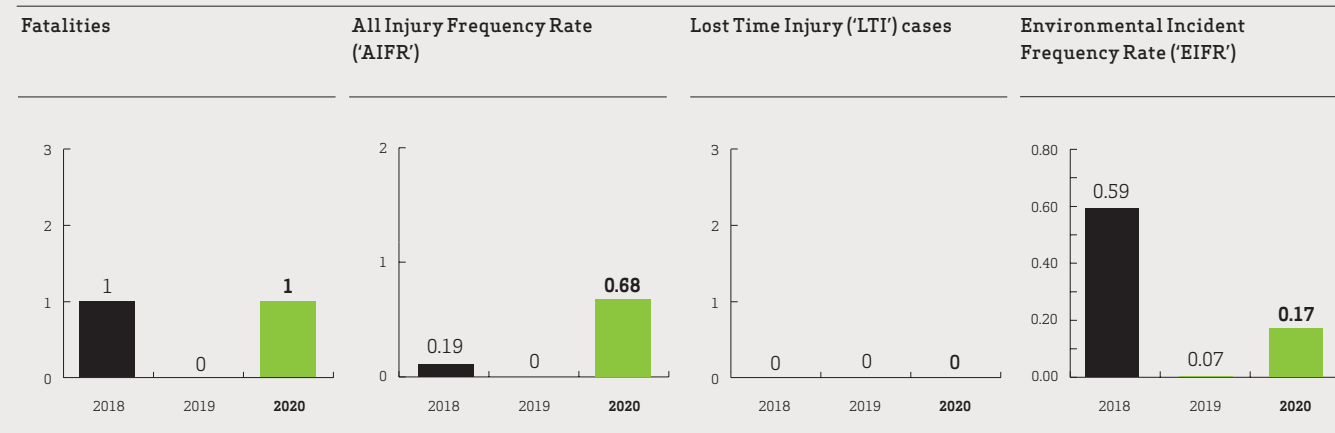
Strategic priority

3 Operating safely and responsibly

Key targets 2021

- Zero fatalities
- To exceed internal and industry targets for AIFR, LTI, and EIFR

Performance to date



Associated principal risks

(detail on pages 30 to 41)

Health, Safety, and Environment

E

Major breach of business, ethical, or compliance standards

G

STRATEGIC REPORT

Operations review

Group production

In 2020 Group average production was 10,238 boepd (2019: 10,748 boepd), an overall decrease in production of 5%. The reduction in production was a result of natural production decline and only one new well with significant production added in 2020 in Ukraine.

Group production

Cash generating unit	boepd		Workovers*		Sidetracks		New wells	
	2020	2019	2020	2019	2020	2019	2020	2019
Novomykolaivske complex	3,563	4,127	13	17	2	0	3	2
Elyzavetivske licence	1,286	1,457	0	2	0	0	0	2
Total Ukraine	4,849	5,584	13	19	2	0	3	4
Russia	5,389	5,158	0	2	0	0	0	0
Hungary	0	6	0	0	0	0	0	0
Total Group	10,238	10,748	13	21	2	0	3	4

*Includes abandonments.

Gas and oil production decreased year-on-year in Ukraine and increased in Russia.

Cash generating unit	Gas, Mcmd		Oil, bopd		boepd	
	2020	2019	2020	2019	2020	2019
Novomykolaivske complex	441	527	970	1,025	3,563	4,127
Elyzavetivske licence	212	242	37	33	1,286	1,457
Total Ukraine	653	769	1,007	1,058	4,849	5,584
Russia	905	867	61	59	5,389	5,158
Hungary	0	1	0	1	0	6
Total Group	1,558	1,637	1,068	1,118	10,238	10,748

Ukraine

Novomykolaivske complex production and operations

Field name	boepd		Workovers		Sidetracks		New wells	
	2020	2019	2020	2019	2020	2019	2020	2019
Ignativske	2,431	3,069	6	7	1	0	2	1
Molchanivske	398	355	1	5	0	0	0	0
Novomykolaivske	509	398	2	1	0	0	1	1
Rudenkivske	225	305	2	4	1	0	0	0
Zaplavska	0	0	2	0	0	0	0	0
Novomykolaivske complex	3,563	4,127	13	17	2	0	3	2

The decrease in Novomykolaivske complex production year-on-year was mostly attributed to production decline from IG103 sidetrack drilled at the end of 2018 and a new well, IG142, drilled in 2019 in the Ignativske field. The increase in production in the Novomykolaivske field was mostly attributed to a new well, NN81, drilled in the Novomykolaivske field in 2019.

Outlook

Following the success of IG103 sidetrack, IG142 and, in 2020, follow-up well IG143 to the Devonian reservoir of the Ignativske field, further Devonian targets in the Ignativske licence are being evaluated and de-risked.

In Rudenkivske, the subsurface study on the Devonian was carried out by an external contractor and is now complete. The work has resulted in a number of potential drilling locations, therefore the subsurface concept will be derisked through drilling the first well location selected as a result of this study. This Devonian well has the highest chance of success and is planned for 2H 2021 or 1H 2022.

Operational and technical teams continue to evaluate how the Rudenkivske Visean reservoirs can be developed successfully.

Work has commenced to unlock remaining resource potential, in the Devonian and Visean, of the Zaplavaska licence with subsurface studies indicating promising targets that will be progressed further.

Elyzavetivske licence production and operations

Field name	boepd		Workovers		New wells	
	2020	2019	2020	2019	2020	2019
Elyzavetivske	773	996	0	0	0	0
West Mashivska	513	462	0	2	0	2
Elyzavetivske Licence	1,286	1,458	0	2	0	2

The reduction in production from the Elyzavetivske licence was mainly the result of ongoing production decline in the Elyzavetivske field. West Mashivska production has increased year-on-year due to WM4, drilled late in 2019, being online for the whole of 2020.

Outlook

At present there are no plans for future development of this field.

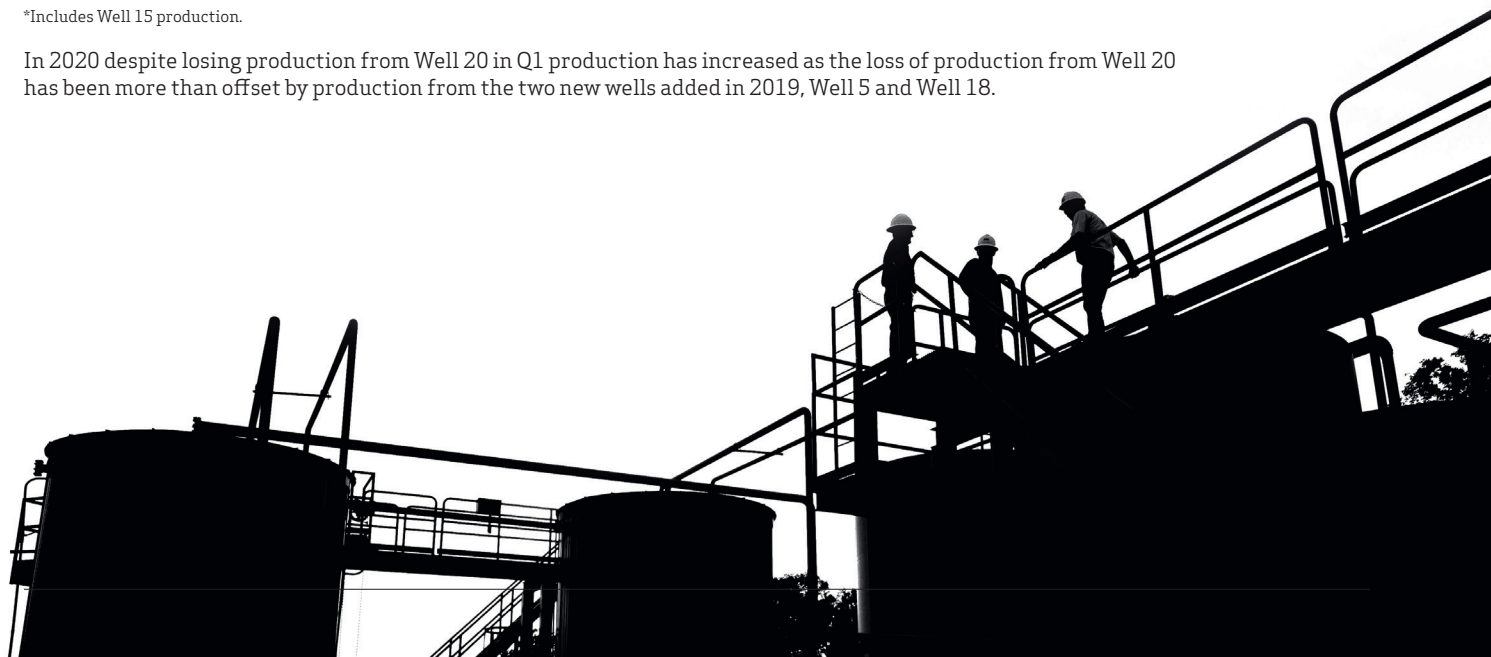
Russia

Koshekhabskoye licence production and operations

Well name	boepd		Workovers	
	2020	2019	2020	2019
Well 5	360	263	0	1
Well 18	1,494	78	0	1
Well 20	57	1,353	0	0
Well 25	1,774	1,735	0	0
Well 27	1,631	1,672	0	0
Koshekhabskoye field*	5,389	5,158	0	2

*Includes Well 15 production.

In 2020 despite losing production from Well 20 in Q1 production has increased as the loss of production from Well 20 has been more than offset by production from the two new wells added in 2019, Well 5 and Well 18.



STRATEGIC REPORT

Reserves update

In Ukraine, production has been more than offset by increases to reserves with a reserves replacement ratio of 174%.

The most significant increase is the result of production from WM3, in the West Mashivska licence, being more stable than expected.

Additional increases in reserves in Ukraine have resulted from the installation of a condensate stabiliser in 2020, which has resulted in increased LPG recovery and an increase in LPG reserves.

In Russia the loss of Well 20 and failure to repair the well in 1H 2020 has meant there has been a small reduction in reserves after taking account of production.

The Zaplavaska licence was successfully converted into a 20 year production licence in 2020, but currently has no reserves or resources attributed to this licence.

Total remaining 2P reserves at 31 December 2020

	31-Dec-19	Revisions	Production	31-Dec-20
Total				
Oil (MMbbl)	2.8	0.8	(0.4)	3.2
Gas (MMcm)	13,308	301	(570)	13,039
LPG (MMbbl)	3.2	0.6	(0.2)	3.6
Oil + Gas + LPG (MMboe)	84.4	3.0	(3.7)	83.6
Ukraine				
Oil (MMbbl)	2.1	0.7	(0.4)	2.4
Gas MMcm	3,061	331	(239)	3,153
LPG (MMbbl)	3.2	0.6	(0.2)	3.6
Oil + Gas + LPG (MMboe)	23.4	3.3	(1.9)	24.7
Russia				
Oil (MMbbl)	0.7	0.0	(0.0)	0.7
Gas (MMcm)	10,247	(30)	(331)	9,886
Oil + Gas (MMboe)	61.0	(0.1)	(2.0)	58.9

Note: there are minor difference in the tables due to rounding effects.

Field-by-Field 2P reserves at 31 December 2020

MMboe	Dec-19	Revisions	Production	Dec-20
Ukraine				
Ignativske	3.6	1.1	(0.9)	3.8
Movchanivske	0.6	0.6	(0.1)	1.0
Novomykolaivske	0.9	0.3	(0.2)	1.0
Rudenkivske	13.4	(0.3)	(0.1)	13.0
Zaplavaska	-	-	-	-
LPG Novomykolaivske complex	3.2	0.6	(0.2)	3.6
Sub-total Novomykolaivske complex licences	21.7	2.2	(1.5)	22.4
Elyzavetivske	1.7	1.1	(0.5)	2.3
Total Ukraine	23.4	3.3	(1.9)	24.7
Russia				
Koshekhabskoye	61.0	(0.1)	(2.0)	58.9
Total	84.4	3.2	(3.9)	83.6

Reserves reported gross of royalties and includes fuel gas.

JKX contingent resources

There is no change to the contingent resources in 2020.

Field	Reservoir	MMboe		
		1C (low)	2C (best)	3C (high)
Ignativske	V16	0.0	0.3	1.3
Movchanivske	Mol Main Devonian	0.0	0.0	0.6
Novomykolaivske	V15	0.2	0.3	0.5
	V16	0.0	0.1	0.6
Rudenkivske	Visean sands	0.2	4.1	15.3
	Tournaisian Clastics	11.8	26.2	49.9
	Devonian Clastics	17.1	32.6	60.5
West Mashivska	A1+A2	0.1	0.3	0.5
	A8	0.5	1.0	2.0
	G8	0.9	2.0	3.7
Koshekhabskoye	Oxfordian	6.3	4.5	0.0
	Callovian I-IV	12.9	28.5	54.5
	Callovian V-VI	2.8	6.2	11.8

STRATEGIC REPORT

Performance in 2020

	Total 2020 \$m	Second half 2020 \$m	First half 2020 \$m	Total 2019 \$m
OPERATING RESULTS				
Revenue				
Oil	16.6	8.5	8.1	25
Gas	46.7	22.3	24.4	69
Liquefied petroleum gas	5.6	3.4	2.2	6.6
Other	0.7	0.3	0.4	1.1
	69.6	34.5	35.1	101.7
Cost of sales				
Exceptional item – production based taxes	13.5	14.6	(1.1)	8.4
Other production based taxes	(13.8)	(6.8)	(7.0)	(23.5)
Depreciation, depletion and amortisation - oil and gas assets	(17.1)	(6.1)	(11.0)	(18.5)
Other cost of sales	(17.9)	(8.3)	(9.6)	(22.8)
Total cost of sales	(35.2)	(6.5)	(28.7)	(56.4)
Gross profit	34.4	28.0	6.4	45.4
Administrative expenses	(10.1)	(5.7)	(4.4)	(13.2)
Gain/(loss) on foreign exchange	1.0	0.7	0.3	(0.6)
Profit from operations before exceptional items	11.8	8.4	3.4	23.1
Profit from operations after exceptional items	25.3	23.0	2.3	31.6

Note: there are minor differences in the tables above due to rounding effects.

	Total 2020	Second half 2020	First half 2020	Total 2019
EARNINGS				
Profit before tax	24.9	22.9	2.0	30.4
Net Profit (\$m)	19.9	18.4	1.5	22.2
Net profit before exceptional items (\$m)	11.0	8.4	2.6	13.2
Basic weighted average number of shares in issue (m)	171.7	171.7	171.7	168.1
Profit per share after exceptional item (basic, cents)	11.57	10.68	0.89	13.21
Pre-exceptional earnings before interest, tax, depreciation and amortisation (\$m) ¹	29.7	15.0	14.7	42.3
COSTS OF PRODUCTION (\$/boe)	Total 2020	Second half 2020	First half 2020	Total 2019
Operating costs (excluding exceptional item)	4.8	4.5	5.1	5.8
Depreciation, depletion and amortisation	4.6	3.3	5.8	4.8
Production based taxes	3.7	3.7	3.7	6.0
CASH FLOW	Total 2020	Second half 2020	First half 2020	Total 2019
Cash generated from continuing operations (\$m)	28.9	16.4	12.5	41.4
Operating cash flow per share (cents)	16.8	9.6	7.3	24.6
STATEMENT OF FINANCIAL POSITION	At 31 December 2020		At 30 June 2020	At 31 December 2019
Total cash ² (\$m)	24.3		14.4	20.6
Borrowings (\$m)	-		-	(5.7)
Net cash ³ (\$m)	24.3		14.4	14.9
Net cash to equity (%)	13.7		8.6	8.0
Return on average capital employed ⁴ (%)	10.9		1.7	14.4
Increase in property, plant and equipment (\$m)				
Ukraine	9.4	2.9	6.5	20.5
Russia	0.5	(0.5)	1.0	8.9
Total	9.9	2.4	7.5	29.4

¹ Earnings before interest, tax, depreciation and amortisation ('EBITDA') is a non-IFRS measure and calculated using profit from operations adding back depletion, depreciation, amortisation. EBITDA is an indicator of the Group's ability to generate operating cash flow that can fund its working capital needs, service debt obligations and fund capital expenditures.

² Total cash is cash and cash equivalents from continuing operations.

³ Net cash is total cash less borrowings.

⁴ Return on average capital employed is the annualised profit for the period divided by average capital employed.

STRATEGIC REPORT

Financial review



Dmytro Piddubnyy
Chief Financial Officer

In the year of uncertainty, the Group generated strong operating cash flows and became debt-free.

Group revenues

	2020 (\$m)	2019 (\$m)	Change (\$m)	% Change
Ukraine	52.8	84.3	(31.5)	(37%)
Gas	30.5	52.3	(21.8)	(42%)
Oil	16.0	24.3	(8.3)	(34%)
Liquefied Petroleum Gas ('LPG')	5.7	6.6	(0.9)	(14%)
Other	0.7	1.1	(0.4)	(36%)
Russia	16.8	17.4	(0.6)	(3%)
Gas	16.2	16.7	(0.5)	(3%)
Condensate	0.6	0.7	(0.1)	(14%)
Total	69.6	101.7	(32.1)	(32%)

Sales prices

	2020	2019	Change	% Change
Ukraine				
Gas (\$/Mcm)	132	206	(74)	(36%)
Oil (\$/bbl)	44	61	(17)	(28%)
LPG (\$/tonne)	383	449	(66)	(15%)
Russia				
Gas (\$/Mcm)	52	57	(5)	(9%)

Results for the year

The Group's financial performance for 2020 has been impacted by the significant decline in oil and gas prices. Operating costs and G&A costs decreased due to well lease contract re-negotiations, right-sizing and wages decrease.

However despite these challenges and uncertain economic environment, the Group still generated profit before tax of \$24.9m compared to \$30.4m in 2019. Results for both years include net movements in respect of provisions for disputed rental fees for 2010 and 2015 in Ukraine. \$13.5m was recognised as a credit in the 2020 Consolidated income statement (2019: \$8.4m credit) which is the net of a \$15.1m reversal of provisions for two tax cases that have been closed in favour of PPC relating to 2015 claims and of \$1.6m interest accrued for the remaining cases that have not been closed.

Total revenue for 2020 is \$69.6m, 31.6% lower than the \$101.7m reported in 2019. The decrease is primarily due to the significantly lower commodity prices while total average daily Group production has remained relatively stable (10,238 boepd in 2020 to 10,748 boepd in 2019).

Ukraine revenues

The decrease in total revenues was due to significantly lower sales prices. The average gas sales price in dollar terms was 36% lower in 2020 than in 2019. This is in line with international market trends. Total gas sales volumes decreased by 11.6% from 257,030 Mcm in 2019 to 227,306 Mcm in 2020, due to the gas production volume having decreased 14.7% from 279,982 Mcm in 2019 to 238,868 Mcm in 2020. Selling gas inventory which

reduced from 14,041 Mcm in the beginning of the year to 2,696 Mcm at 31 December 2020 compensated the lower production levels during the year. For more detail on production trends please refer to the Operations review.

The average oil sales price reduced from \$61/bbl in 2019 to \$44/bbl in 2020 and total oil sales volumes for the year decreased 8.6% from 382,200 barrels in 2019 to 349,213 barrels in 2020. Oil production volume decreased 5.4% from 373,616 barrels in 2019 to 353,573 including barrels in 2020, with some levels being taken to inventory.

LPG sales volumes were 14,699 tonnes in 2020 compared to 13,636 tonnes in 2019, with sale prices being lower in 2020 (\$383/tonne in 2020 compared to \$449/tonne in 2019).

Inventory held at 31 December 2020 (2.7 million cubic metres of gas and 32.6 thousand barrels of oil) had an estimated sales value of \$2.2m using average sales prices for December 2020.

A portion of production comes from wells owned by third parties, operated under service agreements with UkrGasVidobuvannya and under rental agreements with NAK Nadra Ukrayini and Ukrnafta. This production is subject to sale in the normal way, with payments being made to the well owners in accordance with the service and rental agreements.

Russia revenues

Total revenues in Russia decreased due to the lower average gas prices in US\$ terms, which were offset by higher gas production (2020: 331,303 Mcm, 2019: 316,254 Mcm). The benefit of the 3% increase in the average Rouble gas sales price on 1 August 2020 was offset by the weaker Rouble in 2020.

Cost of sales

Exceptional items relate to provisions for disputed rental fees. A release of \$15.1m of provisions due to the closure of some of the 2015 rental fee claims in favour of our subsidiary was offset by an additional charge of \$1.6m reflecting updated interest calculations in relation to the rental fee claims still provided for. This gives a net movement of \$13.5m in 2020.

Cost of sales before exceptional items for 2020 totalled \$48.8m (2019: \$64.8m), including:

- \$13.8m of production taxes, which were \$9.8m lower than in 2019. In Ukraine, production tax expense (before exceptional charges) decreased by \$9.8m from \$21.8m to \$12.0m mainly due to a decrease in the average border gas price which is the basis for calculating gas production taxes. Only \$1.7m of the total production taxes relate to Russia (2019: \$1.8m) where the mineral extraction tax rate for wells deeper than 5,000m has remained at 343 Roubles/Mcm.
- \$17.9m of operating costs, which were \$4.9m lower than in 2019. Out of this amount, \$9.7m relates to Ukraine (2019: \$14.7m) and \$6.1m relates to Russia (2019: \$7.0m) and \$0.6m to London (2019: \$0.8m). The decrease in operating costs in Ukraine is mainly due to a decrease in well lease costs and lower labour costs due to right-sizing. The cost-cutting plan was designed and implemented by PPC management as a response to commodity prices drop.
- Selling inventory volumes in Ukraine resulted in recognition of a charge of \$1.3m (2019: \$0.4m), which was added to these operating costs respectively, gives the \$17.8m costs of sales reported in the income statement.
- \$17.9m of depreciation, depletion and amortisation charge (2019: \$18.4m), of which \$12.1m relates to Ukraine (2019: \$13.1m) and Russia \$5.6m (2019: \$5.3m).

Administrative expenses

Administrative expenses were \$10.1m in 2020, comparing favourably to those of \$13.2m in 2019. The decrease is mainly due to staff cost reductions and wages decrease resulting from a right-sizing exercise carried out and cost efficiency measures implemented in the first half of 2020 in response to the current challenging environment.

Finance income and costs

Finance costs decreased from \$2.1m in 2019 to \$1.0m in 2020 mainly as a result of the bond interest which reduced from \$1.2m to \$0.2m due to the full bond repayment in February 2020. Finance costs also includes unwinding of discount of provisions for site restoration of \$0.5m (2019: \$0.6m).

Finance income of \$0.5m (2019: \$0.9m) comprises income from bank deposits.

Taxation

The total tax charge for 2020 is \$4.0m (2019: \$10.2m) comprising a current tax charge of \$3.3m (2019: \$6.6m) which relates to Ukraine and a deferred tax charge of \$0.7m (2019: \$3.6m). The decrease in current tax charge reflects a change in profitability in Ukraine. The deferred tax relates to movements in various deferred tax assets and liabilities in Ukraine and Russia as set out in Note 27, 28 to the financial statements.

Discontinued operation

The discontinued operation is the Hungarian business. The related result reported reflects the running costs incurred during 2020. A Memorandum of Understanding with a potential buyer was signed in February 2021. The sale of the business is expected in 2021 for approximately \$2.9m.

Cash flows

During the year, the Group's available cash balances in continuing operations have increased (\$24.3m at 31 December 2020 compared to \$20.6m at 31 December 2019) while at the same time making a final settlement of outstanding convertible bond liability. This was achieved as a result of a strong operating cash flow of \$29.9m (2019: \$41.4m) from continuing operations, almost all of it generated in Ukraine. Use of cash during the year is as shown in the cash bridge on the next page. Net cash outflow from financing activities in the period mainly relates to the \$5.4m final payment to the bondholders in February 2020. No dividends were paid to shareholders in the period (2019: nil).

Liquidity outlook

After a final payment of \$5.8m to bond holders in February 2020, the Group is debt free. Our subsidiary in Ukraine still has a UAH280m (\$9.9m) revolving credit line and a UAH50m (\$1.8m) overdraft facility with Tascombank, neither of which are currently being used and can be drawn down subject to credit approvals by the bank. Both facilities have been renewed until December 2021 and can be drawn down subject to credit approvals by the bank. In July 2020 our subsidiary in Ukraine also signed a \$5m loan facility agreement with Alfa-Bank which remains undrawn. For terms and conditions of this new facility please refer to Note 11 to these financial statements.

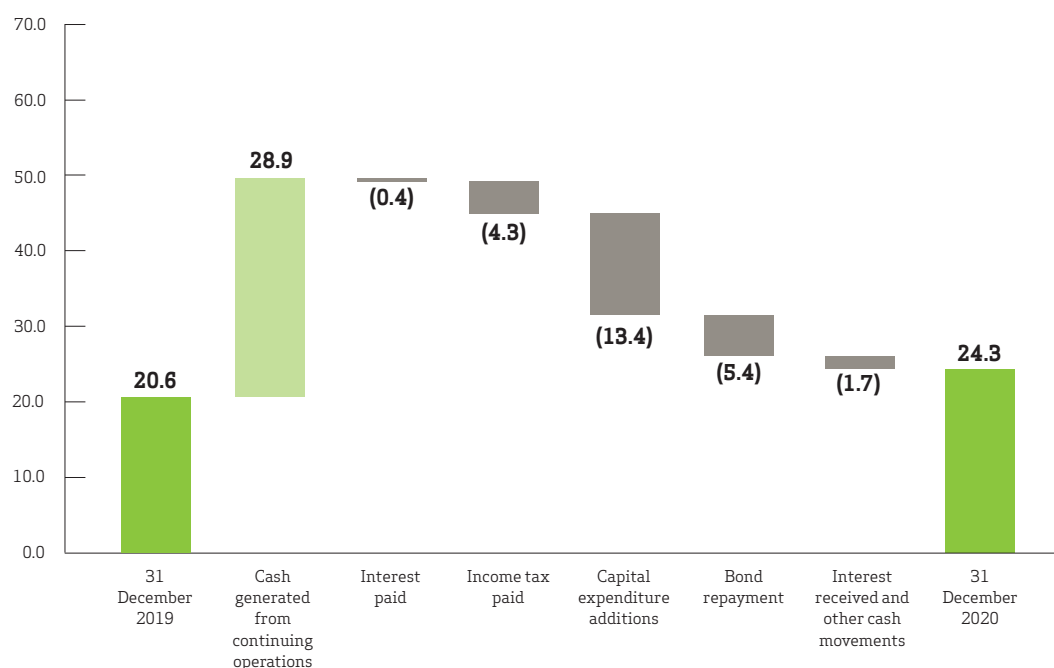
In addition, in the first of half of 2020 we revised the Budget for 2020 and further improved our liquidity by deferring capital expenditure and focusing on cost control. We are not burdened by significant field development commitments in the short or long term.

We continue to maintain provisions in respect of 2010 and 2015 rental fee claims (\$13.8m and \$7.2m respectively). The Group's expectation is that a final hearing with respect to the 2010

STRATEGIC REPORT

Financial review

Cash flows (\$m)



rental fee claim will take place during the coming months and the full provision for the claim has therefore been reported under current liabilities. It is expected that some of the final hearings in respect of the remaining 2015 rental fee claims will take place before 31 December 2021 and some will take place later. Provisions in relation to these cases have been allocated between current and non-current liabilities accordingly based on the expected timing of any subsequent payments. Of the total provisions of \$7.2m for the 2015 rental fee claims, \$2.1m has been reported under current liabilities and \$5.1m has been reported under non-current liabilities.

The international arbitration award, directing the State of Ukraine to pay \$11.8m plus interest and \$0.3m costs to JKK, has now been successfully legally recognised in Ukraine and JKK has filed for collection. No possible future benefit that may result from this award will be reflected in the accounts until there is further clarity on the process for, and likely success of, enforcing collection.

Both our Ukrainian and Russian operations remain cash flow positive despite recent disruption as a result of COVID-19 and the commodity prices drop. In 2020 the Company generated sufficient cash to cover the Group's costs and investment programmes. Operationally the Group's cash flows are forecasted to be sufficient to manage potential rental fee settlements if they become due. The Group also has access to the conditional Tascombank and Alfa-Bank loan facilities or can pursue other options to maintain liquidity should the need arise.

The consolidated financial statements have been prepared on a going concern basis (see Note 2 to the consolidated financial statements).



Dmytro Piddubnyy
Chief Financial Officer

STRATEGIC REPORT

Corporate social responsibility ('CSR') review

Health and safety performance

Our approach

The JKX Integrated Health and Safety programme is the strategic and systematic integration of distinct health and safety programmes and policies. They are a continuum of organisational, personal, occupational, community, and environmental activities. These are replicable, measurable, and integrated across several locations, enhancing the overall health and well-being of workers and their families and preventing work-related injuries and illnesses. We set annual HSECQ targets for all levels within the organisation.

COVID-19

The JKX Group of companies has implemented a range of measures in line with national and local government requirements in all locations and is implementing additional restrictions. The JKX Group of companies are protecting the health of the Group's staff, contractors and suppliers and those in the communities from which they are drawn by ensuring that high levels of operational safety are maintained and have instructed contractors and suppliers to provide the necessary support by:

- raising awareness in all locations;
- introducing and enforcing social distancing;
- working from home and remote-working;
- cancellation of business trips and other restricted travelling;
- meetings and the use of virtual solutions;
- enhanced cleaning regimes for certain Group facilities;
- temperature screening of staff and contractors at entry points; and
- active liaison with local regional and national government.

Our performance in 2020

We have a clear Safety Management System, which provides a comprehensive and systematic vision of our objectives. In occupational health, the drug and alcohol policy continues to be successful throughout the Group with no instances of breaches noted. The policy applies to all our staff and contractors and forbids the possession and/or use of defined prohibited substances which includes drugs and alcohol. Our policy also clarifies our testing and inspection procedures.

During 2020 we achieved an all injury frequency rate (AIFR) of 0.68 per 200,000 hours worked. In 2020 we reported 59 incidents

and unfortunately one fatal injury to a contractor employee, which was fully investigated and the findings and lessons learned shared across the organisation which demonstrates further consolidation in our incident reporting procedures.

Drilling risks

We recognise that the safety and efficiency of our drilling and workover operations depends primarily on the performance of our employees and contractors. We utilise a mix of primarily local staff with decades of local experience and expatriate supervisors on our drilling rigs to provide additional expertise and oversight.

Our drilling and workover employees and contractors have the necessary training in well safety and well control. Personnel have the authority (and are expected) to stop any job they deem unsafe.

We select supervisors for their expertise as well as for their familiarity with the regions where we operate. They understand and are sensitive to local working practices and culture, and work to enhance the education and training of local staff and contractors alike.

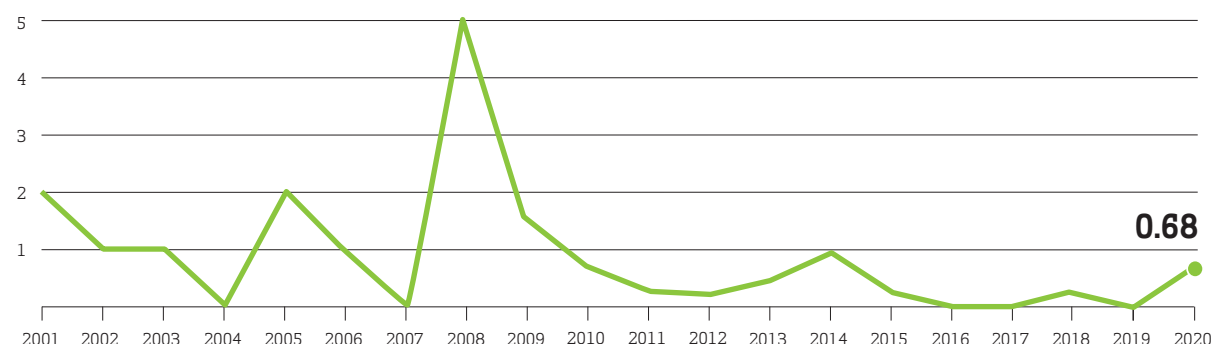
We make the best use of our resources by sharing expertise between our operating companies, and we have a strong collaborative environment where everybody contributes to analyse the risks and develop mitigating strategies in order to minimise it.

Before we begin to drill or workover a well, we identify and address the inherent risks in drilling and workover operations.

This industry best practice makes sure that:

- health, safety and environment issues are clearly identified and assessed;
- regulatory and JKX requirements are met;
- risks have been removed or mitigated according to a structured, systematic process, with any remaining risks demonstrated to be both tolerable and as low as reasonably practicable;
- critical safety items and procedures are identified to manage remaining risks;
- a comprehensive environmental management plan has been developed;
- social, health, and environmental benefits and opportunities are identified and;
- personnel roles and responsibilities are indicated.

Annual Comparisons for the AIFR



STRATEGIC REPORT

Corporate social responsibility ('CSR') review

We have a manager based in our London office that is responsible for the planning, reviewing and authorising of Group drilling and workover operations which significantly strengthens our capability to identify and manage drilling risk.

Health and safety risk management

We apply the principles of ISO 45001, ISO 14001 (2015) Environmental and ISO 9001 Quality Management Standards (2015).

Essential principles

These principles are intended to underpin the actions in this guidance and so lead to good health and safety performance within the JKX Group of Companies.

Strong and active leadership from the top

- visible, active commitment from the Board;
- establishing effective 'downward' communication systems and management structures; and
- integration of good health and safety management with business decisions.

Worker involvement

- engaging the workforce in the promotion and achievement of safe and healthy conditions;
- effective 'upward' communication; and
- providing high quality training.

Assessment and review

- identifying and managing health and safety risks;
- accessing (and following) competent advice; and
- monitoring, reporting and reviewing performance.

Consistent hazard assessment processes

In both Russia and Ukraine, we continued to carry out risk management studies using our proven Hazard and Operability ('HAZOP'), Hazard Identification ('HAZID') and As Low as Reasonably Practical ('ALARP') methodologies.

Health and safety training

Each location has an H&S training budget which includes legally required training from the host country H&S regulations. Additional training is provided according to operational requirements.

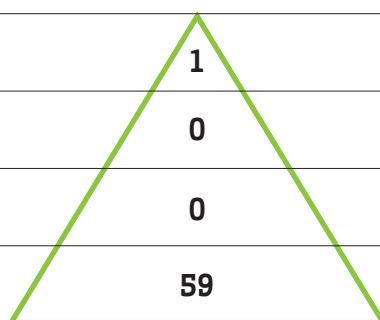
All Injury Frequency Rate 2020 ('AIFR')

FAC (Fatal accident case)

LTI (Lost time injuries)

REC/MTC/RWC (Medical treatment/restricted work cases)

NM (Near miss/loss/hazards/property damage/unsafe act or conditions)



JKX and contractors	Rolling year	JKX and contractors	Rolling year
Days away from work	0	Safety exposure man-hours	2,290,363
Fatal accident cases	1	Fatal accident case frequency rate	0.68
Lost time injury cases	0	Lost time injuries frequency rate	0
Medical treatment/restricted work cases	0	Medical treatment/restricted work cases frequency rate	0
Near miss/loss/hazards/property damage/unsafe act or conditions	59	Near miss/loss/hazards/property damage/unsafe act or conditions frequency	5.15
Environmental incidents	2	Environmental incidents frequency rate	0.17
Man-hours since last lost time injury	9,006,183	Man-hours since last fatal accident case	673,474

Strategic report

Corporate social responsibility ('CSR') review of the JKX Environmental Management System

The JKX Environmental Management System is a comprehensive, systematic, planned and documented management process.

Our impact

We comply with all relevant environmental requirements, including environmental laws and regulations and industry guidelines.

GHG Reduction and Environmental performance in 2020

In 2020, we again made good progress and we are committed to providing information to investors about environmental performance. We believe that managing our environmental impact is key to achieving our goal of being truly sustainable. That is why we monitor and manage the impact of our operations through our Environmental Programme. The Environmental Programme allows us to effectively tackle the combined challenges of climate change and the need for more efficient use of natural resources while also providing opportunities to succeed in the low-carbon economy of the future. As environmental regulations become more stringent, optimisation of a sulphur recovery unit continues to be an important objective. However, the challenge for JKX, specifically YGE, is to take action to control excess emissions and maintenance costs. This goal of installing a sulphur recovery unit has the benefit of ensuring environmental compliance but also improves overall safety and economic viability through increased equipment reliability. During 2020 restrictions on operations due to the pandemic meant environmental improvement plans were put on hold. In 2020 we planned several emission reduction measures including better energy management, technical design, flaring reduction and methane emission reduction. In 2021 will continue to seek to reduce GHGs by:

- discussions involving moving fleet from fossils fuels to electric vehicles;
- discussions on replacing business travel with video conferencing where cost-effective;
- discussing more efficient lighting, pumps and motors;
- behaviour change projects including staff upgrading;
- ongoing improvement meetings;

- better energy management;
- flaring reduction; and
- reduced methane emissions.

Environmental incident frequency rate ('EIFR')

Our EIFR Target for 2020 was not to exceed 0.6 Environmental incidents per 200,000 hours worked; we achieved 0.17.

Greenhouse gas ('GHG') emissions reporting

All emission sources owned, operated or controlled by the Group are included in our reporting.

Our approach

Our terminals are self-sufficient and can maintain operations without the need for grid electricity therefore improving the security of supply. We used the Greenhouse Gas Protocol methodology for compiling our GHG data.

- UK Government GHG Conversion Factors for Company Reporting;
- greenhouse gas reporting: conversion factors 2020 energy;
- IPCC 2006 Guidelines for National Greenhouse Gas Inventories;
- natural gas combustion emission factors: IEA Fuel Combustion;
- purchased electricity UK: Defra 2020;
- purchased electricity non-UK: IEA Foreign Electricity Emission Factors; and
- business travel: DEFRA 2020 GHG Conversion Factors.

Mandatory GHG reporting

JKX's disclosure is in accordance with this legislation and the latest GHG protocol requirements. Ratios that express the company's annual emissions in relation to a quantifiable factor associated with the company's activities are;

Square metres of floor space for site-level energy analysis or Intensity ratio: CO₂e - m² of floor space. 245,496 tonnes CO₂e - 6173 = 39 tonnes CO₂ per m²; and

245,496 tonnes CO₂e - 10,238 boepd = 23.76 tonnes CO₂ per boepd.
(boepd = Barrels of Oil Equivalent Per Day)

Annual Comparisons for the EIFR



Mandatory GHG reporting

Data point	Units	Quantity 2020
CO ₂ e	Tonnes	245,496
Energy Consumed	kWh	76,815

Data point	Units	Quantity 2019
CO ₂ e	Tonnes	281,590
Energy Consumed	kWh	81,815

STRATEGIC REPORT

Corporate social responsibility ('CSR') review

Supply chain management

Effective supply chain management systems minimise cost, waste and time. Therefore, at the heart of our sustainable supply chain is a policy of localising supply by fabricating, manufacturing and sourcing as much as possible as close to the point of use by using indigenous companies. At JKX supply chain management is much more than simply managing suppliers on an ad hoc basis. The identification of legal standards related to procurement along with appropriate ethical standards ensure JKX complies with its corporate responsibility and environmental commitment.

Our achievements

During 2020 some advances were made in our Supply Chain Initiative, and this will continue in 2021 with a more focused approach to procurement and supply.

Community

Our approach

We are committed to engaging with the community to share the benefits of our success at our operating plants.

Our community engagement

Early and sustained public involvement can provide cost savings, time savings, and broader outreach to all stakeholders. Public engagement allows for better, more durable achievement of project goals and more effective use of community assets. We conduct various activities to forge good relations with local communities through participation in forums established by local authorities and residents' associations.

Charitable donations and volunteering

Each operation has a limited budget for good causes and we handle charitable donations at a local level. Donations from across the Group during 2020 amounted to \$403,000. Subject to management approval, staff may be given additional time off in order to join in certain charity-related activities. A detailed list of donations is available on request.

Our stakeholder engagement

Effective engagement helps translate stakeholder needs into organisational goals and creates the basis of effective strategy development. Discovering the point of consensus or shared motivation helps the Group of stakeholders to arrive at a decision and ensures an investment in a meaningful outcome. We work closely with outside interest groups and maintain an open-door policy to ensure local issues and problems are avoided.

Our investor engagement

We seek to enhance shareholder value through responsible and effective communication with our shareholders.

Assistance in our local communities

In practical terms, our community support frequently involves using the Company's plant, machinery and manpower to provide much-needed assistance for activities such as snow clearing, road repairs, clearing of foliage etc. and on occasions we have assisted with fire fighting activities.

Diversity and equality

Access to work opportunities is based on merit, equality, fairness and need. No one is treated less favourably on the basis of their sex, racial or ethnic origin, colour, religion, disability, marital status, sexuality or age. We will not tolerate any form of discrimination – either direct or indirect. Acts of discrimination, prejudice, harassment and victimisation which occur within the workplace or within the communities in which we work are not tolerated.

Quality

Complying with ISO 9001 ensures that the quality management systems that JKX has adopted work to improve the efficiency of the business and are not just a set of procedures.



STRATEGIC REPORT

Principal risks and how we manage them

Our Board is committed to effective risk management and is supported by a pro-active organisational culture and a framework of effective internal controls.

Responsibilities

The Board is responsible for the Group's continuous system of internal control and risk management systems and for reviewing their effectiveness.

Risk management process

The risk management process is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, not absolute, assurance against material mis-statement or loss.

A risk management process involves the Group Risk Committee and subsidiary Risk Committees in Ukraine and Russia. All the Risk Committees were in place throughout 2020.

Risk Committee

The purpose of The Group Risk Committee is to assist the Board in the operation and implementation of the risk management process, and to provide a source of assurance to the Audit Committee that the process is operating effectively. This approach aims to actively manage risk in a transparent and accountable way.

The Risk Committee reports to the Audit Committee. Composition of the Group Risk Committee includes representatives from our Ukrainian and Russian Risk Committees to expand on the risks identified locally and their related mitigation plans.

Risk management framework

The key elements of the risk management process are as follows:

Risk identification - risks faced by the Group are identified by senior management and risk owners, who periodically review the risks to ensure that the risk management processes and controls in their area are appropriate and effective, and that new risks are identified.

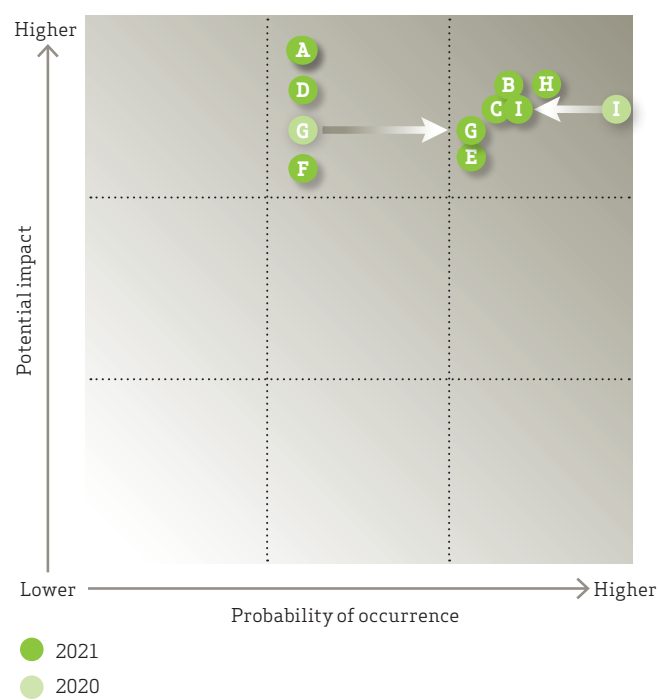
Risk assessment - the consequence and likelihood of each risk materialising is assessed. Risk registers are used to document the risks identified, the level of severity of its impact, probability of occurrence, ownership and mitigation measures for each risk.

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. Also presented is an assessment of the probability of each risk occurring, its potential impact should it occur, the Key Performance Indicators ('KPIs') and strategic priorities most affected as each risk increases, how each risk is being managed or mitigated and whether the overall business risk has increased or decreased since the last Annual Report.

The emerging and principal risks (right) 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.

Risk profile

The chart below represents our current assessment of the potential impact and probability of occurrence of each of the emerging and principal risks noted below.





Risk summary

Risk profile	What is the risk?	KPIs affected	Change from 2019	Strategic objective impacted	Responsibility	Page
A	Liquidity, funding, and portfolio management	- Operating cash flow - Liquidity	—	1, 2	CFO	32
B	Geopolitical and fiscal	- Operating cash flow - Production - Liquidity	—	1, 2	The Board	32
C	Reservoir and operational performance	- Production - Cash from operations - EBITDA per boe	—	1, 2	General Directors	34
D	Financial discipline and governance	- Liquidity - Cash from operations	—	1	CFO	34
E	Health, safety, and environment	- AIPR - LTI - EIFR	—	3	The Board	34
F	Asset integrity	- Production - Liquidity	—	3	General Directors	36
G	Major breach of business, ethical, or compliance standards	- Cash from operations - Liquidity	↑	3	The Board	36
H	Commodity prices and FX fluctuations	- Liquidity - EBITDA per boe	—	1, 2	CFO	36
I	Global COVID-19 pandemic	- Operating cash flow - Production - Liquidity	↓	1, 2	The Board	38

STRATEGIC REPORT




Principal risks and how we manage them

What is the risk?	Probability	Impact	Change from 2020
A Liquidity, funding, and portfolio management <p>Description: As for any other exploration and production company, our fields are prone to natural production decline. Our ability to ensure long-term sustainable production depends on having sufficient funds to invest in our development and efficient allocation of capital on investment projects or acquisitions.</p> <p>It is important to maintain sufficient liquidity to allow for operational, technical, commercial, legal, and other contingencies.</p> <p>Having sufficient funds to invest in development projects or other growth opportunities is subject to not only cash flow generated by existing operations but also access to external capital (such as equity or debt financing) or ability to carry out corporate transactions (such as mergers, acquisitions, or divestitures).</p> <p>Impact: Inability to build or maintain sufficient liquidity may result in increased risk of having insufficient funds on hand to address unanticipated cash outflows, need to suspend planned payments to third parties, or other unplanned actions to urgently build sufficient liquidity.</p> <p>Poor capital allocation decisions, inability to access external sources of capital or execute corporate transactions may result in long-term decline in production and cash flow from existing operations and further reduced ability to engage in new development projects.</p> <p>Although the Group has been debt free since February 2020 this risk remains.</p>	MED	HIGH	
B Geopolitical and fiscal <p>Description: The Group's oil and gas operations are located in Ukraine and Russia and the oil, gas and condensate that we produce are sold into their domestic markets.</p> <p>There are geopolitical risks related to these countries and the relationship between them.</p> <p>Some of such risks may be related to changes in taxes, capital controls, laws and regulations, political situation, or investor sentiment.</p> <p>Both countries have relatively weak judicial systems that are susceptible to outside influence and it can take an extended period for the courts to reach final judgment.</p> <p>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.</p> <p>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.</p> <p>Geopolitical tensions between Ukraine and Russia, political instability and 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.</p> <p>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.</p> <p>PPC has at times sought clarification of their status regarding a number of rental fees. PPC continues to defend itself in court against action initiated by the tax authorities regarding rental fees for August to December 2010 and for January to December 2015. In addition, in February 2017, the Company was awarded approximately \$11.8m in damages plus interest and costs of \$0.3m by an international arbitration tribunal pursuant to a claim made against Ukraine under the Energy Charter Treaty. This award has been recognised in Ukraine and the Group is following procedures for its collection.</p>	HIGH	HIGH	

Responsibility	How do we manage it?	Further information
CFO	<p>Liquidity is accumulated by deferring high-risk investment projects and minimising costs. Projects are analysed and ranked across the Group and capital is allocated accordingly. All significant investment decisions are subject to Board approval and are taken with due consideration to funding availability. These decisions are taken within the context of the longer term field development plans.</p> <p>In December 2019 PPC, our subsidiary in Ukraine, renewed a 24 month UAH280m (\$9.9m) revolving credit line and a UAH50m (\$1.8m) overdraft facility with Tascombank, neither of which are currently being used. We are confident that these facilities can be renewed again for 2022. The Alfa bank facility for \$5.0m was added in the middle of 2020. Other liquidity tools include the ability to make forward sales in Ukraine.</p> <p>Three of the 2015 rental fee cases have been closed in PPC's favour. Furthermore we have improved our understanding of the 2010 and the remaining 2015 rental fee claims and ensured that we have the resources to meet these potential liabilities if necessary. In particular, careful consideration has been given to the earliest dates that courts may conclude that PPC may be required to settle any or all of the various claims in the event that court hearings proceed without undue delay. The Group's expectation is that a final hearing with respect to the 2010 rental fee claim will take place this year and that final hearings in respect of the remaining active 2015 rental fee claims will take place in 2021 and 2022.</p> <p>During 2020 the average Ukrainian sales prices achieved for oil and condensate were significantly lower than in 2019 (2020 decline: Oil and condensate: 28%, Gas: 36%) and the Group responded by revising the 2020 work programme and budget focusing on the highest impact, lowest cost activities.</p> <p>Despite the Hungarian Authorities refusal to consent to the sale of the Group's Hungarian assets the Board continues to focus on minimising Hungarian costs and expects to dispose of it during 2021.</p> <p>The Board has also reinforced the Group's New Business Development team and holds regular review meetings to consider opportunities.</p>	<p>Chairman's statement page 4</p> <p>Financial review page 22</p>
The Board	<p>The Group's operations and financial position may be adversely affected by the interruption, inspections and challenges from local authorities, which could lead to remediation work, time-consuming negotiations and suspension of production licences.</p> <p>In respect of the 2010 and 2015 rental fee claims, provisions of \$13.8m and \$7.2m respectively, have been recognised in these financial statements to reflect the Company's estimate of the potential liability. Except for this \$21.0m provision, 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.</p> <p>The Company continues to work through the proper processes for enforcement of collection of the international arbitration award. 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 on-going communications locally.</p> <p>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, when necessary. 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.</p>	<p>Chairman's statement page 4</p> <p>Financial review page 22</p>

STRATEGIC REPORT

Principal risks and how we manage them

What is the risk?	Probability	Impact	Change from 2020
C Reservoir and operational performance <p>Description: Subsurface and operational risks are inherent to our business. The reservoir performance cannot be predicted with certainty and operations required for hydrocarbon production are subject to risks of interruption or failure.</p> <p>Production from our mature fields at the Novomykolaivske Complex in Ukraine require a high level of maintenance and intervention to minimise the production decline. In Russia, acidisation of deep, high pressure and high temperature wells and other well maintenance procedures to stabilise production are required, increasing risk of failure.</p> <p>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 planned investment in other development projects which will result in lower production, profits and cash flows. Inability to ensure continuous operation of wells, flowlines, production facilities and successful execution of drilling, workover, repair, enhancement interventions may result in lower production, profits and cash flows.</p>	HIGH	HIGH	
D Financial discipline and governance <p>Description: The Group has presence in four countries with major operations in Russia, Ukraine, and the United Kingdom. Such a complex structure requires complex governance and control procedures to be in place to ensure appropriate level of financial discipline and controls, as well as delegation of authority along the corporate and management structure.</p> <p>From 2015 to 2019 the Group underwent several major Board and management changes, changes of advisors and contractors, as well as significant reduction of staff across its operations. These changes have required additional efforts to ensure proper implementation of governance, controls, and financial discipline procedures.</p> <p>Impact: Failure to maintain an appropriate level of financial discipline, governance and controls may lead to unnecessary or inappropriate spending, lack of control over procurement, contracting, investment decisions and exposure to increased legal, regulatory, or financial risks.</p>	MED	HIGH	
E Health, safety, and environmental <p>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. 195 countries signed the historic Paris Agreement to tackle climate change. Despite this, we know that some changes to the climate are already inescapable due to past emissions of greenhouse gases. The Paris Agreement commits the international community to reduce greenhouse gas emissions in order to avoid some of the most severe impacts of climate change.</p> <p>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. A programme for adaptation to climate change to address the identified risks is an ongoing process for 2021/2022.</p>	HIGH	HIGH	

Responsibility	How do we manage it?	Further information
General Directors	<p>There is daily monitoring and reporting of the well and plant performance at all our fields. Production data is analysed by our in-house technical expertise. This supports well intervention planning and further field development.</p> <p>Our subsurface and operations specialists and industry-recognised personnel are part of the daily monitoring and reservoir management process of our fields and assets.</p> <p>Production forecasts generated for future development opportunities are risked to take account of geological uncertainty. Operational risks are taken account of by adding a percentage of contingency to the duration and cost of the planned development action. The percentage of contingency added is based on both historical experience and perceived difficulty of the development action.</p> <p>We continue to focus on low cost, high impact operations to ensure that the Group obtains best value for its expenditure.</p>	Operations review page 16
CFO	<p>During 2018 new financial controls were implemented and corporate governance was enhanced, including more frequent and detailed management reporting to the Board of Directors.</p> <p>A Group Policy Manual has been implemented across the Group and updated in 2020. It is subject to regular review and revision by the Board to ensure that governance and control procedures are sufficient to insure the appropriate level of financial discipline and controls, as well as delegation of authority along the corporate and management structure.</p> <p>The appointment of a Group CEO in 2019 also helped to consolidate approval processes and introduce a single point of ultimate executive control.</p>	<p>Chairman's statement page 4</p> <p>Financial review page 22</p>
General Directors	<p>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 Group HSECQ Manager reports directly to the Board of Directors and provides a detailed monthly HSE report.</p> <p>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 with details of Group performance.</p> <p>Operations in Ukraine, Russia and Hungary all have a dedicated HSECQ Team of local personnel led by an HSECQ Manager.</p> <p>All locations have HSE Management Systems modelled on the ISO 9000 series, OHSAS 18001 and ISO 14001.</p> <p>Appropriate insurance policies, provided by reputable insurers, are maintained at the Group level to mitigate the Group's financial exposure to any unexpected adverse events arising out of the normal operations.</p> <p>Following a fatal accident in Ukraine in 2020 involving a third party contractor, a fatal accident enquiry was held and lessons learnt communicated across the Group. As a result the HSE aspects of the contractor qualification process have been enhanced.</p>	Corporate social responsibility page 25

STRATEGIC REPORT


Principal risks and how we manage them

What is the risk?	Probability	Impact	Change from 2020
F Asset integrity <p>Description: Our operations risk assessment outline the ability of an asset to perform its required function effectively and efficiently whilst protecting health and safety of staff and the environment and the means of ensuring that the people, systems, processes, and resources that deliver integrity are in place, in use and will perform when required over the whole life-cycle of the asset.</p> <p>Impact: Failure to comply with licence obligations and other regulations or requirements may result in our licences being suspended or revoked which will require us to suspend production and operations. Continuous improvement of our processes used to manage assets and to find the optimal mix of costs, risks and performance over the whole life cycle of the assets is an ongoing process.</p>	MED	HIGH	—
G Major breach of business, ethical, or compliance standards <p>Description: The Company is subject to numerous requirements and standards including the UK Bribery Act, UK Listing Rules, UK Corporate Governance Code, and the Disclosure and Transparency Rules, among others. Additionally, some of our stakeholders, such as financial institutions, may require us to comply with other requirements or ask us to provide information on our business, operations, employees and shareholders as part of Know Your Client ("KYC") procedures.</p> <p>Impact: Failing to comply with onerous regulations and requirements, such as failure to implement adequate systems to prevent bribery and corruption or money laundering, could result in prosecution, fines or penalties imposed on the Company or its officers, suspension of operations or listing.</p> <p>Inability to clear KYC procedures to satisfaction of the third parties may result in refusal to engage in business relationships with the Company. Given the Group's share register the risk of withdrawal of banking facilities is increasing.</p>	HIGH	HIGH	↑
H Commodity prices and FX fluctuations <p>Description: JKX is exposed to international oil and gas price movements, policy developments in Russia which may affect the regulated gas price and movements in exchange rates. Such changes will have a direct effect on the Group's trading results.</p> <p>Gas prices in Ukraine are closely aligned with gas prices in Europe. Ukraine does not currently purchase gas from Russia directly. Change in gas import flows may have impact on gas prices in Ukraine, and a prolonged period of low gas prices would impact the Group's liquidity.</p> <p>In Ukraine PPC sells the oil and gas it produces at prices determined by a combination of the global oil market and local market factors. During 2020 the average price achieved fell significantly by comparisons to the average price received in 2019 (2020 decline: Oil and condensate: 28%, Gas: 36%).</p> <p>Foreign exchange risk has increased following the significant devaluation of the Ukrainian Hryvna and the Russian Rouble through 2020.</p> <p>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 field development plans and reduce shareholder returns. Continued volatility in the Hryvnia and Rouble might affect the US Dollar value of future profits, assets and cash flows of the Group.</p>	HIGH	HIGH	—

Responsibility	How do we manage it?	Further information
General Directors	<p>Status of our licences and relevant licence obligations are monitored on a country level.</p> <p>In 2018 the deadline for the Callovian well drilling commitment in Russia, which is the Group's largest single commitment, was extended until 2025.</p> <p>The Company continues to monitor compliance with its gaseous emission levels in Russia and is in the process of identifying a long-term action plan.</p>	<p>Corporate social responsibility page 25</p> <p>Corporate governance page 44</p>
The Board	<p>The CFO is responsible for compliance and, with the support of the Board, implements compliance-related activities and procedures.</p> <p>Such activities focus on training, monitoring, risk management, due diligence and regular review of policies and procedures.</p> <p>We prohibit bribery and corruption in any form by all employees and by those working for and/or connected with the business. Employees are expected to report actual, attempted or suspected bribery or other issues related to compliance to their line managers or through our independently managed confidential reporting process, which is available to all staff as well as third parties.</p> <p>In 2017 we engaged an independent consultant to assess our anti-bribery and corruption ("ABC") policies, procedures and practices and in 2018 we engaged KPMG to conduct a forensic review of procurement of legal services and subsequent payments made to legal advisors in Ukraine in 2017. Recommendations arising from both have been implemented to further strengthen our ABC framework. This included completion of a full Bribery Risk Assessment. Senior and higher-risk staff are required to complete annual declaration statements confirming that they have understood the company's ethical policies and have complied with them.</p> <p>In dealing with third parties, our policy is to maximise transparency and provide all information available to address KYC-related procedures and requests.</p> <p>The Company is in ongoing discussions with the FCA about the level of shares in public hands which currently stands at 21.9, below the 25% level required by the Listing Rules.</p>	<p>Corporate social responsibility page 25</p> <p>Corporate governance page 44</p>
CFO	<p>JKX's policy is not to hedge commodity price exposure on oil, gas, LPG or condensate and not to hedge foreign exchange risk.</p> <p>JKX attempts to maximise its realisations versus relevant benchmarks while keeping credit risk to a minimum by selling mostly on spot markets and on a prepayment basis.</p> <p>As commodity prices in Ukraine closely follow international benchmarks, significant changes in the exchange rates are reflected in commodity prices providing a natural hedge. We also use Ukrainian T-Bills as an effective tool to manage FX risk.</p> <p>In Russia, the vast majority of gas produced is sold to a single local gas trading company through a long term gas sales contract with prices set in Roubles. The sales price for gas is fixed and is subject to increase according to changes in a tariff set by relevant regulatory bodies. The Company continues to seek other sales opportunities in Russia to improve realisations.</p> <p>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.</p>	<p>Financial review page 22</p> <p>Strategic priorities Page 14</p>

STRATEGIC REPORT

Principal risks and how we manage them

What is the risk?	Probability	Impact	Change from 2020
<p>I Global COVID-19 pandemic</p> <p>Description: The Group's oil and gas operations are located in Ukraine and Russia with a head office located in the United Kingdom. All locations are suffering from levels of COVID-19 infection and normal working patterns have been disrupted. The national and local governments in all locations are recommending or implementing restrictions in order to manage the situation.</p> <p>In view of the risk the Group's primary objectives include:</p> <ul style="list-style-type: none"> i) Protecting the health of the Group's staff, contractors and suppliers and those in the communities from which they are drawn; ii) Maintaining the Group's operations and business more generally and ensure that high levels of environmental and operational safety are maintained; and iii) Maximising sales prices in an unpredictable market. <p>Impact: Infection and restrictions on movement have the potential to negatively impact the Group and specifically the operating companies. These impacts may include a reduction in the number of staff fit to work, a reduced ability to conduct production operations, contractors and suppliers being unable to provide the necessary support, a reduction in demand and lower sales prices. If these risks crystallise there may be business constraint or interruption, reduced production, a fall in demand and reduced sales prices and a consequent reduction in the Group's ability to commit to new capital expenditure.</p>	HIGH	HIGH	

Responsibility	How do we manage it?	Further information
The Board	<p>In order to manage this risk the Group (and in particular the 2 operating units, PPC and YGE) have undertaken a holistic review of the likely impact on their businesses and have implemented a range of escalating and proportionate responses. These responses include:</p> <ul style="list-style-type: none"> a) undertaking awareness-raising in all locations; b) introducing and enforcing social distancing and remote-working, cancellation of business trips and meetings and the use of remote working solutions; c) enhanced cleaning regimes for certain Group facilities; d) temperature screening of staff and contractors at entry points; e) active liaison with local regional and national government; f) securing normal business activities including oil and LPG loading, drilling and work over activity; g) taking steps to minimise exposure to further commodity price decrease; and h) reducing costs to maintain Group liquidity. <p>The Board receives monthly HSE updates that include the assessment of the impact of the pandemic on the Group and its staff. The mitigations adopted across the Group are regularly reviewed and refined to make sure that they remain appropriate for the threat.</p>	<p>Chairman's statement page 4</p> <p>Chief Executive's statement page 6</p>

STRATEGIC REPORT

Principal risks and how we manage them

Long term viability statement

The Directors have assessed the viability of the Group over a three-year period to 31 December 2023 taking account of the Group's current position and the potential impact of the emerging and principal risks documented above. The three-year period has been selected as the most appropriate for the mid-term management of the Group.

Summary of the strategic review by country

- **Ukraine** In 2018 we developed a five year field development plan (medium term), that we are now executing. In addition, we systematically review opportunities for acquisition and new licensing in Ukraine.
- **Russia** Operations, production and cash flow are stable in Russia, following completion of a workover programme in 2019.
- **Hungary** We continue to consider strategies for disposing of our mining plots in Hungary. We signed a Memorandum of Understanding with a potential buyer. The sale is expected in 2021.

The Board believes that the Group's assets and staff provide a good platform to consolidate and improve on its existing oil and gas opportunities.

The Group has been operating in Ukraine for over 25 years and in Russia for over 10 years. Most of the Group's profits and cash flows continue to be generated in Ukraine and, to a lesser extent, in Russia. However there remain significant risks associated with operating in the emerging markets in general, and operating our assets specifically, which could adversely impact cash flows, profits and liquidity of the Group.

Assessment of viability

The Board closely monitors and manages its liquidity risk using cash flow forecasts which are regularly produced and applies sensitivities for different scenarios including, but not limited to, changes in oil and gas prices, changes in Rouble and Hryvnia exchange rates, various scenarios for reservoir performance, and delays to additional future revenue. These sensitivities are considered both individually and in unison.

The assessment incorporated the use of mitigating actions available to the business, such as a reduction in capital expenditure and use of external facilities.

Capital and operating costs were based on approved budgets and latest forecasts in the case of 2021 and current development plans in the case of 2022 through to December 2023. In addition, the Directors made enquiries into and considered the Ukrainian and Russian business environments and future expectations regarding country and currency risks that the Group may encounter, as disclosed in the risks above. In addition, the Board has considered potential reverse stress tests performed to assess the impact of COVID-19 including production stoppages combined with sustained lower commodity prices as detailed in note 2 to the financial statements.

Principal risks facing the Group

For the purposes of assessing the Group's viability, the Directors focused on the following emerging and principal risks which are critical to the Group's success but which are outside the control of management and could have a significant impact on the business:

▪ Commodity prices and FX fluctuations

The Group is exposed to international oil and gas price movements, policy developments in Russia which may affect the regulated gas price, and movements in exchange rates. Such changes will have a direct effect on the Group's trading results

▪ Potential rental fee claims

The Company has persistently defended its position in the Ukrainian courts regarding the rental fee claims for 2010 and 2015 totalling approximately \$21.0 million see page 33 (including interest and penalties, see Note 27 to the consolidated financial statements). The Company will continue to defend its position in the Ukrainian courts in all outstanding cases. The Directors have given careful consideration to the earliest dates that courts may conclude that any or all of the claims may be required to be settled and ensured that the resources are available to meet these liabilities if necessary, based on the expected timing of potential payments (see Financial review pages 23 to 24).

▪ Global COVID-19 pandemic

This risk arose in 2020 and the Board of Directors continue to monitor its potential impact. The potential impact of the pandemic is currently unknown but may include production disruption due to government restrictions, impact on our workforce, supply chain disruption, customer sales and ability to access funding facilities as detailed in note 2 to the financial statements.

▪ Climate change

The Paris Agreement commits the international community to reduce greenhouse gas emissions in order to avoid some of the most severe impacts of climate change. Despite this, we know that some changes to the climate are already inescapable due to past emissions of greenhouse gases. These changes present challenges and opportunities to all aspects of our society, and we must act on these if we are to achieve our ambition of creating a stronger, more resilient economy and a natural environment that benefits people and can provide the vital resources and services we need.

A programme for adaptation to climate change to address the identified risks is an ongoing process for 2021/2022 so as to deliver resilience to climate change on the ground. This programme will be reviewed at least every three years and must set out the host Government's objectives, proposals and policies for responding to the risks identified.

Management considered a combined scenario of lower prices, production and additional capital spend to comply with the climate change legislation.

Confirmation of longer-term viability

The Board has undertaken a robust assessment of these risks and the other emerging and principal risks faced by the business detailed on pages 32 to 41 of the Annual Report.

The Directors have considered operational and cash management measures to settle amounts that may become payable in relation to the 2010 and 2015 rental fee claims, if and when they become payable.

The Directors believe that the combination of its current cash balances, expected future production, resulting net cash flows from operations, mitigating factors and continued availability of current facilities, provide a reasonable expectation that the Company will continue to be viable and meet its liabilities over the assessment period.

Section 172 Statement

The Directors are aware that the decisions they take may impact a wide range of people and stakeholders and they make a conscious effort to understand the interests of the Group's stakeholders when considering how best to achieve the long term sustainable success of the business.

Governance and Financial statements

The Directors are mindful of their duty to promote the success of the Company in accordance with S 172 of the Companies Act for the benefit of its members as a whole. In doing so they have regard to the matters set out in S 172 (1) (a)-(f), although they recognise that the focus and weight given to each of these matters will depend on the nature of the decision being considered and the environment in which the Company and its subsidiaries are operating.

The Directors apply a structured decision-making process supported by detailed information relevant to any decision. In addition the Board has received regular management information and HSE updates from expertly qualified staff. This information has, when appropriate, expressly addressed the interests of employees, the impact on business relationships with suppliers, customers and others, the impact of the Company and Group's operations on relevant communities and the environment, the potential impact on the Company's reputation for high standards, with Board decisions being recorded in writing and maintained as part of the Company's minutes. This process aims to ensure that all relevant issues are identified and considered by the Board whilst coming to a decision on any issue.

The Board continues to encourage senior management in each location to engage with staff, suppliers, customers and the community in order to assist the Board in discharging its obligations.

During 2020 the Directors have been particularly mindful of the impact of the ongoing COVID-19 pandemic when making any decision. This has impacted all areas of decision making and is not limited to ensuring that its impact on employees, contractors, suppliers and the communities in which we operate is factored into any decision, but also to ensure that its reputational, financial and other impact is also considered. As a consequence of this focus additional prudent precautionary measures were designed in to operational proposals made to the Board, the 2020 Budget was revised to ensure financial sustainability (see Strategic Report - CEO Statement and Principal Risks section for more information) and charitable contributions were made to local and national COVID-19 health initiatives. (see Strategic Report CSR Review for more information).

Further details of how the Directors have had regard to the issues, factors and stakeholders considered relevant in complying with S 172 (1) (a)-(f), the methods used to engage with stakeholders and the effect on the Group's decisions during the year can be found throughout this report and in particular at page 12 (where matters relating to the Group's business model, stakeholder map and stakeholder relations are addressed), page 13 (where strategic objectives are addressed), pages 14 and 15 and the CSR report on page 25 (in relation to decision-making).

The Board has received further guidance from its private practice corporate lawyers in order to ensure that it is aware of its responsibilities under S 172 and in particular to ensure that all members are fully aware of the need to act fairly between its members, especially given the presence of a number of long term significant shareholders and the existence of a nominee of the largest shareholder on its Board.

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Board composition


Charles Valceschini Chairman

Appointed – 16 September 2019

Experience – Mr Valceschini has worked in the oil and gas sector for nearly 40 years and currently specialises in the provision of technical and commercial advice to a wide range of upstream oil and gas companies. Mr Valceschini was previously engaged in technical and leadership roles for a range of companies including BP, TNK-BP and other international upstream companies. During 2000 and 2001 he was CEO and CFO of American Energy Group Limited. Mr Valceschini was appointed as an independent non-executive director of Block Energy plc in December 2020. Mr Valceschini has a degree in Petroleum Engineering from the University of Wyoming, an MSc in Engineering Management from Portland State University and is an alumnus of the INSEAD Executive Management programme and Moscow School of Management at Skolkovo Project Academy.


Victor Gladun Executive Director, Chief Executive Officer

Appointed – 23 May 2019

Experience – Victor Gladun studied engineering and finance. He graduated from Harvard Law School (International Taxation), participated in Harvard University's project on macroeconomic transformations in Ukraine, and holds the US Brandeis University's Master's Degree in Sustainable International Development. Victor held executive positions in a number of leading international companies in the USA, Ukraine, and Russia. He has worked for TNK-BP, Mitsubishi Motors/NIKO and DTEK. Victor has experience in business development, promotion and crisis management.


Tony Alves Senior Independent Director

Appointed – 16 September 2019

Experience – Mr Alves has worked in the oil and gas sector for over 30 years. From January 2009 until June 2016 he served as an Executive Director and Chief Financial Officer for AIM Listed Volga Gas plc, with whom he remains as a consultant. Previously he was one of the leading equity analysts covering the sector including periods as Head of Oil and Gas research for Peel Hunt and with Investec, Bell Group International and Schroders. Mr Alves read Mathematics at Cambridge University, both as an undergraduate and a post-graduate research student.


Dr. Rashid Javanshir Non-Executive Director

Appointed – 16 September 2019

Experience – Dr. Rashid Javanshir worked at BP for over 20 years in senior management roles including Senior Vice President for Strategy & Integration in Global Upstream, London (2012 - 2015) and Regional President for Azerbaijan - Georgia - Turkey (2009 - 2012). He also led BP's Southern North Sea Gas Operations in 2003-2006. Dr. Javanshir is a distinguished scientist with more than 150 books and papers published internationally. He holds a PhD in Geophysics from Moscow Gubkin University and a Doctoral Degree in Geology and Mineralogy from the Institute of Geology in Baku. He has completed management programmes in several US Universities, and is an alumnus of Harvard Business School.



Michael Bakunenko Non-Executive Director

Appointed – 8 December 2017

Experience – Michael Bakunenko has been the Executive Chairman of the Board at PJSC Ukrnaftoburinnya, the third largest private oil and gas E&P Company in Ukraine since September 2015. From 2011 to 2015 Mr. Bakunenko was Deputy Board Chairman, Director of Corporate Development and Strategy at PJSC Ukrnafta, the largest oil company in Ukraine. Prior to this Mr. Bakunenko worked for 8 years in the investment banking industry, notably at Goldman Sachs in New York and Renaissance Capital in Moscow and Kyiv. Mr. Bakunenko holds a Bachelor's degree from Lehigh University and a Master's degree from Columbia University.

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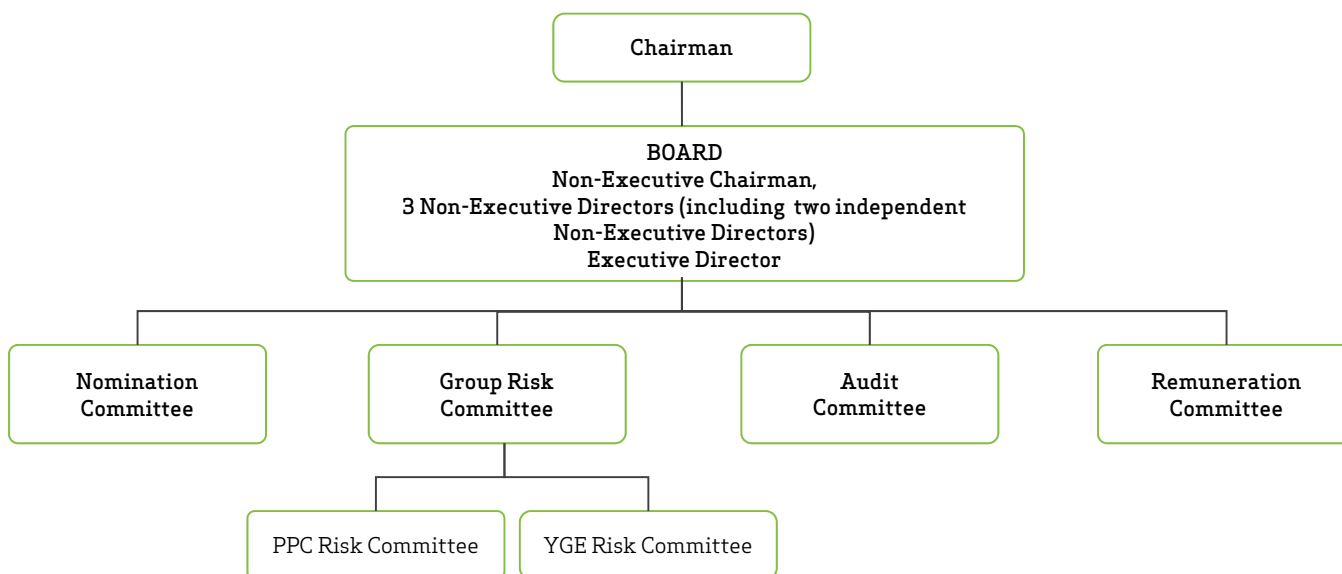
Corporate governance

Governance principles

The Company has a premium listing on the London Stock Exchange and is subject to the Listing Rules of the UK Listing Authority. The Board is committed to applying the principles of the 2018 UK Corporate Governance Code ('the Code') and relevant institutional shareholder guidelines. This section explains in more detail how we have applied these provisions.

JKX's Group-wide policies and procedures provide a framework for governance and are underpinned by the Group's Code of Conduct. Good governance is taken seriously and the Board sets the tone and takes the lead to ensure that good practice flows throughout the Group.

Governance framework



JKX Board changes during 2020

On 19 June 2020 the 2020 AGM was held at which all directors, including the Chairman, stood down and presented themselves for reappointment by the Shareholders. All directors, including the Chairman, were reappointed by the Shareholders.

Following the 2020 AGM the Board consisted of the Chairman (Charles Valceschini, who was independent on appointment), two independent non-executive directors (Tony Alves and Rashid Javanshir), one non-executive director who was not independent (Michael Bakunenko) and an executive director (Victor Gladun¹).

The Group is led by a Board of Directors consisting of a Non-Executive Chairman, two independent Non-Executive Directors, one Non-Executive Director who represents the interests of Eclairs, JKX's largest shareholder with a holding of over 27% and an Executive Chairman.

Board effectiveness

Role of the Board

The Board provides leadership to the Group. Key matters reserved for the consideration and the approval of the Board are:

- setting and monitoring Group strategy;

¹ Victor Gladun is a director appointed from the workforce in accordance with the recommendations of Chapter 1 Provision 5 of the Code. The Board believes he will bring a workforce view to the boardroom and as a financial professional and General Director of PPC is in a position to contribute to discussions on wider issues.

- review of Group business plans, trading performance and costs;
- review and approval of the annual operating and capital expenditure budgets;
- approval of capital investment projects across the Group;
- examination of acquisition opportunities, divestment possibilities and significant financial and operational issues;
- remuneration policy (through the Remuneration Committee);
- appointments to the Board (through the Nominations Committee) and senior management, Committee membership and remuneration for Directors and senior management;
- review and approval of the Company's financial statements (through the Audit Committee);
- setting any interim dividend and recommendation of the final dividend; and
- ensuring that significant business risks are actively monitored and managed using robust control and risk management systems.

In addition, the Board considers strategy in depth as well as reviewing the strategic objectives of the Company at each of its Board meetings.

All other authorities are delegated by the Board, supported by appropriate controls, to the Chief Executive, Chief Financial Officer and General Directors of PPC and YGE.

How the Board functions

The Board has historically held six scheduled meetings each year, and arranges additional meetings if the need arises. During 2020, there were two unscheduled Board meetings (2019: five), including one meeting at which the Non-Executive Directors met in private session, with an open agenda to discuss the current issues affecting the Group (2019: once). The number of unscheduled Board meetings in 2020 was needed for the Board members to build a strategic direction for the Company and to address ongoing developments including the impact and response to the ongoing COVID-19 pandemic.

The Chairman, in consultation with the Directors and senior executives, sets the agenda for Board meetings. All Directors receive comprehensive documentation prior to each meeting on the matters to be discussed.

Monthly Board reporting

The Group provides the Board with a performance update each month after the month end. The monthly reports outline all material operational, health & safety, financial, commercial and strategic developments.

The monthly reports consolidate all financial and operational information from all parts of the Group and include actual performance against budget and forecast for oil and gas production, sales and costs.

These reports provide the Board with the latest information on cash, cash flow forecast, receivables and payables and the implications of key sensitivities including changes in production, commodity prices, production taxes and exchange rates. These monthly reports ensure that board members remain properly briefed on the performance and financial forecasts of the Group.

Board meeting documents

Prior to each set of meetings the Chairman ensures that all the relevant papers and other information is delivered, where possible, at least five days in advance of the meeting date so that all Directors have the necessary time to review in detail the latest information.

Support for Directors

The Board has adopted a policy whereby Directors may, in the furtherance of their duties, seek independent professional advice at the Company's expense.

Each Director has the benefit of a deed of indemnity from the Company and its subsidiaries in respect of claims made and liabilities incurred, in either case arising out of the bona fide discharge by the Director of his or her duties. The Company has also arranged appropriate directors' and officers' insurance cover in respect of legal action against Directors of the Company and its subsidiaries and the Company Secretary.

Committees of the Board in 2020

During 2020 the Board had three committees focusing on specialist areas, which were ultimately accountable to the Board. These comprised:

- the Audit Committee;
- the Nominations Committee; and
- the Remuneration Committee.

The Board committees met independently and provided feedback to the main Board through their chairmen.

There was also an executive Risk Committee chaired by the Chief Financial Officer and comprising group employees.

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Corporate governance

Committee memberships during 2020

	Audit Committee	Remuneration Committee	Nomination Committee
Charles Valceschini	-	Member	Chairman
Victor Gladun	-	-	Member
Tony Alves	Chairman	Member	Member
Michael Bakunenko	-	-	Member
Rashid Javanshir	Member	Chairman	Member

The roles and activities of each of these committees during 2020 are noted on pages 48, 51, 52, 56 and 57.

Board composition, independence and commitment

Throughout 2020 the Board comprised 5 individuals:

- the Non-Executive Chairman (Charles Valceschini),
- two independent Non-Executive Directors (Tony Alves, Rashid Javanshir) who were assessed as independent on the basis, inter alia, that the matters set out in Provision 10 of the Code did not apply to them;
- one Non-Executive Director (Michael Bakunenko) representing the interests of Eclairs, JKX's largest shareholder with a holding of over 27%, and
- one Executive Director (Victor Gladun).

It is the Board's view that the current Non-Executive Directors have sufficient time to fulfil their commitments to the Company. The Board does however regularly consider the appropriateness of Board composition.

Board skills, experience and responsibilities

The Board has significant knowledge and experience of the oil and gas industry, engineering and financial matters in central and eastern Europe, particularly Ukraine and Russia as well as Central Asia. The key biographical details, relevant experience and responsibilities of each Director are provided on pages 42 and 43.

The Non-Executive Directors bring the skills and expertise necessary to challenge effectively, independently and constructively, the performance of the Company and its strategy.

Board diversity

During the period covered by this report the Board consisted entirely of men of 4 different nationalities. Gender is only one aspect of diversity, and there are many other attributes and experiences that can improve the Board's ability to act effectively. Our policy is to search for the highest quality people with the most appropriate experience for the requirements of the business, be they men or women.

The Board supports the longer term aspirations of Lord Davies' report regarding gender diversity on appointment of directors to boards and will maintain its practice of embracing diversity in all its forms, but has chosen not to set any measurable objectives. Currently the CEO and his immediate reports consist entirely of men.

Senior Independent Director

Tony Alves was appointed as Senior Independent Director ('SID') on 16 September 2019 and continued in such capacity throughout 2020.

The SID is available for discussions with other Non-Executive Directors who may have concerns which they believe have not been properly considered by the Board as a whole.

A key responsibility of the SID is to ensure he is available to shareholders if they have concerns that have not been resolved by contact through the normal channels of Chairman, Chief Executive and Chief Financial Officer or where such contact is inappropriate.

2020 Board evaluation process

During the first half of 2020 the SID reviewed the performance of the Chairman and the Nomination Committee carried out an internal Board Evaluation of all aspects of the Board's effectiveness. The effectiveness of the board committees and individual Directors (apart from the Chairman) was not assessed. The assessment was overseen by the company secretary and gathered information through the use of questionnaires addressing key aspects of the Board's work. These questionnaires were completed by each Director and analysed in confidence by the Company Secretary who produced anonymised feedback which was then reviewed by the Chairman, the SID and the Board more generally. Detailed feedback was provided and action plans put in place to address the issues identified included the need for renewed engagement with major shareholders and updating of succession planning processes. As a result of this process the Board took steps to increase engagement with major shareholders and carried out a succession planning exercise together with the executive management. As part of its conclusions the board concluded that the board had the necessary mix of skills, knowledge and expertise.

External evaluation

As the Company was outside of the FTSE 350 during 2020 there was no requirement for an externally-facilitated evaluation of the Board at least every three years, although an internal Board and committee evaluation was conducted. The Chairman will consider the relevance of an externally facilitated evaluation in due course.

Development of the Board

All Directors are provided with opportunities for further development and training updates. In addition to the updates on governance, legal and regulatory matters, the Board receives invitations to detailed briefings from advisers and at their seminars on a variety of topics that are relevant to the Group and its strategy. Newly appointed Directors receive a full day's induction training session, including specific presentations on key topics and detailed briefings on legal, regulatory and compliance matters from the Company's external legal, financial and communications advisers.

Board activities

Attendance at meetings

When a Director is unable to participate in a meeting either in person or remotely because of another engagement, they are provided with the briefing materials and the Chairman will solicit their views on key items of business ahead of time, in order for the views to be presented at the meeting and influence the debate.

The number of meetings of the Board and its committees during 2020 and individual attendance by each Director is shown below:

Board and Committee meeting attendance in 2020

Number of meetings

	Board	Audit Committee	Remuneration Committee	Nomination Committee
	8	2	1	1

Attendance/Eligibility:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
Charles Valceschini	8/8	2/2	1/1	1/1
Victor Gladun	8/8	-	-	1/1
Tony Alves	8/8	2/2	1/1	1/1
Michael Bakunenko	8/8	-	-	1/1
Rashid Javanshir	8/8	2/2	1/1	1/1

Senior management from across the Group, and advisers, attend some of the meetings for the discussion of specific items in greater depth. This is important to the Board as it further enhances the Board's understanding of operations and the implementation of strategy.

As a consequence of the impact of the COVID-19 pandemic and the difficulties associated with organising meetings (both in person and remotely) given the location of Directors and national restrictions a number of matters normally dealt with by Board Committees were, at the request of the relevant Committee Chairman, elevated to the Board for consideration, resulting in a reduction in the number of Committee meetings required.

Board's work during 2020

During the year the Board used a rolling agenda of strategy, finance, operations, commercial matters, corporate governance and compliance including the matters set out below. All Directors have the authority to add any item to the Board agenda.

- Reports from the General Directors of each of the two major operating units on strategic, and operational matters including political and economic developments,
- Reports from the Chief Executive Officer and Chief Financial Officer, which include a report of actual performance against budget, reforecasting, liquidity, updates on oil, gas and condensate prices, etc.,
- HSECQ matters,
- Additional funding and growth opportunities including reports from the internal new business team,
- Compliance (including Anti Bribery and Corruption) issues,
- Shareholder engagement, and
- Where applicable, reports and recommendations from the Nominations Committee, Audit Committee and Remuneration Committee.

In addition to the standing agenda items and annual Board responsibilities in respect of the Group's reporting, other topics covered by the Board during the year included:

- the implementation of the Board's updated strategy for the Company reflecting matters such as the deployment of an improved contractor base, a focus on cost control and the execution of low risk, high margin operations;

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- managing the Group's liquidity including the final payment of principal and interest on the Convertible Bond;
- the impact and mitigation of the ongoing COVID-19 pandemic;
- reduction in overhead costs and improved efficiency;
- the Company's free-float position;
- increased transparency and engagement with shareholders regarding production and operations with a regular reporting schedule;
- identifying and addressing critical gaps in the senior management team including the appointment of the Chief Financial Officer;
- monitoring enhanced management information updates focussing on key parameters including production, liquidity and future cash flow;
- disposal of non-core assets and reviewing the group portfolio;
- review of organic and inorganic growth opportunities, particularly in Ukraine;
- simplification of Group structure;
- review and management of ongoing tax and other litigation;
- identifying sources of possible third party financing of the Group; and
- approval of charitable donations (in the form of both funding and equipment) to support regional health services during the ongoing COVID-19 pandemic.

Re-electing your Board

The Board contains a broad range of experience and skills from a variety of industries and advisory roles, which fully complement each other.

In line with the Code all the Directors (including the Chairman) stood down and offered themselves for reappointment at the 2020 AGM. All the Directors (including the Chairman) were reappointed by the shareholders.

In line with the recommendations of the Code the Directors have all agreed to stand down and submit themselves to the shareholders for reappointment at the 2021 AGM.

Full biographies of all the Directors can be found on pages 42 and 43.

Nomination Committee

The role of the Nomination Committee is to review the structure, size, skills and composition of the Company Board and the Boards of companies owned by JKX Oil & Gas plc. The Committee also considers succession planning and suitable nominations for appointments to the Boards, and makes appropriate recommendations based on qualifications and experience. The Nomination Committee regularly reviews the management structure of the Company and seeks ways to minimise any negative impact. During the first half of 2020 the Nomination Committee carried out an internal Board evaluation and discussed the appointment of the new Chief Financial Officer.

The Committee meets as often as it determines is appropriate. Generally it meets at least once a year and more frequently if required.

	Committee member since	To	Number of meetings in 2020 Attendance/Eligibility
Charles Valceschini (Chairman)	September 2019	Present	1/1
Victor Gladun	September 2019	Present	1/1
Tony Alves	September 2019	Present	1/1
Michael Bakunenko	September 2019	Present	1/1
Rashid Javanshir	September 2019	Present	1/1

The Committee met once during 2020 (2019: 3).

Membership and process

The membership of the Nomination Committee remained consistent throughout 2020. The letters of appointment of each Non-Executive Director are available for inspection at the registered office of the Company.

Succession planning

The Board, through the Nomination committee, is responsible for succession planning for Directorships and key management roles. This requires performance and talent assessment in order to ensure that able successors for key roles are identified and then provided with suitable opportunities through career and personal development plans. It is also crucial that we remunerate our most talented people fairly and properly such that they are more likely to stay in our employment.

Succession management plans were reviewed and updated during 2020.

Compliance

Compliance with the 2018 UK Corporate Governance Code

The Board believes that during 2020 the Company was fully compliant with the provisions of the Code, except in relation to the appointment of Dr Rashid Javanshir as Chairman of the Remuneration Committee as he did not have at least one year's experience on appointment in September 2019.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The internal control systems are designed to meet the particular needs of the Group and to manage rather than eliminate the risk of failure to achieve business objectives. Such systems can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is responsible for identifying and evaluating the major business risks faced by the Company and for determining and monitoring the appropriate course of action to manage these risks. The Audit Committee reviews the Company's internal control processes and risk management systems and reports its conclusions to the Board.

The Board has concluded that for the period up until the date of the Annual Report the Company's current procedures, policies and systems are appropriate and suitable to enable the Board to safeguard shareholders' investment and the Company's assets, and comply with FRC 'Risk Management, Internal Control and Related Financial Business Reporting Guidance'.

The Board has carried out a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. Details of the principal risks and how they are managed or mitigated is included on pages 30 to 40. Further information on internal control and risk management is set out in the Audit Committee Report on page 52.

Budgetary process

Each year the Board reviews and approves the Group's annual budget with key risk areas identified. The preparation of the annual Group budget is a multi-stage comprehensive process led by the Chief Executive Officer and Chief Financial Officer who work closely with local managers of operating subsidiaries in Russia and Ukraine.

Performance is monitored through the monthly reporting to the Board of variances from the budget. Relevant action is taken by the Board throughout the year based on updated forecasts which are prepared using current information on the key risk areas and sensitivities.

Investment appraisal

For each capital intensive project there is a rigorous project analysis and risk and return appraisal completed using technical, financial, commercial, and operational specialists across the Group. The Board has reviewed the approach to ensure the most effective allocation of capital across the group as part of a wider consideration of the Company's strategy.

Capital investment is regulated by the budgetary process, our automated authorisation for expenditure ('AFE') system and pre-defined authorisation levels. For expenditure beyond specified levels, detailed written proposals are submitted to the Board.

Using our AFE system Group capital expenditures are reviewed on a project-by-project basis by the Chief Executive Officer and Chief Financial Officer and overruns, actual or foreseen, are investigated, and approved by the Board where appropriate.

Whistleblowing

The Board reviews the arrangements by which employees and others can raise any concerns they may have about workplace fraud or mismanagement with local management on a confidential basis. Whistleblowing incidents are taken very seriously by the Board.

As part of the Board's commitment to support our employees in the work place, we have a confidential process for reporting "Concerns at Work". This is a confidential service for reporting delicate matters that sometimes arise in the work place.

In addition, this service forms part of the Company's commitment to comply with best practice under the UK Bribery Act. As disclosed in our Anti-Bribery and Corruption policy which is available on the Company's website, all individuals who work on behalf of the Group have a responsibility to help detect, prevent and report instances not only of bribery but also of any other suspicious activity or potential wrongdoing.

Employees are expected to make complaints to their line managers or, if this is not appropriate, through our independently managed confidential reporting process, which is available to all employees as well as third parties.

Complaints made under the confidential reporting service are sent to the Company Secretary and are investigated in the first instance prior to a decision being taken about further steps. Feedback is provided to the person making the complaint, if necessary.

The Board is absolutely committed to ensuring that all employees have a safe, reliable, and confidential way of reporting any suspicious activity.

Communication with shareholders

The Board is committed to frequent and comprehensive communication with all shareholders. The Board is committed to an open relationship involving regular communications in order that shareholders views on the Group can be better understood and addressed as appropriate.

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A number of formal communication channels are used to account to shareholders for the performance of the Group, which include the Annual Report, the AGM and periodic reports to the London Stock Exchange.

Formal presentations, when made, are available to all shareholders to download from the Group's website (www.jkx.co.uk). Less formal processes include contacts with other shareholders for which the Board as a whole takes responsibility.

Extensive information about the Group's activities is provided in the Annual Report and the Half-yearly Report. Enquiries from individuals on matters relating to their shareholding and the business of the Group are welcomed and are dealt with in an informative and timely manner. Shareholders are encouraged to attend the AGM to discuss the progress of the Group.

Conflicts of Interest

The Company complies with the provisions on conflicts of interest in the Companies Act 2006.

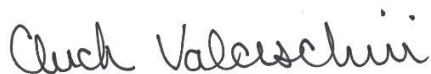
The Company has procedures in place for the disclosure and review of any conflicts, or potential conflicts of interest which the Directors may have and for the authorisation of such conflicting matters by the Board. In deciding whether to authorise a conflict or potential conflict the Directors must have regard to their general duties under the Companies Act 2006. The procedure operates to ensure the disclosure of conflicts, and for the consideration and if appropriate, the authorisation of them by non-conflicted Directors.

The authorisation of a conflict matter, and the terms of authorisation, may be reviewed at any time by the Board. The Nomination Committee is mandated to support the Board in this process, being tasked to review requests from Directors for authorisations of situations of actual or potential conflict and making recommendations to the Board and to review any situations of actual or potential conflict that have been previously authorised by the Board. The Committee may also make recommendations regarding appropriateness of the authorisation.

Going concern

The Board closely monitors and manages the Group's liquidity risk using cash flow forecasts which are regularly produced and applies sensitivities for different scenarios that reflect future expectations including but not limited to those regarding country, commodity price and currency risks that the Group may encounter. Further information on the company's going concern position can be found in Note 2 to the Consolidated Financial Statements on page 94.

On behalf of the Board



Charles Valceschini

Chairman

31 March 2021

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Audit committee report

Attendance and eligibility

Member	Committee member since		Number of meetings in 2019 Attendance/Eligibility
Tony Alves (Chairman)	September 2019	Present	2/2
Rashid Javanshir	September 2019	Present	2/2

The Audit Committee currently comprises 2 Non-Executive Directors, both of whom are independent.

Audit Committee during 2020

Tony Alves (Chairman of the Audit Committee) and Rashid Javanshir were appointed to the Committee on 20 September 2019 and the membership of the Audit Committee remained consistent throughout 2020.

The Audit Committee has carried out the requirements under the Disclosure and Transparency Rules 7.1.3R throughout the period that this report covers.

Role of the Audit Committee

The Audit Committee has delegated authority from the Board set out in its written terms of reference, available on the Company's website, which were last reviewed by the Board in Q4 2019 in order to bring them into line with the latest recommendations of the Code. The principal objectives of the Audit Committee are:

- to monitor the integrity of the financial statements of the Group and regulatory announcements, and to review any significant financial reporting judgements;
- to monitor the adequacy and effectiveness of the Group's internal control, risk management and financial reporting processes;
- to provide the Board with an independent assessment of the Group's accounting affairs and financial position;
- to provide the Board with assurance that the Annual Report and Accounts are presented in a manner that is fair, balanced and understandable, so as to enable shareholders to assess the Group's performance, business model and strategy;
- to recommend the re-appointment of the external auditors or following an appropriate competitive tender recommend the appointment of a new external auditor and to annually assess their independence, objectivity, effectiveness, quality, remuneration and terms of engagement, as well as ensuring that the policy with regard to their appointment for non-audit services is appropriately applied. Thereafter, the Committee provides a recommendation to the Board regarding the auditor's appointment to be put to the shareholders in the forthcoming AGM; and
- to manage the adequacy and effectiveness of the Internal Audit function and the Risk Committee and to review any significant matters arising.

Composition of the Audit Committee

Throughout 2020 Tony Alves (Chairman) and Rashid Javanshir constituted the Audit Committee.

The Board has determined that Tony Alves has relevant financial experience as defined by the Code and both Tony Alves and Rashid Javanshir have competence relevant to the sector in which the Company operates. This competence and experience having been gained through their previous and current roles.

The composition of the Audit Committee over the relevant period provided the Committee with an appropriate balance between those individuals with a financial or accounting background and those with wider experience of the oil and gas sector and doing business in the regions in which JKX operates. In practice, the Committee achieves its objectives by a process of regular interaction with management, including those in the regions, and the external auditors, as well as by reviewing the work of Internal Audit and other advisory firms.

Together with the collective financial and commercial skills and experience of the Committee members, the Committee had the appropriate experience to fulfil its responsibilities and oversee the activities of the Company's auditors.

Attendance at meetings

The Audit Committee met twice during 2020 (2019: 3).

The Committee's meetings were attended, when considered appropriate by the Chairman of the Committee, by other Directors including the Chief Executive, the Chief Financial Officer, the external auditors and other professional advisers, and by certain senior managers who are responsible for specific topics, such as risk management, internal audit, financial control, and internal compliance procedures.

The Committee Chairman maintains contact with those other attendees throughout the year. Twice during 2020 (2019: twice) the Committee Chairman met with the external auditors by video conference to discuss matters which the auditors and Audit Committee may wish to raise.

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Audit committee report

The Committee's activities during 2020

During the period covered by this report, the Committee had an annual work plan, developed from its terms of reference, with standing items that the Committee considered at each meeting in addition to any specific matters arising and topical items on which the Committee has chosen to focus.

The work of the Audit Committee during the year principally fell under three main areas and is summarised below.

Internal controls and risk	External auditors	Accounting, tax and financial reporting
<ul style="list-style-type: none"> Considered reports from the external auditors on their assessment of the control environment; Considered feedback on both the internal and external auditor reports submitted by local and Group management; Reviewed risk reports, which required management to identify risks and evaluate them, and ensured appropriate mitigating controls were agreed and implemented; Approved the scope of the Internal Audit programme for the year; Considered the effectiveness of the Internal Audit function; Assessed the effectiveness of the Group's internal control environment, with particular reference to the ongoing COVID-19 pandemic; Review of finance, legal, internal audit and compliance staffing; Liaison with FCA relating to Free Float level; and Review of going concern and viability status and potential impact in the event of any adverse tax judgements. 	<ul style="list-style-type: none"> Considered and approved the audit approach and scope of the audit work to be undertaken by the external auditors and the fees for the same; Reviewed auditors' reports on their audit findings at the half year review and at the year-end; Considered the independence of the auditors and their effectiveness, taking into account: <ul style="list-style-type: none"> (a) non-audit work undertaken by the external auditors and compliance with the policy; (b) FRC guidance; (c) the Committee's own Assessment; Considered and approved letters of representation issued to the external auditors; and Agreement of the external auditors' remuneration for the 2020 statutory accounts. 	<ul style="list-style-type: none"> Reviewed the half year and annual financial statements and the significant financial reporting judgements made therein as well as best practice considerations, especially in relation to the COVID-19 pandemic; Considered the liquidity risk and the basis for preparing the Group half yearly and full year financial statements on a going concern basis and reviewed the related disclosures in the Annual Report; Reviewed the external auditors' report on audit and accounting judgements, including consideration of relevant accounting standards and underlying assumptions; Reviewed disclosures in the Annual Report in relation to internal controls, risk management, principal risks and uncertainties and the work of the Committee; Ongoing analysis of future cash flow and liquidity and implementation of monthly financial update reports; and Review of ongoing tax and other litigation.

Significant issues considered by the Audit Committee

After discussion with management and the external auditors, the Committee determined that the key risks of misstatement in relation to the Group's 2020 financial statements related to:

- rental fee claims in Ukraine;
- liquidity and going concern;
- the carrying value of oil and gas assets;

These issues were discussed with management and the external auditors at the time the Committee reviewed and agreed the auditors' Group Audit Plan, during the review of the half year interim financial statements in July 2020 and at the conclusion of the audit of these financial statements.

Matters considered	Response and conclusion
Rental fee claims in Ukraine <p>As detailed in Note 27 to the financial statements, PPC continues to defend itself in the local courts against claims initiated by the tax authorities regarding rental fees for August to December 2010 and for January to December 2015. Management has recorded total provisions for the rental fee claims of \$21.0m</p>	<p>The Committee addressed this issue, as in previous periods, by reviewing reports from senior management and examining the degree to which these are supported by professional advice from external legal and other advisory firms. This is also an area of significant audit risk and accordingly the Committee received</p>

Matters considered	Response and conclusion
<p>(2019:\$41.3m). The movement in provision during the year is reflected in a net credit of \$13.5m (2019: \$8.4m) (as set out in Note 19 to the financial statements) that is reported as an exceptional item. Management has made a detailed investigation into the mostly likely timing of any potential payments in respect of these rental fee claims and accordingly reclassified all of the 2015 rental fee claims as current except for one case. The underlying amounts claimed are denominated in UAH, which has resulted in foreign currency translation charges of \$2.6m in relation to current provisions and \$4.2m in relation to non-current provisions (as set out in Note 19 to the financial statements which have been reported within the movement in foreign currency translation reserve (see Note 18 to the financial statements).</p> <p>Management have specifically assessed whether the success on cases during 2019 and 2020 provides a sufficient precedent to release the remaining provisions for the 2015 claims. It was concluded that given the inherent uncertainty associated with the Ukrainian Court system and political environment it remains appropriate to retain the remaining provisions.</p> <p>During 2019 provisions were maintained for open cases unless judgments of the Supreme Court of Ukraine had been received in favour of PPC or appeals to this court were considered remote, based on assessment of facts and circumstances at the time. During 2020 the Management has determined that it is now appropriate to release provisions when first and appellate Court rulings have been received in respect of the case (on its merits) in the Group's favour. In reaching that conclusion Management have considered their experience of the legal process to date, the fact that the Supreme Court checks judgments of the first and appellate Courts and cannot review any new facts or circumstances and have sought advice from external counsel. Accordingly the risk of the lower court judgments on the merits of the case being cancelled are considered very low. Consequently the Group's Management have released provisions after court judgments of first and appellate instances in favour of PPC.</p>	<p>detailed verbal and written reporting on this matter from its legal counsel, Ilyashev & Partners.</p> <p>Having reviewed these reports and submissions, the Committee was satisfied that total provisions of \$21.0m (2019:\$41.3m) (including interest and penalties) were required in respect of the rental fee claims and that both, the classification of the \$13.8m provision for the 2010 rental fee claim and the classification of the \$7.2m provision for the 2015 rental fee claims of which \$2.1m was classified as current and \$5.1m as non-current, were appropriate.</p>
<p>Going concern</p> <p>Under guidelines set out by the UK Financial Reporting Council the Board is required to consider whether the going concern basis is the appropriate basis of preparation for the financial statements, and furthermore, is required to include appropriate disclosure of any material uncertainties relevant to the going concern assumption.</p>	<p>The Committee addressed this issue by reviewing cash flow forecasts, together with associated sensitivity analysis and a reverse stress test scenario considering risks and potential impacts relating to COVID-19 provided by senior management having considered the Group's business model. In particular this included examining and challenging the appropriateness of the assumptions used to prepare them and the scenarios considered.</p> <p>Whilst COVID-19 has had a limited overall impact on production, with the Group employing measures to continue operations whilst protecting the health of its workforce, there remains potential for short term volatility in oil and gas prices and inherent risk of operational disruption albeit the level of uncertainty is reduced compared to the prior year.</p> <p>This is also an area of significant audit risk and accordingly the Committee received detailed verbal and written reporting from</p>

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Audit committee report

Matters considered	Response and conclusion
	<p>the Management on this matter. Having reviewed these reports and submissions, the Committee has advised the Board that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of at least next 12 months, and that the going concern basis is the appropriate basis of preparation for the 2020 financial statements and no material uncertainty exist (see Note 2 to the financial statements).</p>
<p>The carrying value of oil and gas assets</p> <p>As explained in Note 5 to the financial statements, JKX's oil and gas assets are grouped into cash generating units ('CGUs') for the purpose of assessing the recoverable amount. In each period these assets are reviewed for indications of impairment. If any assets are considered to have been impaired, the carrying value is adjusted downwards by an appropriate amount, with a corresponding charge made to the Income Statement.</p> <p>An impairment review necessarily involves the use of assumptions such as long-term production forecasts, gas prices, production-related taxes, capital expenditure, discount rates, and other macroeconomic assumptions underlying the valuation process.</p>	<p>The Committee received reports from management outlining the basis for each of the key assumptions used, and these assumptions were reviewed and challenged by the Committee to ensure reasonableness and consistency e.g. with the Group's 2021 Budget which is approved by the Board. In addition, this area is a prime source of audit focus and accordingly our auditors provided detailed reporting to the Committee. Management also brought to the attention of the Committee the sensitivity analyses disclosed in Note 5 to the financial statements.</p> <p>The Committee agreed that, on the basis of the evidence available, the projected future cash flows from the Group's CGUs adequately supported the carrying value of oil and gas assets in Ukraine and Russia, and noted that full disclosure of the key assumptions in respect of the CGUs (including sensitivity analyses in Note 5) had been appropriately made in the financial statements.</p>

Misstatements

Management reported to the Committee that they were not aware of any material or immaterial misstatements made intentionally to achieve a particular presentation. The auditors reported the misstatements that they had found in the course of their work to the Committee and confirmed that no material amount remained unadjusted.

Internal control

The Audit Committee monitors the integrity of the financial statements and related announcements, reviews the Company's internal control processes and risk management systems, and reports its conclusions to the Board. The Committee regularly reviews the effectiveness of the Company's systems of internal control and risk management.

For each high-rated risk the Committee reviews the Group's current level of exposure and considers the appropriateness of the mitigating actions being taken by management.

The Committee was comfortable with the processes in place for risk management.

Additional information on risk management is included in the 'Principal risks and how we manage them' section on page 30.

Internal Audit

The Internal Audit Manager had direct access to the Chairman of the Audit Committee throughout 2020 and undertook a number of significant pieces of work including:

- Establishment of effective Internal Audit working practices during the ongoing COVID-19 pandemic;
- Audit of the PPC fire safety system and compliance with related processes; Coordinating the Risk Management process at all JKX entities;
- Continuous monitoring of the software development process at PPC during implementation of a new ERP system; and
- Participation in Compliance Committee meetings, ensuring that supporting measures are timely taken.

The Audit Committee remains fully supportive of the Internal Audit programme. This is intended to ensure that the necessary processes and controls are embedded in our organisation thereby making the control environment stronger and more efficient. The

Audit Committee intends to review the manner in which the Internal Audit programme is delivered to ensure that it remains fit for purpose and appropriate for the size and complexity of the organisation.

External Audit

The Audit Committee maintains an objective and professional relationship with the Company's auditors, BDO LLP. BDO were appointed with effect from 18 October 2018 following a competitive tender process.

The Audit Committee are fully supportive of the Code's requirement that the audit should be put out to tender at least once in every ten years. Any decision to open the external audit to tender within ten years is taken on the recommendation of the Audit Committee based on the results of the annual performance review.

Non-audit services

The Company has a policy governing the engagement of the external auditor to provide non-audit services. The policy precludes the auditor from providing certain services such as valuation work or the provision of accounting services and also sets a presumption that the external auditor should only be engaged for non-audit services where there is no legal or practical alternative supplier.


In such instances, the continued objectivity and independence of the auditors in their capacity of auditor is an objective of the Group.

The Committee approves all non-audit services procured from the auditors. During 2020 BDO LLP and member firms did not provide any non-audit services to the Group.

Further details of the fees paid, for both audit and audit-related services, can be found in Note 24 to the consolidated financial statements.

The Committee is satisfied that the quantum of the non-audit services provided by BDO is such that the objectivity and independence of the external auditor had not been compromised during their tenure.

Tony Alves



Chairman of the Audit Committee
31 March 2021

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Directors' remuneration report

Introduction

On behalf of the Board, I am pleased to present our Remuneration Report for the year ended 31 December 2020.

During 2020 the Remuneration Committee undertook both its routine and extraordinary activities including considering the impact of the ongoing COVID-19 pandemic on matters within the Remuneration Committee's remit. The Remuneration Committee adopted a fit-for-purpose approach that ensures that the necessary talent and skills are available at all levels of the Group in each of the locations in which it operates, despite the challenging environment.

The Company's current Director's Remuneration Policy ("Remuneration Policy") was approved by shareholders last year at the 2020 AGM that took place on 19 June 2020 and has applied from that date. The new Remuneration Policy received overwhelming support from shareholders, with over 99% of the votes cast in favour of the policy.

Given the strong support that the new Remuneration Policy received from shareholders last year, and the Committee's view that the Remuneration Policy is fit for purpose, no changes to the Remuneration Policy for the Board and the sole Executive Director are being proposed for this year.

The new Remuneration Policy is a continuation of the remuneration policy that has applied since 1 January 2015, having been initially approved by shareholders at the 2014 AGM and re-instated at the AGM in 2017. The changes introduced to the Remuneration Policy last year following the Committee's recommendation were to update the policy to reflect the requirements introduced by the UK Corporate Governance Code 2018 (the "Code") and changes to the legislative framework.

The Company's Remuneration Policy has been designed to:

- pay an appropriate level of total remuneration in relation to Group and individual performance and with reference to peer group companies in order to attract, retain and motivate individuals with the appropriate skills and capabilities;
- ensure that there is an appropriate link between performance and reward; and
- award annual bonuses which reflect the achievement of short term financial and strategic objectives as well as personal performance.

Each element of remuneration has a specific role in achieving the objectives of the Remuneration Policy and aligning the interests of Executive Directors and senior executives with the interests of shareholders. The combined potential remuneration ensures that the balance of the executive remuneration package includes significant at risk performance pay.

Composition of the Remuneration Committee

The Remuneration Committee consists of three independent Non-Executive Directors (Dr Rashid Javanshir (Remuneration Committee Chairman), Tony Alves and Charles Valceschini). No change was made to the composition of the Remuneration Committee during 2020. It should be noted that the Dr Javanshir had not served more than 12 months on a remuneration committee prior to his appointment as Chairman of the Remuneration Committee as recommended by the Code. The Board however took into account the size of the Group, the existing remuneration structure and Dr Javanshir's general management experience and considered him well suited to the role.

Remuneration Committee activities in 2020

During the year, the Remuneration Committee considered the remuneration of the Chairman, the other Non-Executive Directors and the Chief Executive (the Company's sole Executive Director) and updated the KPIs and reward structures for senior executives. No changes were made to the remuneration of the sole Executive Director (except for award of an annual salary increment), Chairman or other Non-Executive Directors during 2020. Executive remuneration packages were reviewed to ensure that they remained appropriate and bonus recommendations were made and implemented.

The Remuneration Committee has a full agenda, ensuring that the Remuneration Policy and remuneration structures for its Executive Director, Non-Executive Directors and senior executives remain in line with market trends and governance development. The Remuneration Committee examines the evolution of remuneration practices and policy for the Executive Directors, Non-Executive Directors and senior executives of the Company.

More than 95% of Group staff are based outside of the UK, primarily in the Ukraine and Russia. The Remuneration Committee takes into account remuneration conditions elsewhere in the Company, and particularly for those employees based in the UK, in considering whether the Remuneration Policy remains appropriate.

Remuneration and discretion in 2020

Details of the remuneration decisions for the reporting year are covered in the Annual Report on Remuneration below.

As reported in the 2019 Annual Report, Victor Gladun was paid an annual bonus of \$382,000 for his performance in the 2019 financial year which was paid in Q1 2020.

As discussed in the Chairman and CEO's reports, the Group's performance in 2020 was strong given the challenges posed by the ongoing COVID-19 pandemic and the related fall in commodity prices. As a result, the Remuneration Committee concluded that the Chief Executive Officer (Victor Gladun) had largely met the KPIs agreed at the beginning of 2020 and awarded him an annual bonus of \$354,000 for his performance in the 2020 financial year. This bonus was paid in Q1 2021 and was apportioned between his role as CEO of the Company and General Director of PPC (pro-rated in accordance with the salary that he receives in each capacity). No other bonus

payments or incentives (including any share options or awards in the Company or Group) were paid to Victor Gladun during 2020 or for the 2020 financial year. Victor Gladun did not receive any board or committee fees in addition to his salary (as set out in section 2 below) in relation to his role as CEO of the Company and as General Director of PPC.

As a result of the COVID-19 pandemic, Victor Gladun agreed that the salary that he receives in his capacity as CEO and sole Executive Director of the Company and General Director of PPC should be reduced by 30% for the period 1 March 2020 - 30 September 2020. Several senior executives similarly agreed to a temporary reduction to their salaries by up to 20% during this period. All salary reductions were reversed from 1 October 2020.

More information about Victor Gladun's salary and the level of bonus awarded can be found in the later sections of this Remuneration Report. Please note that no Performance Share Plan (PSP) award or share incentive award was made to Victor Gladun in 2020.

The Remuneration Committee aims to ensure that total remuneration is set at an appropriate level relative to its peer group comparator companies, those being UK-based oil and gas companies which are primarily quoted on the London Stock Exchange or AIM, and it has previously sought advice from specialist, independent remuneration consultants in doing so (as explained in more detail in the 2019 Directors' Remuneration Report). The main components of remuneration for Executive Directors and senior management are basic annual salary, pension and benefits (including non-contributory health insurance and life assurance) and an annual bonus scheme linked to short-term financial and strategic objectives.

Board/committee fees for Non-Executive Directors were reduced in 2019 and remain unchanged in 2020. The Non-Executive Director (Michael Bakunenko) who was not independent had previously waived his board and committee fees. He ceased to be a member of the Remuneration Committee on 20 September 2019.

The Remuneration Committee considers that the remuneration of the sole Executive Director and the Non-Executive Directors operated as intended in 2020 in terms of quantum and Company performance.

Employee remuneration

The Group is determined to foster trust and open dialogue between its staff and the Board in all governance matters, including executive pay. Similarly, in designing the Remuneration Policy, the Remuneration Committee considered the incentive opportunity awarded to the Group's workforce. All UK employees are eligible to receive an annual pension contribution equivalent to 15% of base salary, on the same basis as the Executive Director, and life assurance, income protection and private medical cover. The Executive Director receives the same vacation allowance as employees in the Ukraine, his principal work location and participates in the annual bonus on a similar basis to other employees (albeit that the performance weightings and opportunities within the annual bonus plan will vary depending on role, tenure, seniority and individual performance).

Principles of Remuneration

The Remuneration Committee strives to ensure that the Company's and Group's executive remuneration package attracts and retains the best talent, fosters sustainable growth and preserves the flexibility to change to market conditions and trends. The following principles have been applied in determining our Directors' remuneration and are reflected in the Remuneration Policy that was adopted and approved in 2020:

Clarity - The Remuneration Committee has adopted a harmonious approach to remuneration. The Group's workforce and its sole Executive Director are all eligible to receive an annual cash bonus on the satisfaction of their KPIs, in addition to their cash salary. In 2020, the sole Executive Director received an annual performance bonus but did not participate in a performance share plan, nor was he awarded any other shares or options to acquire shares.

Simplicity - The Remuneration Committee strives to ensure that performance measures are clear and transparent with respect to the annual bonus (including the relative weightings thereof). To the extent that any share interests are granted to Executive Directors in the future under the Company's PSP or other performance share plan arrangement, the Remuneration Committee will disclose the Executive Directors' KPIs and relative weightings thereof in the remuneration report for the relevant year.

Risk - The Remuneration Committee has the discretion to reduce and clawback any awards granted under the annual bonus plan. Please see page 72 below for more information on the application of malus and clawback. Given the inherently discretionary nature of the annual bonus scheme, there is no opportunity for inflated payments to Executive Directors due to formulaic outcomes. To the extent that share interests are granted to Executive Directors in the future under a performance share plan arrangement, the Remuneration Committee shall have the discretion to reduce and clawback such awards.

Predictability - the range of possible values of the Executive Director's remuneration in set out on pages 66 – 72.

Proportionality/Alignment to culture - the Remuneration Committee strives to align the Executive Director's remuneration with the short-to-medium term success of the Group through the annual bonus scheme which is linked to the performance of the individual and the Group during the previous financial year. Further, the Remuneration Policy reserves the flexibility with the use of the PSP to link Executive Director performance to the long-term growth of the Company if there is a desire in the future from the Company and our shareholders to do so.

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Directors' remuneration report

Remuneration disclosure

This Report is split into two parts: the Annual Report on Directors' Remuneration and the Directors' Remuneration Policy:

- The Annual Report on Directors' Remuneration (pages 59 to 66) sets out details of how the Remuneration Policy has been applied for the year ended 31 December 2020. This section is subject to an advisory shareholder vote. A summary of the existing Remuneration Policy that has applied since 12 June 2020 can be found in the 2019 Annual Report.
- The Directors' Remuneration Policy (pages 66 to 74) which was approved at the 2020 AGM and applied from the date of the 2020 AGM.

These sections work together to give you full and transparent disclosure of the Company's approach to Directors' remuneration during 2020 and for the years to come.

The Remuneration Committee will continue to review the Remuneration Policy for Executive and Non-Executive Directors on a regular basis to ensure that it is in compliance with the regulatory framework, market practice and is appropriate in the business environment that the Group operates.

The Report was approved by the Board of Directors and signed on its behalf by



Dr. Rashid Javanshir

Chairman of the Remuneration Committee
31 March 2021

Work of Remuneration Committee during 2020

The Company's Remuneration Committee is responsible for establishing and overseeing the Group's Director and senior executive remuneration policy principles, approving remuneration arrangements, exercising oversight of Director remuneration and for communicating Director remuneration to its stakeholders.

A summary of the Remuneration Committee's role and activities during 2020 can be found in the table below:

Members from 1 Jan 2020	Role of the Committee	Activities during 2020
Dr. Rashid Javanshir (as Chairman) - appointed 20 September 2019	Establishes the overall principles of remuneration for Directors of all Group companies	In addition to regular topics, the Committee engaged in specific matters including:
Charles Valceschini - appointed 20 September 2019	Determines the remuneration of Executive Directors and Senior Management, communicates this to the stakeholders in the annual report	<ul style="list-style-type: none"> Review and approval of performance targets for the 2021 Annual Bonus Scheme;
Tony Alves - appointed 20 September 2019	If relevant, recommends the participation in, and operation of, the Company's long-term incentive plans	<ul style="list-style-type: none"> Review and approval of Executive Director and Senior Management performance against KPI's for the 2020 calendar year for the 2020 Annual Bonus Scheme;
	The full terms of reference are available from the Company's website	<ul style="list-style-type: none"> Review temporary remuneration strategies in the light of the impact of the ongoing COVID-19 pandemic; Review the application and appropriateness of current remuneration policies; Determine Executive Director remuneration.

Membership and process

Members	From	To	Number of meetings in 2020 - Attendance/Eligibility
Dr. Rashid Javanshir (Chairman)	20 September 2019	Present	1/1
Tony Alves	20 September 2019	Present	1/1
Charles Valceschini	20 September 2019	Present	1/1

Dr. Rashid Javanshir, Charles Valceschini and Tony Alves joined the Board as independent Non-Executive Directors on 16 September 2019 and were appointed to the Remuneration Committee on 20 September 2019. Dr. Rashid Javanshir was appointed as Chairman of the Remuneration Committee on 20 September 2019. This is Dr. Rashid Javanshir's first time serving on a Remuneration Committee. Although the Code recommends that a Chairman has at least 12 months experience on a Remuneration Committee before being appointed as Chair, the Board took into account the size of the Group, the existing remuneration structure and Dr Javanshir's general management experience and considered him well suited to the role. Shareholders approved the appointment of Dr. Rashid Javanshir, Charles Valceschini and Tony Alves as board members at the 2020 AGM.

The Remuneration Committee endeavours to meet at least twice a year to assist the Board in determining the remuneration arrangements and contracts of the Directors and senior executives. However due to the ongoing COVID-19 pandemic, the Remuneration Committee met only once during 2020. Instead, at the request of the Chairman of the Remuneration Committee, the Board in 2020 considered a number of issues that might otherwise have been reserved for the Remuneration Committee.

During 2020, no member of the Remuneration Committee had any personal financial interest and no conflicts of interests arise from cross-directorships or day-to-day involvement in running the Group. No Director plays a part in any decision regarding his/her own remuneration.

Advisors to the Remuneration Committee

Members of the Remuneration Committee provide valuable input in shaping the remuneration practice and policies for Executive Directors and senior executives. Similarly the Remuneration Committee also seeks internal input from other members of the Board in determining Executive Remuneration and assessing its appropriateness.

During the 2020 calendar year, the Remuneration Committee did not receive advice from remuneration consultants and made no payments to remuneration consultants.

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Directors' remuneration report

Statement of voting at General Meeting

At the AGM held on 12 June 2020, the Directors' Remuneration Report and the new Remuneration Policy received the following votes from shareholders:

Remuneration Report

	Total number of votes	% of votes cast
For	51,726,717	99.90%
Against	50,527	0.10%
Total votes cast (for and against, excluding withheld votes)	51,777,244	100%
Votes withheld ¹	8,655	0.02%
Total votes (for, against and withheld)	51,785,899	

Remuneration Policy

For	51,716,227	99.88%
Against	61,017	0.12%
Total votes cast (for and against, excluding withheld votes)	51,777,244	100 %
Votes withheld ¹	8,655	0.02%
Total votes (for, against and withheld)	51,785,899	

¹ A withheld vote is not a vote in law and is not counted in the calculation of votes cast "for" and "against" a resolution.

Single figure of total remuneration for Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by all Directors for the financial years ended 31 December 2019 and 31 December 2020. Since 28 January 2016, all Directors' remuneration was rebased to US Dollars (the Group's reporting currency).

The table below includes a single figure for the total remuneration received by the sole Executive Director of the Company (Victor Gladun) in respect of his employment with the Group (defined as the Company, PPC and YGE, being the only entities in the Group that have any employees) for the financial years ended 31 December 2019 and 2020. In 2020, the Executive Director's contract was settled in its Ukrainian Hryvna equivalent. Figures in this Report are disclosed in US Dollars (the Group's reporting currency). Amounts paid were translated at the National Bank of Ukraine average exchange rates in accordance with the Group's foreign exchange policy.

	Salary and fees ¹		Benefits ⁴		Annual Bonus ⁵		Pension ⁶		Total	
\$'000	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Director										
Victor Gladun										
Chief Executive Officer	102 ³	33	-	-	88	-	15	-	205	33
General Director	307 ³	261 ²	-	-	266	382	-	-	573	643
Total	409	294	-	-	354	382	15	-	778	676

Total Fixed Remuneration ^{7,8}		Total Variable Remuneration	
2020	2019	2020	2019
\$000	\$000	\$000	\$000
409	294	354	382

¹ This represents the salary payable as CEO of the Company and his separate salary that he receives in his capacity as General Director of PPC.

² Salary: amount earned in 2019 by Victor Gladun in his capacity as General Director of PPC following his appointment as an Executive Director on 23 May 2019. The increase in the amount from 2019, is due to the fact that Victor Gladun's salary was pro-rated from 23 May 2019.

³ The increase in the amount from 2019, is due to the fact that the FY2020 is the first year that Victor Gladun has received his full salary as CEO (as the 2019 salary was pro-rated to reflect the fact that he was appointed as CEO in September 2019 (3/4 of the way through the FY2019)). As a result of the COVID-19 pandemic, Victor Gladun's salary that he received in his capacity as CEO and sole Executive Director of the Company and General Director of PPC was reduced by 30% for the period 1 March 2020 - 30 September 2020. Any entitlement to the reduced amount was waived by Victor Gladun. The temporary reduction ceased to apply from 1 October 2020.

⁴ Benefits: the value of taxable benefits received in the year, including life assurance and private medical cover (including on a pre-tax basis) are negligible.

⁵ Annual Bonus: this is the total cash bonus earned based on the performance for the 2019 and 2020 calendar years which was paid in Q1 2020 and Q1 2021 respectively. Please see below for information regarding the KPIs and weightings in relation to the same.

- ⁶ Pension: annual contribution by the Group to directors' pension plans or cash in lieu. From 1 January 2020, Victor Gladun has received an amount which is 15% of his base salary, which is line with the rest of the UK workforce rate. Previously Victor Gladun did not receive any pension benefits having waived his entitlement to receive any in FY2019.
- ⁷ Victor Gladun does not receive any board or committee fees in his capacity as Executive Director of the Company or for any other executive role that he holds in the Group. Victor Gladun has not received any other benefit from the Group (including any share awards). As no shares have been awarded, no amount of Victor Gladun's remuneration has been subject to any share price appreciation or depreciation. No aspect of Victor Gladun's remuneration has been deferred.
- ⁸ The increase to the total fixed remuneration amount represents the fact that Victor Gladun previously received a pro-rated salary to reflect his appointment as CEO 3/4 through FY2019.

No part of Victor Gladun's remuneration has been subject to the operation of any malus or clawback.

Note that Victor Gladun has signed a declaration certifying that he does not receive any remuneration fees or benefits in addition to those disclosed above.

Fixed - cash salary	<p>Victor Gladun was appointed as the sole Executive Director of the Company at the 2019 AGM. In addition Victor Gladun has held the position of Group CEO from 20 September 2019. He does not receive any board or committee fees in addition to the salary he receives as CEO of the Company and for his other executive role as General Director of PPC.</p> <p>The Executive Director's basic salary and the other fixed elements of pay were determined by the Remuneration Committee on appointment and are reviewed at the beginning of each year, within the parameters of the Remuneration Policy. The individual salary and benefits of the Executive Director were set taking into account individual performance and market factors.</p>
Discretionary - Annual bonus award	<p>Victor Gladun received an annual bonus of \$382,000 in Q1 2020 in relation to his performance in 2019 calendar year and has received a bonus of \$ 354,000 for the 2020 calendar year (which was paid in Q1 2021). Both payments were calculated by reference to KPI's previously agreed and set by the board for 2019 and 2020. His bonus was apportioned between his role as General Director of PPC and CEO of the Company. Only one set of KPIs applied to his FY2020 bonus (which was paid in Q1 2021).</p>
Pension	<p>The Company has made a contribution equivalent to 15% of basic salary for the Executive Director from 01/01/2020, which is line with the rest of the UK workforce rate,</p> <p>At his option, the Executive Director may either have contributions made to his personal pension scheme or receive cash in lieu of pension at the stated rate, or a combination of pension contributions and cash in lieu at the stated rate, subject to normal statutory deductions. The Executive Director has election to receive this amount in cash.</p>
Taxable benefits	<p>Benefits provided to the Executive Director include life assurance, which is also provided for senior managers, for a sum assured of four times base salary and private medical cover is offered to all Company employees which provides medical cover for them and their dependents, on a non-contributory basis.</p>

Notes to table

Victor Gladun was appointed as an Executive Director on 23 May 2019. There was no other Executive Director appointed during 2019 or 2020.

Basis for determining Executive Director's annual bonus award

The value of the annual cash bonus award reflects the Remuneration Committee's assessment of the extent to which his financial and non-financial KPIs were achieved.

The Annual Bonus Scheme for the 2020 year applied to certain senior management including senior staff in PPC and Yuzhgazenergie ('YGE'). The scheme is discretionary and annual awards are not pensionable. The Remuneration Committee considered Victor Gladun's performance to have substantially met his KPI's and awarded him \$354,000 being 70% of his maximum opportunity under his bonus award for 2020.

Victor Gladun's bonus payment was apportioned between his role as General Director of PPC and CEO of the Company. The FY2020 KPIs and the weightings in relation to the same are disclosed below.

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Directors' remuneration report

In FY2020, the following KPIs were applicable for the Executive Director in relation to his role as CEO and General Director of PPC. The bonus received was apportioned between his role as CEO of the Company and General Director of PPC. Aside from the KPIs and relative weightings (and performance against the same) disclosed below, no additional KPIs were applicable.

KPI	Weighting	2020 performance
Production, boe	20%	Fully met
EBITDA and Free cash flow	20%	Fully met
Meet Group Health Safety and Environment target	5%	0%
Reserve Replacement, boe	20%	10%
Development of the business in Ukraine through		
a) acquisitions of licenses through auctions;		
b) entering into PSAs/JOAs;	10%	5%
c) participation in production enhancement;		
d) agreements with UGV/UkrNafta/ NAK Nadra		
Ukrainy		
Disposal of non-core Hungarian asset	5%	0%
Collection of funds under Arbitral Award ¹	5%	0%
Discretionary by Board of Directors	15%	Fully met
TOTAL	100%	70%

¹Please refer to Note 27 (paragraph "International arbitration proceedings") of the Group Annual report for the details.

Annual bonuses for the 2021 year, if any, due to be paid in January 2022 will be further disclosed in next year's report (including the relevant KPIs and reporting thereof).

Single Total Figure of Remuneration for Non-Executive Directors (audited)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director of the Company for the financial years ended 31 December 2019 and 31 December 2020.

All Non-Executive Directors' remuneration was rebased from GBP to US Dollars from 28 January 2016 (the Group's reporting currency). However, in accordance with the letters of appointment, Dr. Rashid Javanshir, Tony Alves, Adrian Coates and Christian Bukovics director fees were settled in its Sterling equivalent at the rate set in accordance with the Group's foreign exchange policy.

£'000	Fees		Total remuneration ¹	
	2020	2019	2020	2019
Non-Executive Directors				
Charles Valceschini	183	53	183	53
Tony Alves	105	31	105	31
Dr Rashid Javanshir	90	26	90	26
Michael Bakunenko ²	-	-	-	-
Former Non-Executive Directors				
Hans Jochum Horn	-	110	-	110
Andrey Shtyrba	-	96	-	96
Adrian Coates	-	62	-	62
Christian Bukovics	-	87	-	87
	378	465	378	465

¹ The total remuneration for Non-Executive Directors decreased in 2020 following the reduction in the number of Non-executive Director's and a downward review of the annual fees payable to them and the introduction of the new Remuneration Policy. The rates of board and committee fees did not change in 2020. The number of Non-Executive Directors decreased between 2019 and 2020 and, as a result the remaining Non-Executive Directors held more committee positions. Further, the increase in fees received in FY2020 compared to FY2019 is due to the fact that in FY2019 the fees of the three Non-Executive Directors were pro-rated to reflect their appointments part way through that year.

The Non-Executive Directors do not receive any taxable benefit, pension benefit or variable remuneration (including share incentives). The total variable remuneration for Non-Executive Directors is zero.

Each Non-Executive Director has signed a declaration certifying that they do not receive any further payment, fees or benefit from the Company in addition to those disclosed above.

² Michael Bakunenko, as a non-independent Non-Executive Director, does not receive any board or committee fees.

The Non-Executive Directors' fees are subject to an overall cap of £500,000 per annum in accordance with the existing Remuneration Policy, excluding exceptional fees for additional work under the Company's Articles of Association.

Changes to Non-Executive Directors' remuneration during 2020

The following Non-Executive Directors had been appointed as such during the year:

Non-Executive	Date of contract	Term of contract	Notice period	Date of termination
Charles Valceschini	16 September 2019	3 years	3 months	N/A
Dr Rashid Javanshir	16 September 2019	3 years	3 months	N/A
Tony Alves	16 September 2019	3 years	3 months	N/A
Michael Bakunenko	8 December 2017	3 years	3 months	N/A

All Non-Executive Directors' letters of appointment automatically terminate if a number of events occur, including material breach, being disqualified from acting as a director or ceasing to act as a director for other reasons. Non-Executive Directors are appointed for an initial term of three years and notice periods are three months for either the Company or individual. No compensation is payable under the terms of the letters of appointment and within the remit of the remuneration policy in force for early termination.

The independent Non-Executive Directors are paid a base fee for carrying out their duties and responsibilities as Directors, fees for membership of board committees and, where applicable, chairmanship of each of the remuneration, nomination and audit committees.

As noted above, the fees were reduced in 2019 from the level introduced in 2013 and were based on a per annum rate (in Sterling) which was compared to published material concerning Non-Executive Director fees in similar size companies and comparable companies in the sector.

All Non-Executive Directors' remuneration was stated and paid in Sterling until 27 January 2016. From 28 January 2016, all Directors' remuneration was rebased to US Dollars (the Group's reporting currency).

No increase in fees has been awarded from their 2020 level. Non-Executive Directors' fees for 2020 and 2021 are as follows:

Position ¹	2020	2021	% increase from 2020 to 2021
Chairman of the Company	\$160,000	\$160,000	Nil
Board membership fee	\$60,000	\$60,000	Nil
Senior Independent Director	\$15,000	\$15,000	Nil
Committee chairman – Audit	\$15,000	\$15,000	Nil
Committee chairman – Remuneration	\$15,000	\$15,000	Nil
Committee chairman – Nomination	\$15,000	\$15,000	Nil
Committee membership – Audit	\$7,500	\$7,500	Nil
Committee membership – Remuneration	\$7,500	\$7,500	Nil
Committee membership – Nomination	\$7,500	\$7,500	Nil

¹ These payments relate solely to the position referred to and where a Non-Executive Director holds more than one position he will receive payment for each such position held.

Non-Executive Directors cannot participate in any Company share scheme nor are they eligible to join the Company's pension benefit arrangements. The Non-Executive Directors who are not independent (Michael Bakunenko) has agreed to waive his committee and board membership fees. Victor Gladun also does not receive any committee or board membership fees.

Scheme interests awarded in 2020 (audited)

The Company no longer has any long-term incentive plans and all grants made under the previous performance share plan have now either vested or expired.

No new share award was made in 2020.

Percentage change in CEO remuneration

The table below shows the percentage change in the CEO and sole Executive Director's remuneration from the prior year compared to the average percentage change in remuneration for UK employees.

The CEO's remuneration includes base salary, taxable benefits and annual bonus. The analysis excludes part-time employees and is based on all full-time UK employees of the Company. All other Group staff are employed in Ukraine and Russia which have different economies from the UK driving their remuneration levels and practices.

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Directors' remuneration report

				All employees
	2020 \$'000	2019 \$'000	% change 2020 - 2019	% change 2020 - 2019
Base salary	409 ¹	294 ¹	39% ²	0%
Pension contribution	15	-	100%	0%
Taxable benefits	-	-	N/A	N/A
Annual bonus	354	382	(7)%	N/A
Total	778	676	15%	0%

¹ This relates to the CEO and General Director's remuneration received by Victor Gladun in his capacity as CEO and as General Director of PPC. Victor Gladun has not received any increase to his salary between 2019 and 2020. Victor Gladun's salary was temporarily reduced between 1 March 2020 and 30 September 2020. This reduction to his salary also temporarily reduced the pension contributions that he received from the Company.

² The 39% increase is due to the fact that Victor Gladun only received a portion of his salary as CEO in 2019 to reflect his appointment as CEO part way through the financial year (in September 2019) and agreed to waive his pension contribution in FY19. Victor Gladun's salary as General Director of PPC was pro-rated from 23 May 2019 following his appointment as an Executive Director on 23 May 2019.

³ Please refer to the "Single figure of total remuneration for Executive Directors" section for the details on the CEO and General Director's remuneration received by Victor Gladun.

Percentage change in Non-Executive director remuneration

Charles Valceschini				All employees
	2020 \$'000	2019 \$'000	% change 2020 - 2019	% change 2020 - 2019
Base salary/fees	183	53	>100% ¹	0%
Taxable benefits (including pensions)	-	-	N/A	N/A
Annual bonus	-	-	N/A	N/A
Total	183	53	>100%	0%

¹ The 100% increase is due to the fact that Charles Valceschini only received a portion of his salary in 2019 to reflect his appointment part way through the financial year (16 September 2019).

Dr Rashid Javanshir				All employees
	2020 \$'000	2019 \$'000	% change 2020 - 2019	% change 2020 - 2019
Base salary	90	26	>100% ¹	0%
Taxable benefits	-	-	N/A	N/A
Annual bonus	-	-	N/A	N/A
Total	90	26	>100%	0%

¹ The 100% increase is due to the fact that Dr Rashid Javanshir only received a portion of his salary in 2019 to reflect his appointment part way through the financial year (16 September 2019).

Tony Alves				All employees
	2020 \$'000	2019 \$'000	% change 2020 - 2019	% change 2020 - 2019
Base salary	105	31	>100% ¹	0%
Taxable benefits	-	-	N/A	N/A
Annual bonus	-	-	N/A	N/A
Total	105	31	>100%	0%

¹ The 100% increase is due to the fact that Tony Alves only received a portion of his salary in 2019 to reflect his appointment part way through the financial year (16 September 2019).

Payments for loss of office (audited)

Executive Director Service Contract severance payments

There were no Executive Directors who left the business during the year.

Non-executive Director – Exit payments

There were no Non-executive Directors who left the business during the year.

Payments to past directors (audited)

No payments or other benefits were made to past directors during the year.

Statement of directors' shareholdings and share interests (audited)

The Remuneration Policy approved at the 2020 AGM includes an executive share ownership requirement of 100% of basic salary for Executive Directors which can be built up over a reasonable period of time from the date of appointment. The Remuneration Committee waived this requirement in relation to Victor Gladun, currently the sole Executive Director.

Victor Gladun, as the sole Executive Director, does not currently hold any Shares or options (vested or unvested) in the Company as at 31 December 2020 and has not been awarded any Shares or options as part of his remuneration in 2021 between 1 January 2021 and the date of this document, nor has he acquired any Shares in the Group.

At 31 December 2020, no Non-Executive Director held any Shares or options (vested or unvested) in the Company. Since 31 December 2020, there have been no changes in the Directors' interests in shares of the Company.

Relative importance of spend on pay

The table below shows shareholder distributions (i.e. dividends and share buybacks) and total employee pay expenditure for the financial years ended 31 December 2020 and 31 December 2019, along with the percentage change in both.

	2020 \$'000	2019 \$'000	Year-on-year change
All-employee remuneration ¹	7,265	8,741	(17)%
Distributions to shareholders ^{2,3}	-	-	N/A

¹ All-employee remuneration includes total staff costs for the Group and is converted into US\$ in accordance with Group foreign exchange policy.

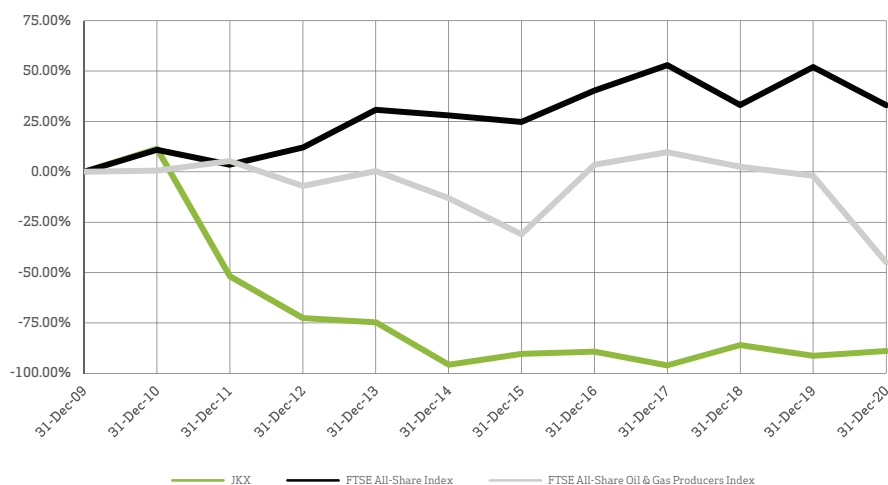
² No dividends or other distributions were made to shareholders in 2019 or 2020.

³ No other significant distributions and payments or other uses of profit or cash-flow were made in 2019 or 2020.

Performance graph and table

The following graph shows the Company's TSR performance compared to the performance of the FTSE All-Share and FTSE All-Share Oil & Gas Producers indices over an 11-year period. These indices have been chosen as suitable broad comparators against which the Company's shareholders may judge their relative returns given that the Company is a member of the FTSE All-Share and continue to be part of the FTSE All-Share Oil & Gas Producers Index.

JKX vs FTSE All-Share Index and FTSE All-Share Oil & Gas Producers Index



An investment of £100 in the Company on 31 December 2009 was worth £11.10 at 31 December 2020 (same investment on 31 December 2008 was worth £8.7 at 31 December 2019).

The table below details the Company's Chief Executive Officer's total remuneration over the 10-year period.

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Directors' remuneration report

	2011	2012	2013	2014	2015	2016 ¹	2017	2018 ³	2019	2020
CEO single figure of remuneration - Paul Davies (£'000)	832	983	1,141	1,043	1,322	62	N/A	N/A	N/A	N/A
CEO single figure of remuneration - Tom Reed (£'000)	N/A	N/A	N/A	N/A	N/A	1,261	325	N/A	N/A	N/A
CEO single figure of remuneration - Victor Gladun (£'000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	676	778
Total CEO single figure of remuneration ⁵ (£'000)	832	983	1,141	1,043	1,322	1,323	325	N/A	676	778
Bonus award - % against ⁴ maximum opportunity	43%	33%	62%	33 %	86%	70%	0% ²	N/A	57%	70%

¹ From 28 January 2016, the CEO's remuneration was rebased to its equivalent US Dollar amount at that time. For financial years 2010 to 2015, the CEO's single figure remuneration amounts, which in previous Remuneration Reports were quoted in Sterling, have been converted into their US Dollar equivalent in each year using the following average Sterling: US Dollar exchange rates as follows: 2010: £1: \$1.546; 2011: £1: \$1.604; 2012: £1: \$1.585; 2013: £1: \$1.565; 2014: £1: \$1.648; 2015: £1: \$1.529. In 2020 and 2019, the Executive Director's contract was settled in its Ukrainian Hryvna equivalent. Amounts paid were converted at the National Bank of Ukraine average exchange rates.

² No cash bonus award was received by the CEO in 2017.

³ The Company did not have a CEO in 2018 (or any other Executive Director).

⁴ Victor Gladun did not receive any bonus payment in 2019 after his appointment as CEO on 29 September 2020. His base salary (of \$120,000) for his role as CEO of the Company was prorated to reflect this. The total amount set out above, includes the salary that Victor Gladun received as General Director of PPC and the bonus payment that he received in Q1 2020, in relation to his FY2019 bonus which was earned in his capacity as General Director of PPC. He did not receive a bonus in relation to his role as CEO of the Company for FY2019.

⁵ Single figure remuneration is calculated on the same basis as set out on page 60 and includes both remuneration actually received as CEO in 2020 and also as General Director of PPC. The figure of \$778,000 includes the bonus award made in Q1 2021 in relation to the 2020 financial year. This bonus was apportioned between his role as CEO of the Company and General Director of PPC. In 2020, Victor Gladun's salary was temporarily reduced in the wake of the COVID-19 pandemic by 30% in total (in relation to the salary that he receives as General Director and CEO).

Summary of Remuneration Policy and 2021 implementation

The table below summarises the key components of our Remuneration Policy that was approved by shareholders at the 2020 AGM and how we intend to implement the Remuneration Policy in 2021. Full details of the Remuneration Policy are set out on pages 64 – 71 of the 2019 Annual Report.

There were no deviations from the procedure for the implementation of the remuneration policy in the year ended 31 December 2020.

No change to the existing Remuneration Policy is being proposed for FY 2021. The Remuneration Committee has decided not to grant any share award to the CEO under the Company's Performance Share Plan (PSP) for FY 2020 and FY2021.

The full Remuneration Policy, as approved by shareholders at the 2020 AGM, can be found on pages 64 – 71 of the 2019 Annual Report, a copy of which can be found on the Company's website at <http://www.jkx.co.uk/investor-centre/investor-download-centre.aspx>

	Remuneration Policy	2021 implementation
Fixed Salary	<p>Fixed remuneration set out in the service contract, to attract and retain talent, which reflects the role, skills and responsibilities.</p> <p>An executive director may receive payment under different contracts in relation to different roles (e.g. acting as Group CEO and General Director of an operating unit), but receives no other fees in relationship to directorship of any group company or membership of any Board committee.</p> <p>An Executive Director's basic salary and the other fixed elements of pay are determined by the Remuneration Committee on appointment and then reviewed at the beginning of each year and within the parameters of the remuneration policy. The individual salary and benefits of the Executive Director were set taking into account individual performance and market</p>	<p>No change. The Executive Director's basic salary is fixed at \$120,000 per annum.¹</p> <p>The Executive Director's basic salary was temporarily reduced in FY2020 as a result of the COVID-19 pandemic and as explained elsewhere in the report.</p>

	Remuneration Policy	2021 implementation
	factors, with reference to independent and objective research that provides up-to-date information on a comparator group of UK companies operating in the independent oil and gas sector.	
Pension	<p>An Executive Director receives a payment in lieu of pension of 15% of base salary per annum, in line with the pension contributions for UK workforce.</p> <p>At their option, Executive Directors may either have contributions of the same amounts made to their personal pension schemes or cash in lieu of pension at the stated rate, or a combination of pension contributions and cash in lieu at the stated rate, subject to normal statutory deductions.</p>	<p>No change.</p> <p>Since 1 January 2020, the Executive Director has received monthly pension contributions of 15% of annual salary as an additional cash benefit.</p>
Benefits	Life assurance, private medical insurance and other benefits at the Remuneration Committee's discretion.	No change.
Discretionary Annual bonus	<p>To align the executive director with the short-term and medium-term success of the Group.</p> <p>The Remuneration Committee has the discretion to defer the annual bonus into shares to be held for one year.</p> <p>KPIs are set by the Remuneration Committee at the start of each year. The measures selected may vary each year depending on business context and strategy, and measures will be weighted appropriately according to business priorities. Under normal circumstances, financial measures will make up at least half of the total bonus opportunity.</p>	<p>No change.</p> <p>Please refer to "Basis for determining Executive Director's annual bonus award" section for the 2020 KPIs and their weightings.</p> <p>The KPIs for FY2021, have not yet been set.</p> <p>Annual bonuses for the 2021 year, if any, to be paid in January 2022 will be further disclosed in the next year's report (including the relevant KPIs and reporting thereof).</p>
PSP Award	<p>The Remuneration Committee has the ability to grant awards of nil-cost options annually to executive directors, conditional on group performance.</p> <p>Maximum opportunity: 150% base salary.</p> <p>To the extent that any PSP award is granted, full disclosure of the KPIs and relative weightings will be disclosed in the following annual report.</p> <p>Enhanced malus and clawback provisions will apply and may be exercised at the discretion of the Remuneration Committee.</p> <p>Three-year vesting period. PSP awards granted will be subject to a further two-year holding period after vesting (total vesting and holding period of 5 years).</p> <p>No PSP award was made in 2019 or 2020.</p>	<p>No PSP awards were granted in 2020.</p> <p>No PSP awards vested in 2020.</p> <p>No PSP awards shall be granted in 2021.</p>

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Directors' remuneration report

		Remuneration Policy	2021 implementation
Other	Shareholding guidelines	100% of base salary. The lower of the shareholding requirement or the Executive Director's actual shareholding will be maintained for two years post-employment, releasing on a phased basis: 50% after year 1 and 50% year two.	No change.
	NED fees	Fees reflect experience and skill of the individuals and responsibilities and time commitments for the role. The Non-Executive Directors' fees are subject to an overall cap of £500,000 per annum in accordance with the existing Remuneration Policy, excluding exceptional fees for additional work under the Company's Articles of Association.	No change. The total remuneration for Non-Executive Directors decreased in 2020 following the introduction of the new Remuneration Policy. No change for FY2021 are expected.

¹ As a result of the COVID-19 pandemic, Victor Gladun's salary that he receives in his capacity as CEO and sole Executive Director of the Company and General Director of PPC was reduced by 30% for the period 1 March 2020 - 30 September 2020. The temporary reduction ceased to apply from 1 October 2020.

Directors' Remuneration Policy

The existing Remuneration Policy was approved by shareholders at the 2020 AGM held on 12 June 2020 and has applied from that date. The Remuneration Policy is intended to apply for three years from the date of the 2020 AGM. The Remuneration Committee is satisfied that the Remuneration Policy is in the best interests of shareholders and does not promote excessive risk-taking.

The Remuneration Policy is a continuation of the previous remuneration policy, subject to the following differences:

- malus and clawback provisions may apply to the annual bonus award, which may be exercised at the Remuneration Committee's discretion, in line with the FRC's best practice guidance;
- Shareholding guidelines apply post-cessation of employment, at the lower of the shareholding guideline and the executive director's actual shareholding on the date that he/she leaves employment;
- any awards granted under a performance share plan (including the PSP) will be subject to total holding and vesting period of 5 years from grant;
- any share award granted may be subject to enhanced malus and clawback provisions.

Current Remuneration Policy Table

Base salary

Purpose and link to strategy	To attract and retain the best talent by ensuring base salaries reflect individual performance, market factors and the individual's role, responsibilities and skills.
Operation	Base salaries are reviewed annually, with reference to the individual's role, experience and performance; salary levels are referable to relevant UK sector comparators, and the range of salary increases applied across the Group.
Maximum Opportunity	Any base salary increases are applied in line with the outcome of the annual review. Different increases may be awarded at the Remuneration Committee's discretion in instances such as: a) where there has been a significant increase in the size, value or complexity of the Group; b) there has been a change in the role/responsibility; c) the incumbent executive director is paid below market comparators.
Performance metrics	Business and individual performance are considered in setting base salary.

Comparator companies used to assess market pay competitiveness have historically included UK-based oil and gas companies listed on the London Stock Exchange or AIM. The Remuneration Committee reviews comparator companies periodically to ensure they remain appropriate and retains the discretion to adjust the reference group or companies as appropriate. In 2019, h2glenfern, a specialist remuneration consultant, was engaged to assist the Remuneration Committee in setting the Executive Director's remuneration and conducted a benchmarking exercise to ensure that it remained in line with market norms.

Pension

Purpose and link to strategy	To provide competitive retirement benefits and to encourage long-term saving and planning for investment.
Operation	<p>The Company makes a contribution to the pension scheme of the individual's choice.</p> <p>At their option, Executive Directors may either have equivalent contributions made to their personal pension schemes or cash in lieu of pension or a combination of both.</p>
Maximum Opportunity	Executive Directors are eligible to receive an annual contribution equivalent to 15% of base salary, in line with the rest of the UK workforce.
Performance metrics	Not performance related.

Benefits

Purpose and link to strategy	To provide competitive benefits.
Operation	Executive Directors receive benefits which include, but are not limited to, life assurance and private medical cover, although can include any such benefits that the Remuneration Committee deems appropriate, including (but not limited to) a car or a car allowance and long-term disability insurance.
Maximum Opportunity	<p>Benefits values vary by role and are reviewed periodically relative to market circumstances.</p> <p>The cost of the benefits provided changes in accordance with market conditions and jurisdiction and will, therefore, determine the maximum amount that would be paid in the form of benefits during the life-time of the Policy. The Remuneration Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control had changed materially (e.g. increases in insurance premiums).</p>
Performance metrics	Not performance related.

Annual bonus

Purpose and link to strategy	To incentivise the achievement of short-term and medium-term financial and strategic objectives on an annual basis.
Operation	<p>Performance measures, targets and weightings are set at the start of the year according to strategic priorities.</p> <p>At the end of the year, the Remuneration Committee determines the extent to which the targets have been achieved, with any bonus payments delivered in cash. The annual bonus is paid at the start of the following financial year (in relation to the executive director's performance of the previous year).</p> <p>For Executive Directors, the Remuneration Committee has the discretion to mandate the deferral of a proportion (up to 100%) of the annual bonus in JKX shares, to be held for a minimum of 1 year.</p> <p>The annual bonus award (and any deferred shares) may be subject to malus and clawback provisions, which can be exercised at the Remuneration Committee's discretion, in the event of material erroneous, misleading data, gross misconduct, misstatement of accounts, serious reputational damage, and corporate failure. Please see the notes to the table for more information.</p> <p>The sale of any deferred shares is subject to meeting shareholding guidelines.</p>
Opportunity	For Executive Directors, the maximum annual bonus opportunity is 100% of base salary or 150% of base salary in exceptional circumstances.

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Directors' remuneration report

Performance metrics	<p>Performance is assessed annually based on challenging and stretch targets for operational, organisational, financial and health and safety performance. The measures selected may vary each year depending on business context and strategy, and measures will be weighted appropriately according to business priorities. Under normal circumstances, financial measures will make up at least half of the total bonus opportunity. The targets and relative weightings will be disclosed in the annual report following the relevant financial year.</p> <p>Payment of any annual bonus award will be subject to a discretionary underpin (including individual performance).</p> <p>The Remuneration Committee has the discretion to alter the measures and/or targets during the performance period if it believes the original measures and/or targets are no longer appropriate.</p> <p>The Remuneration Committee has discretion to adjust the formulaic bonus outcomes both upwards and downwards within the plan limits (including down to zero) to ensure alignment of pay with the underlying performance of the business, e.g., in the event of a target being significantly missed or unforeseen circumstances outside of management control.</p>
Performance Share Plan	
Purpose and link to strategy	To incentivise strong long-term financial performance and superior longer term returns to shareholders relative to peers and to align the interests of executive directors and shareholders.
Operation	<p>The Remuneration Committee has the ability to grant awards of nil-cost options annually to Executive Directors, conditional on Group performance over a period of at least three years. Shares that vest under a performance share plan may then be subject to an additional holding period of up to two years.</p> <p>Any share awards granted may be subject to malus and clawback provisions, which may be exercised at the Remuneration Committee's discretion, in the event of material erroneous, misleading data, gross misconduct, misstatement of accounts, serious reputational damage, and corporate failure. Please see the notes to the table for more information.</p> <p>The sale of vested share awards granted under a performance share plan of the Company shall be subject to meeting shareholding guidelines.</p> <p>The Company does not currently operate any performance share plan for Directors or Senior Management.</p>
Opportunity	Normal aggregate limit of 150% of salary for Executive Directors, with an overall limit of 200% of salary in exceptional circumstances.
Performance metrics	<p>Vesting of share awards under a performance share plan shall be subject to continued employment and the Company's performance over a 3-year performance period. If no entitlement has been earned at the end of the relevant performance period, awards will lapse.</p> <p>From 2015, awards granted under the Company's former Performance Share Plan (PSP) were based on a number of financial and strategic measures, which may include, but are not limited to:</p> <ul style="list-style-type: none"> ▪ TSR; ▪ Earnings per share ('EPS'); ▪ Other financial measures (e.g. ROCE, Profit before tax, cash resources); and ▪ Strategic and operational measures (e.g. production, reserves). <p>In addition, future share awards granted to Executive Directors shall be subject to an underpin such that for any award to vest, the Remuneration Committee must satisfy themselves that health and safety performance has been satisfactory over the performance period. Each measure can be applied a weighting of between 0% and 50%. Executive Directors will not be rewarded for poor performance. The Remuneration Committee shall have the discretion to adjust the performance measures and weightings in advance of making a share award to ensure that they continue to be linked to the delivery of Company strategy and long-</p>

term success of the Company. Performance measures and weightings, as well as performance against these, will be disclosed in the Report on Remuneration for the relevant year.

Under each measure, threshold performance will result in up to 25% of maximum vesting for that element. The vesting level will increase on a sliding scale to 100% vesting for stretch levels of performance.

Vesting of any share awards may be deferred in whole or in part for a period of up to two years following the end of a three year vesting period.

As under the annual bonus, the Remuneration Committee shall have the discretion to adjust formulaic outcomes within the performance share plan limits to ensure alignment of pay with performance, i.e. to ensure the outcome is a true reflection of the performance of the Company and the individual.

Shareholding guidelines

Purpose and link to strategy	To align Executive Directors with the strategic long term success of the Company.
Operation	<p>To the extent that Executive Directors are awarded share options and shares as part of their remuneration package, Executive Directors may be required to build up a shareholding in the Company over a reasonable period.</p> <p>All beneficially owned shares and deferred annual bonus shares and vested PSP awards will count towards an individual's shareholding on a net of tax basis (where relevant).</p> <p>The lower of the Shareholding guideline (100% of base salary) and the individual's actual shareholding will continue post-employment, unless the Remuneration Committee determines otherwise (including determining that the Shareholding guidelines shall not apply where the Executive Director has voluntarily acquired shares in the Company or Group):</p> <ul style="list-style-type: none"> the shareholding requirement will fall to 50% at the end of year 1; the shareholding requirement will fall to zero after two years.
Maximum Value	100% of base salary.
Performance metrics	Not performance related.

Non-Executive Directors' fees

Purpose and link to strategy	To attract and retain Non-Executive Directors of the highest calibre with broad commercial and other experience relevant to the Company and the Group.
Operation	<p>Fee levels are reviewed annually, with any adjustments effective 1 January in the year following review. The fees paid to the Chairman and Non-Executive Directors are determined by the Board.</p> <p>Additional fees are payable for acting as Senior Independent Director and as Chairman of the Audit, Nomination and Remuneration Committees, and for individual membership of such committees.</p> <p>Fee levels are benchmarked against comparable companies in the sector as well as FTSE-listed companies of similar size and complexity. Time commitment and responsibility are taken into account when reviewing fee levels.</p>
Opportunity	<p>Non-Executive Directors' fee increases are applied in line with the outcome of the annual fee review.</p> <p>Fee levels will be next reviewed during 2021, with any increase effective 1 January 2022. It is expected that increases to Non-Executive Director fee levels will be in line with salaried UK-based employees over the life of the policy. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a Non-Executive role, the Board has discretion to make an appropriate adjustment to the fee level within the maximum level set out under the Policy.</p> <p>The maximum amount that may be paid to non-executive directors is £500,000 as set out in the Company's Articles of Association.</p>

GOVERNANCE

Directors' remuneration report

Additional remuneration for a non-executive director who performs special services (as determined by the Board) as expressly permitted by the Articles of Association of the Company is also permitted under this policy.

Performance metrics	None.
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Non-Executive Directors' expenses

Purpose and link to strategy	To compensate Non-Executive Directors for expenses incurred in connection with the performance of their duties.
Operation	<p>The Company may reimburse Non-Executive directors for any business related costs (such as travel costs, accommodation and other subsistence expenses incurred in connection with their duties) and any associated tax on these.</p> <p>The Remuneration Committee reserves the discretion to reimburse Non-Executive Directors for other expenses if it considers that it is appropriate in the circumstances to do so.</p>
Opportunity	The maximum amount payable depends on the costs of providing such expenses.
Performance metrics	None.

Notes to the future policy table

Performance measure selection and approach to target setting

The measures used to calculate the annual bonus are selected annually to reflect the Group's main objectives for the year and reflect both financial and non-financial priorities.

Under the Company's PSP plan, the Remuneration Committee considers the use of TSR to be appropriate since it is dependent on the Company's relative long-term share price performance and therefore provides strong alignment with the interests of the Company's shareholders. The Remuneration Committee equally considers EPS to be an appropriate measure, since it is the primary internal benchmark of long-term financial performance and promotes alignment between management and the Company's shareholders. As outlined in the Policy Table above, for future grants of long-term incentives, the Remuneration Committee may decide to include other financial, strategic and operational measures in addition to EPS and relative TSR. Such measures would be selected on the basis of their relevance to the company's longer term strategy and the Remuneration Committee will provide rationale for their inclusion in the Annual Report on Remuneration for the relevant year.

Targets applying to both the annual bonus and PSP awards are reviewed annually, based on a number of internal and external reference points. Performance targets are set to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given year.

Malus and clawback

At any time prior to the vesting of a PSP award, delivery of any deferred shares pursuant to the annual bonus plan, or payment of a cash bonus, the Remuneration Committee may determine that an unvested award may not vest (regardless of whether or not the performance conditions have been met). At any time up to three years after the award vests, or a cash payment is paid or shares delivered, the Remuneration Committee may determine that the cash bonus or shares, or their equivalent value in cash, shall be returned to the Company as a result of misleading financial performance, or a material misstatement in the financial results of the Group, a material downturn in the financial performance of the Group, gross misconduct, reputational damage, corporate failure and/or if the Remuneration Committee considers that the amount of cash bonus or shares under an award cannot be justified based on the financial performance of the Company or performance of the individual.

Remuneration Committee discretion

In addition to the malus and clawback provisions noted above, the Policy gives discretion to the Remuneration Committee to override formulaic outcomes of the performance assessment in relation to the annual bonus and PSP.

Recruitment policy: Executive directors

External appointment

In cases of hiring or appointing a new Executive Director from outside the Group, the Remuneration Committee may make use of all existing components of remuneration, as described on the Policy table above.

In determining appropriate remuneration structure and levels, the Remuneration Committee will take into consideration all relevant factors to ensure that arrangements are in the best interests of both the Group and its shareholders. The Remuneration Committee may make an award in respect of a new appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer, i.e. over and above the approach outlined in the table above. In doing so, the Remuneration Committee will consider relevant factors including any performance conditions attached to these awards, the likelihood of those conditions being met and the proportion of the vesting period remaining.

Any such 'buy-out' awards will typically be made under the existing annual bonus and PSP schemes, although in exceptional circumstances the Remuneration Committee may exercise the discretion available under Listing Rule 9.4.2 R to make awards using a different structure. Any 'buy-out' awards would have a fair value no higher than the awards forfeited.

Internal appointment

In cases of appointing a new Executive Director by way of internal promotion from within the Group, the Policy will be consistent with that for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to Executive Director level, the Company will continue to honour these arrangements even in instances where they would not otherwise be consistent with the prevailing Executive Director remuneration policy at the time of appointment.

Recruitment policy: Non-Executive directors

In recruiting a new Non-Executive Director, the Board will use the Policy as set out in the table above.

A base fee in line with the prevailing fee schedule would be payable for membership of the Board of Directors, with additional fees payable for acting as Senior Independent Non-Executive Director and as Chairman of any of the Audit, Remuneration and Nomination Committees, and for individual membership of such Committees.

The Remuneration Committee considers that external directorships provide the Group's Directors and senior executives with valuable experience that is of benefit to the Company, and believes that it is reasonable for the individual Non-Executive Director to retain any fees received from external appointments.

Directors and senior executives may accept appointments outside the Group providing that the Chairman's permission is sought and granted. Details of Directors external appointments are included in the Annual Report on Remuneration.

Service contracts and policy on payment for loss of office

It is the Remuneration Committee's policy that poor performance should not be rewarded. The table below summarises how variable incentives are typically treated in specific circumstances, with the final treatment remaining subject to the Remuneration Committee's discretion.

The current Executive Director's contract is for an indefinite term and has a 6 months' notice period by either the Company or the individual. This would be the normal policy for new appointments.

Annual Bonus

Reason for leaving	Timing of vesting/payment	Calculation of vesting/payment
Retirement, ill-health, disability, death or any other reasons the Remuneration Committee may determine in its absolute discretion.	Normal payment date, although the Remuneration Committee has discretion to accelerate.	No automatic eligibility for payment. The Remuneration Committee may in its absolute discretion award a bonus for the performance year. Cash bonuses will only be paid to the extent that Group and personal objectives set at the beginning of the year have been achieved. Any resulting bonus will be pro-rated for time served during the year.
Change of control.	Not applicable.	Not applicable.
Any other reason.	No bonus is paid.	Not applicable.

PSP

Reason for leaving	Timing of vesting	Calculation of vesting/payment
Retirement, ill-health, disability, death or any other reasons the Remuneration Committee may determine in its absolute discretion.	Normal vesting date, although the Remuneration Committee has discretion to accelerate.	Any outstanding PSP awards will be pro-rated for time and performance. Note the Remuneration Committee may in its absolute discretion waive time pro-rating of award.
Death.	On date of event.	Any outstanding PSP awards will be pro-rated for time and performance. Note the

GOVERNANCE

Directors' remuneration report

		Remuneration Committee may in its absolute discretion waive time pro-rating of award.
Change of control.	On date of event.	Any outstanding PSP awards will be pro-rated for time and performance. Note the Remuneration Committee may in its absolute discretion waive time pro-rating of award. In the event of a change of control, PSP awards may alternatively be exchanged for new equivalent awards in the acquirer where appropriate.
Any other reason.	No bonus is paid.	Not applicable.

The table below sets out the date of the Executive Director's service contract, the dates of the Non-Executive Directors' letters of appointment and their notice periods.

Name	Date	Notice period
Victor Gladun	Effective 20 September 2019 ¹	6 months
Charles Valceschini	Effective 16 September 2019	3 months
Tony Alves	Effective 16 September 2019	3 months
Michael Bakunenko	Effective 8 December 2017	3 months
Dr Rashid Javanshir	Effective 16 September 2019	3 months

¹ Victor Gladun's contract is for an indeterminate period subject to termination by 6 months' notice either way.

Service contracts and letters of appointment are available for inspection at the Company's registered office.

Application of Policy (as set out in the Policy approved by the Remuneration Policy approved by shareholders at the 2020 AGM)

The table below provides an estimate of the potential future reward opportunities for the Executive Director, and the potential split between the different elements of remuneration under three different performance scenarios: 'Minimum', 'On-target' and 'Maximum'.

Potential reward opportunities are based on the new Policy. The annual bonus is based on the maximum opportunity level which will apply in 2021. Note that no PSP awards was granted in 2020. If a PSP award is granted in the future, a revised version of this table will be prepared and disclosed in the annual return.

The 'Minimum' scenario reflects base salary, pension and benefits (i.e. fixed remuneration), being the only elements of the Executive Directors' remuneration package not linked to performance.

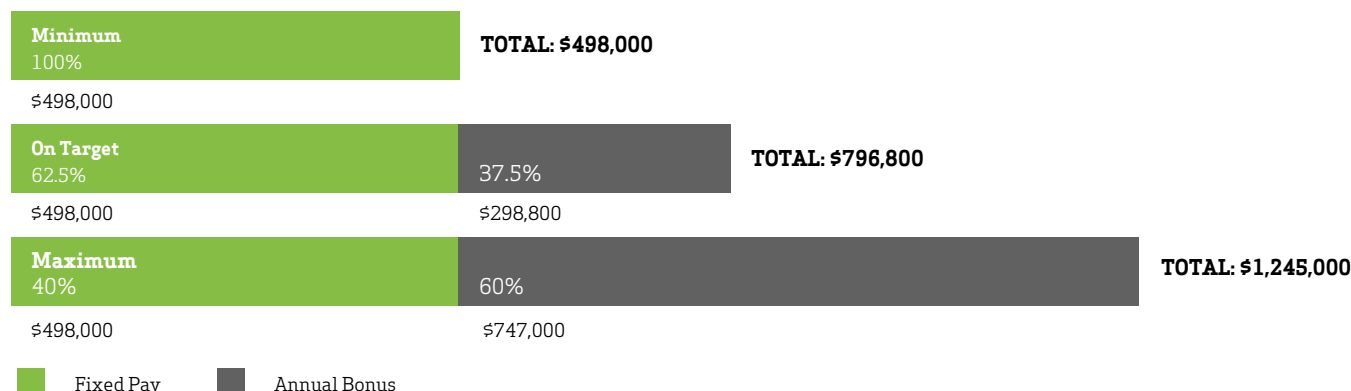
The 'On-target' scenario reflects fixed remuneration as above, plus on-target bonus (60% of salary).

The 'Maximum' scenario reflects fixed remuneration, plus full payout under all incentives (150% of salary under the annual bonus).

The chart below illustrates the potential future remuneration for the Executive Director under the new policy. In line with current regulations, the illustrations do not assume any share price growth or dividend equivalent payments in share awards.

Victor Gladun

Illustration of package value under new policy.



Notes to application of remuneration policy charts

Element of package	Assumptions used
Fixed Pay	Basic salary effective: 20 September 2019 Benefits: as disclosed in single figure of remuneration Pension: 15% cash allowance
Annual Bonus	Minimum: no bonus earned On target: 60% of maximum bonus is earned Maximum: 150% of maximum bonus is earned

Consideration of conditions elsewhere in the Company and employee engagement

The Remuneration Committee takes into consideration the remuneration arrangements for the UK-based employee population in making its decisions on remuneration for executive directors, non-executive directors and senior executives. More than 95% of the Group's staff are based outside of the UK, primarily in the Ukraine and Russia, where salaries and benefits reflect local practice. The Remuneration Committee does not currently consult with employees specifically on the effectiveness and appropriateness of the executive remuneration policy and framework. However, the Company seeks to promote and maintain good relationships with employee representative bodies as part of its employee engagement strategy and consults on matters affecting employees and business performance as required in each case by law and regulation in the jurisdictions in which the Company operates.

Consideration of shareholders views and shareholder engagement

When determining remuneration, the Remuneration Committee takes into account view of its shareholders and best practice guidelines issued by institutional shareholder bodies.

The Remuneration Committee is always open to feedback from shareholders on remuneration policy and arrangements, and commits to undergoing shareholder consultation in advance of any significant changes to remuneration policy. The Remuneration Committee will continue to monitor trends and developments in corporate governance and market practice to ensure the structure of the executive remuneration remains appropriate. We will consult shareholders before making any significant changes to our remuneration policy.

GOVERNANCE

Directors' report – other disclosures

This information is required to be presented by law. The UKLA's Disclosure & Transparency Rules ('DTRs') and Listing Rules ('LRs') also require the Company to make certain disclosures.

The Corporate Governance Report, the Audit Committee Report and the Strategic report form part of this information. Disclosures elsewhere in the Annual Report and Accounts are cross-referenced where appropriate. Taken together, they fulfil the combined requirements of company law, the DTRs and LR's.

Legal form

JKX Oil & Gas plc is a company limited by shares and incorporated in England & Wales, with company number 3050645. The principal activities of the Group are oil and gas exploration, appraisal, development and production. It conducts very limited business activities on its own account, and trades principally through its subsidiary undertakings in various jurisdictions.

Annual General Meeting

Notice of the 2021 AGM and matters of Ordinary Business and those proposed as Special Business, together with explanatory notes, will be sent to shareholders at least 20 clear working days before the meeting.

At the AGM, individual shareholders are given the opportunity to put questions to the Chairman and to other members of the Board. The voting results are announced via the London Stock Exchange as soon as practicable after the meeting. The announcement is also made on the Company's corporate website.

Political and charitable contributions

In line with Group policy, the Group did not make any political contributions during the year (2019: nil). The Group made charitable contributions of \$0.4m (2019: \$0.3m) for local educational, health (including in relation to the current COVID-19 pandemic), sport and village infrastructure initiatives in Ukraine and Russia.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by such persons.

Should an existing employee become disabled, it is in the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by law are included in the Corporate Social Responsibility review on pages 25 to 28.

Policy on derivatives and financial instruments

The Group's objectives and policies on financial risk management, and information on the Group's exposures to foreign exchange, commodity price and liquidity risks can be found on pages 32 to 39 and in Note 14 to the financial statements.

Shares in JKX Oil & Gas plc

Details of movements in share capital during the year are set out in Note 17 to the financial statements. The Company has one class of Ordinary Share which carries no right to fixed income. Each share carries the right to one vote at General Meetings of the Company. There are no significant restrictions on the transfer of securities.

Treasury shares

In 2020, the Company did not purchase in the market any of its own ordinary 10p shares, to be held as treasury shares. At 31 December 2020, 402,771 (2019: 402,771) shares continued to be held as treasury shares representing 0.23% (2019: 0.23%) of the shares then in issue.

Restrictions on voting

No member shall, unless the Directors otherwise determine, be entitled in respect of any share held by him/her to vote either personally or by proxy at a shareholders' meeting or to exercise any other right conferred by membership in relation to shareholders' meetings if any call or other sum presently payable by him/her to the Company in respect of that share remains unpaid. In addition, no member shall be entitled to vote if he/she has been served with a notice after failing to provide the Company with information concerning interests in those shares required to be provided under the Companies Act.

Amendment of Articles of Association

Any amendments to the Articles may be made in accordance with the provisions of the Companies Act by way of special resolution.

Directors

The names and biographies of the Directors who held office as at the date of this Annual Report are set out on pages 42 and 43.

Directors who held office throughout 2020 are set out below. There were no changes made to the Board during the year:

Name	Appointed	Position
Charles Valceschini	16 September 2019	Non-Executive Director
Victor Gladun	16 September 2019	Executive Director
Tony Alves	16 September 2019	Non-Executive Director
Michael Bakunenko	8 December 2017	Non-Executive Director
Rashid Javanshir	16 September 2019	Non-Executive Director

Appointment and replacement of Directors

The number of Directors shall not be less than two nor more than ten.

Directors may be appointed to the Board by shareholders by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next following AGM and is then eligible for election by shareholders.

Directors and their interests

The Directors in office at the year end and their interests at the beginning and end of the year in the shares of the Company, all beneficially held, were as follows:

	1 January 2020 Ordinary Share Number	31 December 2020 Ordinary Share Number
Michael Bakunenko ¹	47,287,027	47,287,027

¹ Michael Bakunenko as a nominee for Eclairs Group Limited, is deemed to have a beneficial interest in these ordinary shares.

There were no changes to the shareholdings of the Directors between the end of the financial year and the date of this Annual Report.

Details of Directors' remuneration and share options are shown in the Remuneration Report on pages 60 to 66. No Director had a material interest in any significant contract, other than a service contract or contract for services, with the Company or any of its subsidiary companies at any time during the year.

The share capital structure is listed in Note 17 to the financial statements and the significant holdings are listed below.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Change of control (significant contracts)

The Company is not party to any significant agreements (and was not party to any significant agreements during 2020) that take effect, alter or terminate upon a change of control following a takeover.

On 19 February 2020 the Company made the final payment on the \$40m convertible bond dated 19 February 2013 (which, following repurchases and cancellation of bonds during 2016, was reduced to a nominal value of \$16m) see Note 11.

There are no agreements between the Company and any Director or its employees that would provide compensation for loss of office or employment resulting from a change of control following a takeover bid. There are a number of other agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, finance agreements and property lease arrangements. None of these is considered to be significant in terms of their likely impact on the business of the Group as a whole.

Events after the reporting date

Events after the reporting date are discussed in Note 35 to the financial statements.

GOVERNANCE

Directors' report – other disclosures

Substantial shareholders

At 31 December 2020 and at 29 March 2021, the Company had received notification from the following institutions of interests in excess of 3% of the total number of voting rights of the Company:

Substantial shareholders	31 December 2020 Number of shares	31 December 2020 % of total voting rights	29 March 2021 Number of shares	29 March 2021 % of total voting rights
Eclairs Group Limited	47,287,027	27.54%	47,287,027	27.54%
Bridgewater Holdings Corp.	34,288,253	19.97%	34,288,253	19.97%
Neptune Invest & Finance Corp	22,295,598	12.98%	22,295,598	12.98%
Keyhall Holding Limited	19,656,344	11.45%	19,656,344	11.45%
Interneft Ltd	10,599,447	6.16%	10,599,447	6.16%

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and Company Financial Statements in accordance with International Financial Reporting Standards (IFRSs) pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for Standard List companies.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union applied in accordance with the Companies Act 2006 and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the parent company financial statements, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the annual report and accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy.

Website publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Other disclosures

Certain information that is required to be included in the Directors' Report can be found elsewhere in this document as referred to below, each of which is, to the extent not in this report, incorporated by reference.

Dividends

No dividends have been paid or proposed for the year ended 31 December 2020. The Board will not be recommending the payment of a dividend at the forthcoming AGM.

Going concern

The going concern statement can be found on page 94.

Future developments within the Group

The Strategic report starting on page 1 contains details of likely future developments within the Group.

Profit

Details of the Company's profit for the year ended 31 December 2020 can be found on pages 88 – 90.

Capitalised interest

No interest was capitalised in 2020 (2019: nil).

Long term incentive schemes

See pages 60 to 75 of the Directors' Remuneration Report.

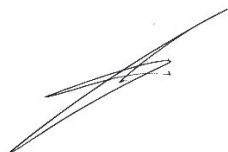
Directors' responsibilities

Directors' responsibilities pursuant to DTR4

The directors confirm to the best of their knowledge:

- The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union applied in accordance with provisions in the Companies Act 2006 and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group;
- The parent company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the company;
- The Annual Report includes a fair review of the development and performance of the business and the financial position of the Group and the parent Company, together with a description of the principal risks and uncertainties that they face;
- 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 position and performance, business model and strategy;
- In the case of each Director in office at the date the Directors' Report is approved:
 - so far as the Director is aware, there is no relevant audit information of which the Group and parent company's auditors are unaware; and
 - he 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 Group and parent company's auditors are aware of that information.

By order of the Board



Julian Hicks

Company Secretary
31 March 2021

Independent auditor's report

to the members of JKX Oil & Gas plc

Report on the audit of the Group financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of JKX Oil & Gas Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated statement of cash flows, the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is United Kingdom Accounts Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 13 October 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 3 years, covering the years ending 31 December 2018 to 31 December 2020. We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We have highlighted going concern as a key audit matter as a result of the estimates and judgments required by management in their going concern assessment and the effect on our audit strategy. The level of judgment and estimation uncertainty has been significantly increased by the COVID-19 pandemic.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We discussed the impact of COVID-19 with management and the audit committee including their assessment of risks and uncertainties associated with areas such as the Group's workforce, supply chain, customer sales and commodity market prices that are relevant to the Group's business model and operations. We compared this against our own assessment of risks and uncertainties based on our understanding of the business and oil and gas sector information.
- We obtained management's base case cash flow forecast, challenging the key operating assumptions based on 2020 and 2021 year to date actual results, external data and market commentary, where possible.
- We obtained management's reverse stress testing analysis which was performed to determine the point at which liquidity breaks and considered whether such scenarios, including significant reductions in commodity prices and production were possible given the further potential impacts of COVID-19 and the level of uncertainty.
- We evaluated potential mitigating actions identified by management. In doing so we confirmed the terms of facilities in place and assessed the risk that draw down requests may not be approved.
- We tested the integrity of the forecast models and assessed their consistency with approved budgets and Field Development Plans, as applicable.

- We confirmed that the forecasts did not include any receipts associated with the arbitration award detailed in 'Rental fee claims in Ukraine' below.
- We critically assessed management's judgments regarding the quantum and timing of rental fee payments to assess the status of the claims, scenarios for the remaining legal process and risks of acceleration in the timing of potential payments, as well as considering the impact of the wider Ukrainian economic, political and legislative environment on the Group's operations. In doing so, we made inquiries of internal and external legal counsel and involved our own Ukrainian legal specialists.
- We reviewed the adequacy and completeness of disclosures in the financial statements in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage

- 94% (2019: 94%) of Group profit before tax
- 100% (2019: 100%) of Group revenue
- 99% (2019: 99%) of Group total assets

Key audit matters

	2020	2019
Rental fee claims in Ukraine	X	X
Carrying value of oil and gas assets	X	X
Going concern	X	X

Materiality

Group financial statements as a whole

\$0.9m (2019: \$1.1m) based on 5% of average profit before tax before exceptional items for last 3 years (2019: 5% profit before tax before exceptional items).

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group's operations principally comprise exploration, development and production assets split across two primary geographical locations being Ukraine and Russia. We assessed there to be three significant components (Poltava Petroleum Company, Yuzhgazenergie LLC and the Parent Company) which were subject to full scope audits. The audits of the Ukrainian and Russian components were performed in the Ukraine and Russia, respectively by local BDO member firms under the supervision and direction of the Group audit team. The audits of the Parent Company and the Group consolidation were performed in the United Kingdom by the Group engagement team. The remaining components of the group were considered non-significant and these components were principally subject to analytical review procedures by the Group engagement team.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- Detailed Group reporting instructions were sent to the component auditors, which included the significant areas to be covered by the audits (including areas that were considered to be key audit matters as detailed below), and set out the information to be reported to the Group audit team.
- The Group audit team was actively involved in the direction of the audits performed by the component auditors for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn. We performed additional procedures in respect of certain of the significant risk areas that represented Key Audit Matters in addition to the procedures performed by the component auditors.
- The Group audit team reviewed the components audit files remotely, attended clearance meetings and engaged with the component auditors during their fieldwork and completion phases.

Independent auditor's report

to the members of JKK Oil & Gas plc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the conclusions related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in our audit
<p>Rental fee claims in Ukraine (see note 19 and 27)</p> <p>The assessment of the provisioning for the 2010 and 2015 Rental fee claims requires significant judgement and estimation by management including both the value of the provision and its presentation within the financial statements.</p> <p>Management have recorded a provision of \$21.0m with \$15.2m of provisions released in the year as detailed in notes 19 and 27.</p> <p>Separately, in 2018 the Group was awarded \$11.8m plus interest and costs at international arbitration in relation to claims brought by the Group against the Ukraine. The Group registered its claim and filed application for collection in December 2019. The assessment of whether the award meets the recognition criteria of an asset at year end under relevant accounting standards requires judgment given the operating environment.</p> <p>The legislation behind the Rental fee claims is complex in nature and the claims have been, and continue to be, subject to court proceedings which are at various stages of progression. When taken together with the developing nature of the Ukrainian tax system and the legal and political regime, to which the Group are subject, this area is considered to be a key audit matter.</p>	<p>We held meetings with management, internal and external legal counsel in order to obtain an understanding of the significant developments in the year for each claim and the impact of the wider legislative environment in the Ukraine on the overall assessment of the claims.</p> <p>We examined key correspondence in the year between the Group, its external legal advisers and the tax and legal authorities for indications of additional claims or factors which may indicate management's conclusions are inappropriate.</p> <p>We inspected a number of critical documents such as the most recent court rulings in the Ukraine during 2020 and 2021 to date, including those relating to the claims for which provisions have been released, to evaluate the basis for such conclusions.</p> <p>We evaluated management's conclusions that it remained appropriate to maintain a provision against the remaining claims, following the awards in the Group's favour to date. In doing so, we considered the background to the favourable awards, the nature of uncertainties associated with remaining appeal processes on the claims for which provisions are held and the legislative environment in the Ukraine.</p> <p>We performed a recalculation of the movement in the rental claim provision including interest accrued and the quantum of amounts released.</p> <p>We compared the base claim amounts to the original claim documents and assessed the compliance of the fines and penalties with local legislation. We specifically considered and challenged any change to the basis of the calculations from prior year and assessed the calculations for consistency with relevant Ukrainian legislation in conjunction with our own legal and tax specialists.</p> <p>We obtained legal letters from the Group's external legal advisor and compared these to management's assessment of each claim.</p> <p>We obtained management's analysis of the estimated timing of any payments, discussed further under going concern above and checked that the presentational split between current and non-current provision was consistent with this analysis.</p> <p>In respect of the arbitration award, we confirmed the status of the award with management, internal and external legal counsel regarding the registration of the claim in Ukraine and reviewed related documents. We inspected Board minutes and made inquiries of management and the audit committee to identify any information which may contradict management's assessment that the asset recognition criteria had yet to be met.</p>

Key Observation

Based on the procedures performed, we noted no material issues arising from our work in relation to the Rental fee claims in the Ukraine and found the judgments and estimates to be appropriate.

Key Audit Matter	How the matter was addressed in our audit
<p>Carrying value of oil and gas assets (see note 5)</p> <p>Management and the Directors are required to assess whether there are potential indicators of impairment of the Group's oil and gas assets at each reporting date and, if potential indicators of impairment are identified, management are required to perform a full assessment of the recoverable value of the oil and gas assets in accordance with the requirements of the relevant accounting standard.</p> <p>Management identified an impairment indicator in respect of each of the three cash generating units in the Ukraine and Russia and performed an impairment test. Based on that impairment test management concluded that no impairment was required.</p> <p>The assessment of the recoverable value of the oil and gas assets required judgments and estimates by management and the Board regarding the inputs applied in the models including future oil and gas prices, foreign exchange rates, production and reserves, operating and development costs and discount rates. In addition, due to the continuing COVID-19 pandemic there is an increased level of judgement involved in management's forecasts which underpin the carrying value of oil and gas assets.</p> <p>The carrying value of the Group's oil and gas assets were therefore considered to be a key audit matter.</p>	<p>We obtained and examined management's impairment indicator paper and assessed the appropriateness of their conclusion that a potential indicator of impairment was present.</p> <p>Accordingly, we obtained management's impairment test and performed the following:</p> <p>We assessed the appropriateness of management's determination of each cash generating unit (CGU) in line with the relevant accounting standard.</p> <p>We obtained management's discounted cash flow models and performed data integrity and mechanical checks on the models using our proprietary tool.</p> <p>We determined whether the basis of preparation of the models were in line with the applicable accounting standard, our expectations and valuation methodology.</p> <p>We compared the actual performance of the CGUs during 2020 to budgets for the period in order to assess the quality of management's forecasting.</p> <p>We critically challenged the NPV model, focussing on the appropriateness of estimates with reference to empirical data and external evidence with specific emphasis on the following assumptions: oil and gas prices, foreign exchange rates, reserves and production levels, operating and development costs and discount rates.</p> <p>We compared forecast oil and gas prices in Ukraine to current pricing, empirical data and market analysis. In Russia, where prices are regulated, we compared forecasts to current contracted prices and market inflation data.</p> <p>We assessed the consistency of production profiles and capital expenditure forecasts against the Group's Field Development Plans, approved budgets, reserves engineer decline rates, and met with operational management to inform our assessment and understanding of these plans and budgets.</p> <p>We compared the 2P reserves included in the models to Reserve Statements prepared by the Group's internal reserve engineers and performed procedures to assess their independence and competence. We had meetings with the internal reserve engineers as part of this process to understand the scope and significant judgments and estimates.</p> <p>We compared management's key assumptions to relevant assumptions used by the internal reserve engineers and considered the appropriateness of management's assumptions based on the field development plan and the merits of different economic assumptions such as oil and gas prices and production levels.</p>

Independent auditor's report

to the members of JKX Oil & Gas plc

Key Audit Matter	How the matter was addressed in our audit
	<p>We reviewed management's sensitivity analysis and performed our own sensitivity analysis on key inputs to assess the impact of changes in assumptions on the carrying value of the assets.</p> <p>We involved our internal valuations experts to assess the appropriateness of the valuation methodology and discount rates applied and discussed the judgments regarding the calculation with the audit committee.</p> <p>We read the key licence agreements and confirmed that the Group holds valid licences. We considered management's judgment that licences would be capable of being extended beyond 2024 and 2026 including assessment of the legislative process, the forecast economic value of the assets beyond the expiry date and risks and uncertainties within the operating environments.</p> <p>We reviewed the disclosures in the financial statements regarding key assumptions and sensitivity of the carrying value to reasonable changes in such assumptions to check they were in accordance with the requirements of the relevant accounting standard.</p>

Key Observation

We found management's conclusion that no impairment charge was required as at 31 December 2020 in respect of the CGU's to be supported by the underlying models and the judgments and estimates contained therein to be acceptable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group 2020	Group 2019
Materiality	£900,000	£1,100,000
Basis for determining materiality	5% of average profit before tax before exceptional items for last 3 years	5% of profit before tax before exceptional items
Rationale for the benchmark applied	We considered a profit related measure to be appropriate given the Group's profitable nature. We considered it appropriate to exclude exceptional gains and losses given their nature and distortive effect on underlying trading performance. A three year average was applied given the impact of significant commodity price volatility in the period due to COVID-19.	
	Group 2020	Group 2019
Performance materiality	£675,000	£825,000
Basis for performance materiality	75% of materiality considering the nature of activities and historic audit adjustments	75% of materiality considering the nature of activities and historic audit adjustments
	Company 2020	Company 2019

Materiality	£540,000	£780,000
Basis for determining materiality	1% of total assets	1% of total assets
Rationale for the benchmark applied	JKX Oil and Gas Plc is a holding company with investments in subsidiaries. We have therefore considered total assets as an appropriate materiality basis	
	Company 2020	Company 2019
Performance materiality	US\$400,000	£585,000
Basis for performance materiality	75% of materiality considering the nature of activities and historic audit adjustments	75% of materiality considering the nature of activities and historic audit adjustments

Component materiality

We set performance materiality for each component of the Group at \$400,000 (2019: ranging from \$110,000 to \$600,000) dependent on the size and our assessment of the risk of material misstatement of the Group.

Reporting threshold

We agreed with the audit committee that we would report to them all individual audit differences in excess of \$18,000 (2019: \$20,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Statement specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 53; and
- The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 40.

Other Code provisions

- Directors' statement on fair, balanced and understandable set out on page 79;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 40;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 54; and
- The section describing the work of the audit committee set out on page 52.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor's report

to the members of JKX Oil & Gas plc

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Holding discussions with management and the audit committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- Gaining an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with management and the audit committee and our knowledge of the industry;
- Considering the significant laws and regulations of Ukraine, Russia and the UK to be those relating to the industry, financial reporting framework, tax legislation and the listing rules.
- Assessing the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur;
- Testing the appropriateness of journal entries made through the year by applying specific criteria to detect possible irregularities and fraud;
- Performing a detailed review of the Group's year-end adjusting entries and investigating any that appear unusual as to nature or amount and agreeing to supporting documentation;
- For significant and unusual transactions, particularly those occurring at or near year-end, obtaining evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
- Assessed whether the judgements made in accounting estimates were indicative of a potential bias (refer to key audit matters above);
- Extending inquiries to individuals outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing the estimate set out in the key audit matters section above;
- Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations; and
- Directing the auditors of the significant components to ensure an assessment is performed on the extent of the components compliance with the relevant local and regulatory framework. Reviewing this work and holding meetings with relevant internal management and external third parties to form our own opinion on the extent of Group wide compliance.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Ryan Ferguson (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London

31 March 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

GROUP FINANCIAL STATEMENTS

Consolidated income statement

For the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
Revenue	4	69,623	101,744
Cost of sales			
Exceptional item – net reversal of provision for production based taxes	19	13,543	8,410
Other production based taxes	21	(13,783)	(23,518)
Other cost of sales	21	(34,997)	(41,264)
Total cost of sales	21	(35,237)	(56,372)
Gross profit		34,386	45,372
Administrative expenses		(10,119)	(13,207)
Gain/(loss) on foreign exchange		1,048	(615)
Profit from operations before exceptional items		11,772	23,140
Profit from operations after exceptional items		25,315	31,550
Finance income	22	487	857
Finance costs	23	(951)	(2,054)
Fair value movement on derivative liability	12	-	62
Profit before tax		24,851	30,415
Taxation – current	27	(3,303)	(6,561)
Taxation – deferred			
- before the exceptional items	27	3,692	(1,968)
- on the exceptional items	27	(4,370)	(1,677)
Total taxation	27	(3,981)	(10,206)
Profit from continuing operations (attributable to equity holders of the parent company)		20,870	20,209
(Loss)/profit from discontinued operation (attributable to equity holders of the parent company), net of tax	15	(1,002)	2,004
Profit for the year attributable to equity shareholders of the parent company		19,868	22,213

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 94 to 132

	Note	2020 in cents	2019 in cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent company:			
Basic and diluted profit per 10p ordinary share			
-after exceptional items	29	12.15	12.02
-before exceptional items	29	6.81	8.02
Earnings per share for (loss)/profit from discontinued operations attributable to the ordinary equity holders of the parent company:			
Basic and diluted (loss) /profit per 10p ordinary share			
-after exceptional items	29	(0.58)	1.19
-before exceptional items	29	(0.40)	(0.14)
Earnings per share for profit attributable to the ordinary equity holders of the parent company:			
Basic and diluted profit per 10p ordinary share			
-after exceptional items	29	11.57	13.21
-before exceptional items	29	6.41	7.88

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 94 to 132

GROUP FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	2020 \$000	2019 \$000
Profit for the year	19,868	22,213
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods when specific conditions are met:		
- Currency translation differences	(30,431)	21,481
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
- Remeasurements of post-employment benefit obligations	(115)	(94)
- Changes in the fair value of equity investments at fair value through other comprehensive income	-	500
Other comprehensive (loss)/income for the year, net of tax	(30,546)	21,887
Total comprehensive (loss)/income for the year attributable to equity shareholders of the parent company	(10,678)	44,100
Continuing operations	(9,676)	42,096
Discontinued operations	(1,002)	2,004

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes on pages 94 to 132.

GROUP FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December 2020

	Note	2020 \$000	2019 \$000
ASSETS			
Non-current assets			
Property, plant and equipment	5(a)	173,913	215,728
Deferred tax assets	28	9,451	8,012
Investment	6	500	500
		183,864	224,240
Current assets			
Inventories	7	4,358	6,915
Trade and other receivables	8	3,661	3,931
Cash and cash equivalents	9	24,329	20,629
		32,348	31,475
Assets classified as held for sale	15	3,186	3,187
Total current assets		35,534	34,662
Total assets		219,398	258,902
LIABILITIES			
Current liabilities			
Current tax liabilities		(877)	(1,941)
Trade and other payables	10	(9,332)	(14,158)
Lease liabilities	13	(401)	(1,461)
Borrowings	11	-	(5,683)
Provisions	19	(15,911)	(15,861)
		(26,521)	(39,104)
Liabilities of disposal group classified as held for sale	15	(286)	(287)
Total current liabilities		(26,807)	(39,391)
Non-current liabilities			
Provisions	19	(10,931)	(31,769)
Defined pension benefit plan	20	(922)	(859)
Lease liabilities	13	(358)	(628)
Deferred tax liabilities	28	(3,518)	-
		(15,729)	(33,256)
Total liabilities		(42,536)	(72,647)
Net assets		176,862	186,255
EQUITY			
Share capital	17	26,666	26,666
Share premium		97,476	97,476
Other reserves	18	(181,282)	(150,736)
Retained earnings		234,002	212,849
Total equity		176,862	186,255

These financial statements on pages 88 to 132 were approved by the Board of Directors on 31 March 2021 and signed on its behalf by:



Victor Gladun
Chief Executive Officer



Dmytro Piddubnyy
Chief Financial Officer

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 88 to 132

GROUP FINANCIAL STATEMENTS

Consolidated statement of changes in equity

For the year ended 31 December 2020

	Attributable to equity shareholders of the parent				Total equity £000
	Share capital £000	Share premium £000	Retained Earnings £000	Other reserves (Note 18) £000	
At 1 January 2020	26,666	97,476	212,849	(150,736)	186,255
Profit for the year	-	-	19,868	-	19,868
Exchange differences arising on translation of overseas operations	-	-	-	(30,431)	(30,431)
Remeasurement of post-employment benefit obligations	-	-	-	(115)	(115)
Total comprehensive (loss)/income attributable to equity shareholders of the parent	-	-	19,868	(30,546)	(10,678)
Transactions with equity shareholders of the parent					
Sale of shares held by Employee Benefit Trust (Note 16)	-	-	1,285	-	1,285
Total transactions with equity shareholders of the parent	-	-	1,285	-	1,285
At 31 December 2020	26,666	97,476	234,002	(181,282)	176,862

At 1 January 2019	26,666	97,476	190,163	(172,623)	141,682
Profit for the year	-	-	22,213	-	22,213
Exchange differences arising on translation of overseas operations	-	-	-	21,481	21,481
Remeasurement of post-employment benefit obligations	-	-	-	(94)	(94)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	500	500
Total comprehensive income attributable to equity shareholders of the parent	-	-	22,213	21,887	44,100
Transactions with equity shareholders of the parent					
Share-based payment charge	-	-	14	-	14
Exercise of share options (Note 26)	-	-	17	-	17
Sale of shares held by Employee Benefit Trust (Note 16)	-	-	442	-	442
Total transactions with equity shareholders of the parent	-	-	473	-	473
At 31 December 2019	26,666	97,476	212,849	(150,736)	186,255

Share premium represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares.

Retained earnings represent the cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

Other reserves – please refer to the Note 18 for the details.

GROUP FINANCIAL STATEMENTS

Consolidated statement of cash flows

For the year ended 31 December 2020

	Note	2020 \$000	2019 \$000
Cash flows from operating activities			
Cash generated from continuing operations	31	28,938	41,386
Cash generated from/(used) in discontinued operations	15	300	(176)
Interest paid		(381)	(1,131)
Income tax paid		(4,250)	(7,090)
Net cash generated from operating activities		24,607	32,989
Cash flows from investing activities			
Interest received		487	818
Dividend received		-	27
Proceeds from sale of property, plant and equipment		120	47
Purchase of property, plant and equipment		(13,389)	(27,380)
Net cash used in investing activities		(12,782)	(26,488)
Cash flows from financing activities			
Restricted cash movement		-	211
Exercise of share options		-	17
Sale of shares held by Employee Benefit Trust		1,285	442
Repayment of borrowings		(5,440)	(5,280)
Principal paid on lease liabilities		(1,661)	(1,776)
Net cash used in financing activities		(5,816)	(6,386)
Increase in cash and cash equivalents in the year		6,009	115
Cash and cash equivalents at 1 January		20,725	19,455
Effect of exchange rates on cash and cash equivalents		(2,009)	1,155
Cash and cash equivalents at 31 December		24,725	20,725
Cash and cash equivalents in continuing operations at the end of the year	9	24,329	20,629
Cash and cash equivalents in discontinued operations at the end of the year	15	396	96

GROUP FINANCIAL STATEMENTS

Notes to consolidated financial statements

1. General information

JKX Oil & Gas plc (the ultimate parent of the Group hereafter, 'the Company') is a public limited company listed on the London Stock Exchange which is domiciled and incorporated in England and Wales under the UK Companies Act. The registered number of the Company is 3050645. The registered office is 6 Cavendish Square, London, W1G 0PD and the principal place of business is disclosed in the introduction to the Annual Report.

The principal activities of the Company and its subsidiaries (the 'Group') are the exploration for, appraisal and development of oil and gas reserves.

2. Basis of preparation

The Group's financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively "IFRS") applied in accordance with the provisions of the Companies Act 2006. The Group's financial statements have been prepared under the historical cost convention, as modified for derivative instruments held at fair value through profit or loss plus equity investments at fair value through other comprehensive income (FVOCI). The principal accounting policies adopted by the Group are set out below.

Going concern

The Directors note that the Group is debt free and has generated \$29m of operating cash flow in 2020 with \$24.3m of cash held at 31 December 2020. In addition, the Group benefits from an undrawn Tascombank loan facility of UAH280m (\$9.9m) and overdraft facility of UAH50m (\$1.8m) that were both renewed in December 2019, although each draw down is subject to credit approval by the bank. Additionally, in July 2020 the Group secured a \$5.0m facility with Alfa-Bank, although draw downs are conditional on credit approval by the bank and tranches are repayable 2 months from draw down. Please refer to Note 11 for the major terms of the credit facilities.

In response to the reduced commodity prices in 2020 the Group has taken measures to reduce operating costs and deferred discretionary capex whilst implementing rigorous policies and protocols to enable its Ukrainian and Russian operations to operate safely and effectively despite the COVID-19 pandemic. Production has continued without significant disruption through the year and the Board notes that whilst oil and gas prices remain reduced compared to the pre-COVID-19 period the market is now improving.

The Board have reviewed the Group's forecast cash flows, sensitivities and combined stress case scenarios for a period of at least the next 12 months. In doing so, the Board considered risks and uncertainties associated with COVID-19 and the probability of those occurring noting the additional information available to assess such risks following the development of the pandemic over recent months. Factors considered included a) potential for further government led restrictions, illness amongst our workforce and disruption to supply chain and sales channels; b) market volatility in respect of commodity prices; and c) the Group's ability to utilise its credit facilities.

The forecasts have been based on approved operational budgets. Gas prices in the regulated Russian market have been forecasted based on recent prices and contractual terms, oil price assumptions in Ukraine have been forecast at a discount to current market forward curves and Ukrainian gas prices have been estimated conservatively considering market prices, seasonal gas price trends and market outlooks.

The forecast cash flows reviewed include scenarios where potential liabilities arise in relation to the rental fee claims in Ukraine (see Note 27 to the consolidated financial statements) that the Group continues to contest. This included assessments of the timing of such potential payments that may fall due in the forecast period following detailed analysis of Ukrainian legislation and the status of each claim with internal and external legal and tax experts, notwithstanding the previous experience of continued delays in the court proceedings.

The Board further considered separate scenarios including: a) the effect of reductions in Ukrainian oil and gas prices of 20% on the base case, noting that the base case pricing is below market prices, sustained across the forecast period; and b) the impact of temporary disruption to operations associated with the potential for localised COVID-19 cases albeit operations have continued uninterrupted to date and the nature of the operations reduces the risk of such an eventuality. The rental claims stress test scenario is based on the estimated earliest payment dates when the payments fall due. This case was combined with both scenarios listed above. All reasonably possible forecasts demonstrate that significant cash balances are maintained under such scenarios and they would be sufficient to meet such obligations as they fall due.

Based on the Group's cash flow forecasts, the Directors believe that the combination of its current cash balances, net cash flows from operations and undrawn facilities mean that the Group will be able to meet its liabilities and commitments as they fall due across the forecast period. Accordingly the Board considers it is appropriate to adopt the going concern basis of accounting in preparing these financial statements.

Adoption of new and revised standards

New standards, interpretations and amendments effective from 1 January 2020

The disclosed policies have been applied consistently by the Group for both the current and previous financial year with the exception of the new standards adopted.

The IFRS financial information has been drawn up on the basis of accounting policies consistent with those applied in the financial statements for the year to 31 December 2019, except for the following:

- (a) Definition of Material – Amendments to IAS 1 and IAS 8;

- (b) Definition of a Business – Amendments to IFRS 3;
- (c) Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39;
- (d) Revised Conceptual Framework for Financial Reporting;
- (e) COVID-19-related Rent Concessions – Amendments to IFRS 16.

The application of the above standards has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

New standards, interpretations and amendments not yet effective

Below is a list of new and revised IFRSs that are not yet mandatorily effective (but allow early application) for the year ending 31 December 2020 and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the future reporting periods and on foreseeable future transactions.

	Effective for annual periods beginning on or after
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	01-Jan-22
Reference to the Conceptual Framework – Amendments to IFRS 3	01-Jan-22
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	01-Jan-22
Annual Improvements to IFRS Standards 2018–2020	01-Jan-22
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	01-Jan-23
IFRS 17, 'Insurance contracts'	01-Jan-23

3. Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. All intragroup balances, transactions, income and expenses and profits or losses, including unrealised profits arising from intragroup transactions, have been eliminated on consolidation.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Companies and their subsidiaries after eliminating intragroup transactions as noted above. Uniform accounting policies are applied across the Group.

Foreign currencies

All amounts in these financial statements are presented in thousands of US dollars, unless otherwise stated. The presentation currency of the Group is the US Dollar.

Each entity in the Group is measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The effect of a change in functional currency is accounted for prospectively. The Group translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for non-monetary items are treated as their historical cost.

On consolidation of subsidiaries and joint operations with a non US Dollar presentation currency, their statements of financial position are translated into US Dollar at the closing rate and income and expenses at the average monthly rate. All resulting exchange differences arising in the period are recognised in other comprehensive income, and cumulatively in the Group's translation reserve. Such translation differences are reclassified to profit or loss in the period in which any such foreign operation is disposed of.

Subsidiaries within the Group hold monetary intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future and thus this is considered to be part of the Group's net investment in the relevant subsidiary. An exchange difference arises on translation in the company income statement which on consolidation is recognised in equity, only being recognised in the income statement on the disposal of the net investment.

The major exchange rates used for the revaluation of the closing statement of financial position at 31 December 2020 were \$1:£0.73 (2019: \$1:£0.76), \$28.27 Hryvnia (2019: \$1: 23.69 Hryvnia), \$1: 73.88 Roubles (2019: \$1: 61.91 Roubles), \$1: 296.81 Hungarian Forint (2019: \$1: 294.43 Hungarian Forint).

GROUP FINANCIAL STATEMENTS

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Goodwill and fair value adjustments arising on acquisition are treated as assets/liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment and other intangible assets

Property plant and equipment comprises the Group's tangible oil and gas assets together with computer equipment, motor vehicles and other equipment and are carried at cost, less any accumulated depreciation and accumulated impairment losses. Cost includes purchase price and construction costs for qualifying assets, together with borrowing costs where applicable, in accordance with the Group's accounting policy. Depreciation of these assets commences when the assets are ready for their intended use.

Oil and gas assets

Exploration, evaluation and development expenditure is accounted for under the 'successful efforts' method. The successful efforts method means that only costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised.

Exploration and evaluation costs are valued at costs less accumulated impairment losses and capitalised within intangible assets. Development expenditure on producing assets is accounted for in accordance with IAS 16, 'Property, plant and equipment'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible assets or property plant and equipment according to their nature. Intangible assets are not amortised and comprise costs relating to the exploration and evaluation of properties which the Directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to property plant and equipment following an impairment review and are depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made.

Costs related to hydrocarbon production activities including production plants and capital spares are depreciated on a field by field unit of production method based on commercial proved plus probable reserves of the production licence, except in the case of assets whose useful life differs from the lifetime of the field, which are depreciated on a straight-line basis over their anticipated useful life of up to 10 years.

For assets under construction depreciation begins when the assets are available for use and continues until the assets are derecognised, even if it is idle.

The calculation of the 'unit of production' depreciation takes account of estimated future development costs. The 'unit of production' rate is set at the beginning of each accounting period. Changes in reserves and cost estimates are recognised prospectively applied from the date of the Board approval of revised field development plans.

Other assets

Depreciation is charged so as to write off the cost, less estimated residual value, over their estimated useful lives, using the straight-line method, for the following classes of assets:

Motor vehicles	- 4 years
Computer equipment	- 3 years
Other equipment	- 5 to 10 years

The estimated useful lives of property plant and equipment and their residual values are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively. Assets under construction are not subject to depreciation until the date on which the Group makes them available for use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement for the relevant period.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the criteria for recognition under IFRS 3 (revised) are recognised at their fair value at the acquisition date. In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss, if any, is recognised in the income statement. Acquisition costs are expensed.

Goodwill is recognised as an asset and is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. Impairment losses on goodwill are not reversed.

On disposal of a subsidiary or joint arrangement, the attributable amount of unamortised goodwill, which has not been subject to impairment, is included in the determination of the profit or loss on disposal.

Non-current assets held for sale and discontinued operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active programme to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, and actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. The probability of shareholders' approval should be considered as part of the assessment of whether the sale is highly probable.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group).

Non-current assets held for sale and discontinued operations are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, and financial assets within the scope of IFRS 9, which are specifically exempt from this requirement. An asset classified as held for sale is not depreciated.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

Any gain or loss from disposal, together with the results of these operations until the date of disposal, is reported separately as discontinued operations. The financial information of discontinued operations is excluded from the respective captions in the Consolidated financial statements and related notes for all periods presented. Comparatives in the statement of financial position are not represented when a non-current asset or disposal group is classified as held for sale. Comparatives are represented for presentation of discontinued operations in the Statement of cash flow and Statement of comprehensive income. Further information on discontinued operations and non-current assets held for sale can be found in note 15 "Discontinued operations and assets classified as held for sale".

Impairment of property, plant and equipment and intangible assets

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Individual assets are grouped together as a cash-generating unit for impairment assessment purposes at the lowest level at which their identifiable cash flows, that are largely independent of the cash flows of the other Groups assets, can be determined. A cash-generating unit is the smallest group of assets that independently generates cash flow and whose cash flow is largely independent of the cash flows generated by other assets.

If any such indication of impairment exists the Group makes an estimate of its recoverable amount.

The recoverable amount is the higher of fair value less costs of disposal and value in use. Where the carrying amount of an individual asset or a cash-generating unit exceeds its recoverable amount, the asset/cash-generating unit is considered impaired and is written down to its recoverable amount. Fair value less costs of disposal is determined by discounting the post-tax cash flows expected to be generated by the cash-generating unit, net of associated selling costs, and takes into account assumptions market participants would use in estimating fair value. In assessing the recoverable amount, the estimated future cash flows are adjusted for the risks specific to the asset/cash-generating unit and are discounted to their present value that reflects the current market indicators.

Where an impairment loss subsequently reverses, the carrying amount of the asset/cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs, which include interest on borrowings calculated using the effective interest method, obligations under leases, the unwinding effect of the effect of discounting provisions and exchange differences, are recognised in the income statement in the period in which they are incurred.

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JKX Employee Benefit Trust

The JKX Employee Benefit Trust was established in 2013 to hold ordinary shares purchased to satisfy various new share scheme awards made to the employees of the Company which will be transferred to the members of the scheme on their respective vesting dates subject to satisfying the performance conditions of each scheme.

When shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings. No gain or loss is recognised in the financial statements on the purchase, sale, issue or cancellation of these shares.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes party to the contractual provisions of the instrument.

Convertible bonds due 2020 – embedded derivative

The net proceeds received from the issue of convertible bonds at the date of issue have been split between two elements: the host debt instrument classified as a financial liability in Borrowings, and the embedded derivative.

The fair value of the embedded derivative has been calculated first and the residual value is assigned to the host debt liability. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the embedded derivative, representing the value of the host debt instrument, is included as Borrowings and is not remeasured. The host debt component is then carried at amortised cost and the fair value of the embedded derivative is determined at inception and at each reporting date with the fair value changes being recognised in profit or loss.

Issue costs are apportioned between the host debt element (included in Borrowings) and the derivative component of the convertible bond based on their relative carrying amounts at the date of issue.

The interest expense on the component included in Borrowings is calculated by applying the effective interest method, with interest recognised on an effective yield basis.

Upon redemption of convertible bonds by the Company in the market, the difference between the repurchase cost and the total of the carrying amount of the liability plus the repurchased embedded option to convert is recorded in the income statement.

Convertible bonds are removed from the balance sheet when the obligation specified in the contract is discharged. The difference between the carrying amount of convertible bonds that has been settled and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Equity investments at fair value through other comprehensive income (FVOCI)

Investments in unquoted equity instruments are measured at fair value through other comprehensive income as allowed by IFRS 9. The Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest and dividends income and foreign exchange gains and losses which are recognised in profit or loss. There was no impact of reclassification on the carrying value of its unlisted investment. Please refer to Note 6 for details.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Trade and other receivables

Trade and other receivables are recognised initially at their transaction price in accordance with IFRS 9 and are subsequently measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses (ECL) prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Expected credit losses are assessed on a forward looking basis. The loss allowance is measured at initial recognition and throughout its life at an amount equal to lifetime ECL. Any impairment is recognised in the income statement within 'Administrative expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Cash equivalents are short-term with an original maturity of less than 3 months.

Restricted cash

Restricted cash is disclosed separately on the face of the statement of financial position and denoted as restricted when it is not under the exclusive control of the Group.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method if the time value of money is significant.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Inventories

Inventory is comprised of produced oil and gas and certain materials and equipment that are acquired for future use such as: parts for cars/trucks, field maintenance, overalls, hand-tools, general materials, accessories, small value parts for production equipment. The oil and gas is valued at the lower of average production cost and net realisable value; the materials and equipment inventory is valued at purchase cost. Cost comprises direct materials and, where applicable, direct labour costs plus attributable overheads based on a normal level of activity and other costs associated in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution and any provisions for obsolescence.

Taxation

Income tax expense represents the sum of current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity or in other comprehensive income, in which case the tax is also dealt with in equity or other comprehensive income respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and laws substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when there exists a legal and enforceable right to offset and they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Group that make the strategic decisions.

Pension obligations

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid (hryvnia), and that have terms approximating to the terms of the related obligation. Currently, there is no sufficiently developed market of bonds denominated in hryvnia with a sufficiently long period of repayment which would be consistent with an estimated period of payment of all benefits. In such cases the Standard allows using current market rates to discount respective short-term payments and calculating the discount rate for long-term liabilities by extending the current market rates along the yield curve.

The current service cost of the defined benefit plan, recognised in the Income Statement, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes curtailments and settlements. Past-service costs are recognised immediately in the Income Statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the Income statement.

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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Share options

The group operates an equity-settled, share-based compensation plan, under which the Company receives services from Senior Management as consideration for equity instruments (options) of the group. The fair value of the services received from Senior Management in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the Company's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the company issues new shares or shares held by the JKX Employee Benefit Trust. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

The rules regarding the scheme are described in the Remuneration Report on pages 70 and 71 and in Note 26 on share based payments.

Bonus scheme

The Group operates a bonus scheme for its employees. The bonus payments are made annually, normally in January of each year and the costs are accrued in the period to which they relate.

Pension costs

The Group contributes to the individual pension scheme of the qualifying employees' choice. Contributions are charged to the income statement as they become payable. The Group has no further payment obligations once the contributions have been paid.

Decommissioning

Provision is made for the cost of decommissioning assets at the time when the obligation to decommission arises. Such provision represents the estimated discounted liability for costs which are expected to be incurred in removing production facilities and site restoration at the end of the producing life of each field. A corresponding item of property plant and equipment is also created at an amount equal to the provision. This is subsequently depreciated as part of the capital costs of the production facilities. Any change in the present value of the estimated expenditure attributable to changes in the estimates of the cash flow or the current estimate of the discount rate used are reflected as an adjustment to the provision and the property plant and equipment. Discount rates are based on governmental bonds which will be redeemed around the end of field life. The unwinding of the discount is recognised as a finance cost.

Provisions

Provisions are created where the Group has a present obligation as a result of a past event, where it is probable that it will result in an outflow of economic benefits to settle the obligation, and where it can be reliably measured.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material. Where amounts provided for attract interest reflecting the appropriate time value of money no discounting is applicable. The amounts provided are based on the Group's best estimate of the likely committed outflow.

Revenue recognition

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of control of oil, natural gas, LPG, condensate, and other items sold by the Group usually coincides with title passing to the

customer and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time and the amounts of revenue recognised relating to performance obligations satisfied over time are not material.

Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax ("VAT") and other sales taxes or duty. Production based taxes are not included in revenue, they are paid on production and recorded within cost of sales.

Amounts received in advance for future gas sales are recorded as contract liabilities and revenue is recognised as the performance obligations are met.

Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from share premium, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised in retained earnings.

Repurchased JKX Oil & Gas plc shares are classified as treasury shares in shareholders' equity and are presented in the retained earnings. The consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in retained earnings. No gain or loss is recognised in the financial statements on the purchase, sale, issue or cancellation of treasury shares.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Group is reasonably certain to exercise that option. Lease terms range from two to three years for offices. Service agreements for equipment on the working sites are not considered leases as, based upon an assessment of the terms and nature of their contractual arrangements, the contracts do not convey the right to control the use of an identified asset. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, entity specific incremental borrowing rate. Generally, the Group uses entity specific incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or the effect is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group also made use of the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application.

The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group's well service and rental arrangements in Ukraine for oil and gas extraction activities are outside of the scope of IFRS 16.

The Group did not elect to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Group applied the definition of a lease under IFRS 16 to all existing contracts.

Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

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Exceptional items

Exceptional items comprise items of income and expense, including tax items, that are material either because of their size or their nature and unlikely to recur and which merit separate disclosure in order to provide an understanding of the Group's underlying financial performance. Examples of events which may give rise to the disclosure of material items of income and expense as exceptional items include, but are not limited to litigation claims by or against the Group and the restructuring of components of the Group's operations. Exceptional items are disclosed separately in the notes to the consolidated financial statements.

Critical accounting estimates, assumptions and judgements

The Group makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Recoverability of oil and gas assets and intangible oil and gas costs (Note 5 (a))

Costs capitalised as oil and gas assets in property, plant and equipment, and intangible assets are assessed for impairment when circumstances suggest that the carrying value may exceed its recoverable value. As part of this assessment, management has carried out an impairment test (ceiling test) on the oil and gas assets classified as property, plant and equipment, where indicators of impairment have been identified on a CGU. This test compares the carrying value of the assets at the reporting date with the expected discounted cash flows from each project prepared under the fair value less cost of disposal approach. For the discounted cash flows to be calculated, management has used a production profile based on its best estimate of proven and probable reserves of the assets and a range of assumptions, including an internal oil and gas price profile benchmarked to mean analysts' consensus and third party estimates and a discount rate which, taking into account other assumptions used in the calculation, management considers to be reflective of the risks. This assessment involves judgement as to (i) the likely commerciality of the asset, (ii) proven, probable ('2P') reserves which are estimated using standard recognised evaluation techniques (iii) future revenues and estimated development costs pertaining to the asset, (iv) the discount rate to be applied for the purposes of deriving a recoverable value including estimates of the relevant levels of risk premiums applied to the assets. In cases where impairment tests demonstrate headroom, reversals of impairment charges are not recognised in the Group income statement if the existence of the headroom is sensitive to pricing, production or discount rates.

b) Depreciation of oil and gas assets (Note 5 (a))

Oil and gas assets held in property, plant and equipment are mainly depreciated on a unit of production basis at a rate calculated by reference to proved plus probable reserves and incorporating the estimated future cost of developing and extracting those reserves. Future development costs are estimated using assumptions as to the numbers of wells required to produce those reserves, the cost of the wells, future production facilities and operating costs; together with assumptions on oil and gas realisations based on the approved field development plans.

c) Taxation including rental fees and deferred tax assets (Notes 27 and 28)

Tax provisions are recognised when it is considered probable that there will be a future outflow of funds to the tax authorities. In this case, provision is made/reversed for the amount that is expected to be settled or won. The provision is updated at each reporting date by management by interpretation and application of known local tax laws with the assistance of established legal, tax and accounting advisors. These interpretations can change over time depending on precedent set and circumstances. In addition new laws can come into effect which can conflict with others and, therefore, are subject to varying interpretations and changes which may be applied retrospectively. A change in estimate of the likelihood of a future outflow or in the expected amount to be settled would result in a charge or credit to income in the period in which the change occurs.

Tax provisions are based on enacted or substantively enacted laws. To the extent that these change there would be a charge or credit to income both in the period of charge, which would include any impact on cumulative provisions, and in future periods.

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised that can result in a charge or credit in the period in which the change occurs.

d) Provisions for decommissioning costs (Note 19)

Estimates of the cost of future decommissioning and restoration of production facilities are based on current legal and constructive requirements, technology and price levels, while estimates of when decommissioning will occur depend on assumptions made regarding the economic life of fields which in turn depend on such factors as oil and gas prices, decommissioning costs, discount rates and inflation rates. Management reviewed the estimation process and the basis for the principal assumptions underlying the cost estimates, noting in particular the reasons for any major changes in estimates as compared with the previous year. The Group was satisfied that the approach applied was fair and reasonable. The Group was also satisfied that the discount and inflation rates used to calculate the provision were appropriate. The discount rates were based on government bonds issued in the respective countries.

e) Judgement used in the fair value of unlisted investments (Note 6)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The objective of a fair value measurement is to estimate the price at which an orderly transaction would take place between market participants under the market conditions that exist at the measurement date. IFRS 13 requires that valuation techniques maximise the use of observable inputs and minimise the use of unobservable inputs. The Group has used a market approach to estimate fair value of the unlisted investments. The Group used its judgements to:

- (i) select a valuation method – management considered two valuation methods, market and income, in valuing its investment in UNB, income approach was not selected based on the wide range of information required and a high degree of judgement involved;
- (ii) make assumptions that are based on market conditions existing at the end of the reporting period – two other entities that are similar to the UNB in terms of business activities and location have been selected, assumptions were based on the latest financial information available;
- (iii) management applied its judgement to determine the point in a range of values that is ‘most representative of a fair value’;
- (iv) apply discount to each of the criteria to determine the fair value of UNB.

f) Enforcement of arbitration award (Note 27)

No asset has been recognised in respect of the arbitration award due to the uncertainty inherent in the process for, and likely success of, enforcing collection.

g) Exceptional items (Notes 19 and 27)

Judgment is required when determining whether items meet the definition of ‘exceptional’ under the Group’s accounting policy.

Rental fee demands (Notes 19 and 27)

Provisions and reversals for August to December 2010 and January to December 2015 rental fee claims have been included in ‘exceptional items’ due to their material, specific and unusual nature and the Board considered that it was appropriate to highlight these items to users of the financial statements. In particular, the issues are considered to represent isolated historical disputes that will not recur having related to specific circumstances and discrete periods of time with production based taxes currently paid at standard Ukrainian government rates. Whilst the Board is cognisant that items should not be disclosed as exceptional when they recur, in this instance the Board considered items to be exceptional, because the underlying claims are not anticipated to recur and the additional charges refer to accrual of interest and penalties of the original claims.

Changes in the judgement about the timing of the provision releases: during 2019 provisions were maintained for open cases unless judgments of the Supreme Court of Ukraine had been received in favour of PPC or appeals to this court were considered remote, based on assessment of facts and circumstances at the time. During 2020 the Group has determined that it is now appropriate to release provisions when first and appellate Court rulings have been received in respect of the case (on its merits) in the Group’s favour. In reaching that conclusion Management have considered their experience of the legal process to date, the fact that the Supreme Court checks judgments of the first and appellate Courts and cannot review any new facts or circumstances and have sought advice from external counsel. Accordingly the risk of the lower court judgments on the merits of the case being cancelled are considered very low. Consequently the Group’s Management have released provisions after court judgments of first and appellate instances in favour of PPC.

Non-current assets held for sale and discontinued operations (Note 15)

Reversal of provision for impairment/(provision for impairment) of Hungary has been included as an exceptional item in the profit and loss from discontinued operations for 2019 and 2020 respectively as it was deemed non-recurring. The Group is in the process of disposal of the Hungarian business unit and it is classified as held for sale. Accordingly, given the divestment and withdrawal strategy applicable to Hungary reversal of provision for impairment/(provision for impairment) will not recur.

h) Non-current assets held for sale and discontinued operations (Note 15)

Hungarian business unit has been classified as held for sale for the period of more than 12 months. Judgment is required to determine whether the asset should remain to be classified as held for sale at 31 December 2020.

An extension of the period required to complete the sale does not preclude the asset from being classified as held for sale as the delay is caused by events and circumstances beyond the Group’s control and there is sufficient evidence that the Group remains committed to its plan to sell the asset. Management reviewed the classification criteria as defined by IFRS 5 and confirms that the sale is highly probable and the Group remains committed to its plan to sell the Hungarian business unit.

In February 2021 the Group signed Memorandum of Understanding with a new potential buyer. The sale is expected to qualify for recognition as a completed sale within one year from the date of this Annual report.

4. 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 and, therefore all information is being presented for geographical segments. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments.

There are four (2019: four) reportable operating segments which are based on the internal reports provided to the Chief Operating Decision Maker (‘CODM’), the Group’s Board of Directors. Ukraine and Russia segments are involved with production and exploration; the ‘Rest of World’ are involved in exploration, development and production and the UK is the home of the head office and purchases material, capital assets and services on behalf of other segments.

The Group derives revenue from the transfer of goods at a point in time.

Segment revenue, segment expense and segment results include transfers between segments. Those transfers are eliminated on consolidation.

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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.

2020	UK \$000	Ukraine \$000	Russia \$000	Rest of World ¹ \$000	Sub Total \$000	Eliminations \$000	Total \$000
External revenue							
Revenue by location of asset:							
– Oil	-	15,984	610	-	16,594	-	16,594
– Gas	-	30,496	16,174	-	46,670	-	46,670
– Liquefied petroleum gas	-	5,654	-	-	5,654	-	5,654
– Other	-	697	8	-	705	-	705
	-	52,831	16,792	-	69,623	-	69,623
Inter segment revenue:							
– Management services/other	503	-	-	-	503	(503)	-
	503	-	-	-	503	(503)	-
Total revenue	503	52,831	16,792	-	70,126	(503)	69,623
Profit/(loss) before tax:							
Profit/(loss) from operations	(4,138)	27,455	2,042	(84)	25,275	40	25,315
Finance income					487	-	487
Finance cost					(951)	-	(951)
					24,811	40	24,851
Assets							
Property, plant and equipment	206	96,065	77,642	-	173,913	-	173,913
Investment	500	-	-	-	500	-	500
Deferred tax	-	-	9,451	-	9,451	-	9,451
Inventories	-	2,976	1,382	-	4,358	-	4,358
Trade and other receivables	245	1,409	2,001	6	3,661	-	3,661
Cash and cash equivalents	2,101	16,378	2,569	3,281	24,329	-	24,329
Total assets ¹	3,052	116,828	93,045	3,287	216,212	-	216,212
Total liabilities ¹	(1,065)	(37,281)	(3,899)	(5)	(42,250)	-	(42,250)
Non cash expense (other than depreciation and impairment)	33	-	-	-	33	-	33
Exceptional item – net reversal of provision for production based taxes	-	13,543	-	-	13,543	-	13,543
Increase in property, plant and equipment and intangible assets	-	10,564	734	-	11,298	-	11,298
Depreciation, depletion and amortisation	(155)	(12,122)	(5,635)	-	17,912	-	17,912

¹ Total assets and liabilities exclude assets and liabilities of the Hungarian disposal group classified as held for sale. Please refer to Note 15 for details.

Major customers	2020 \$000	2019 \$000
Ukraine	9,751	-
Russia	16,111	17,231

There are two customers, one in Ukraine and one in Russia that exceeds 10% of the Group's total revenues (2019: one customer in Russia that exceeds 10% of the Group's total revenues).

2019	UK \$000	Ukraine \$000	Russia \$000	Rest of World ¹ \$000	Sub Total \$000	Eliminations \$000	Total \$000
External revenue							
Revenue by location of asset:							
– Oil	-	24,339	701	-	25,040	-	25,040
– Gas	-	52,319	16,750	-	69,069	-	69,069
– Liquefied petroleum gas	-	6,562	-	-	6,562	-	6,562
– Other	-	1,055	18	-	1,073	-	1,073
	-	84,275	17,469	-	101,744	-	101,744
Inter segment revenue:							
– Management services/other	1,650	-	-	-	1,650	(1,650)	-
	1,650	-	-	-	1,650	(1,650)	-
Total revenue	1,650	84,275	17,469	-	103,394	(1,650)	101,744
Profit/(loss) before tax:							
Profit/(loss) from operations	(6,922)	37,544	1,052	(236)	31,438	112	31,550
Finance income					857	-	857
Finance cost					(2,054)	-	(2,054)
Derivative liability written-off					62	-	62
					30,303	112	30,415
Assets							
Property, plant and equipment	365	116,734	98,629	-	215,728	-	215,728
Investment	500	-	-	-	500	-	500
Deferred tax	-	(172)	8,184	-	8,012	-	8,012
Inventories	-	5,295	1,620	-	6,915	-	6,915
Trade and other receivables	349	1,603	1,973	6	3,931	-	3,931
Cash and cash equivalents	9,496	9,571	1,414	148	20,629	-	20,629
Total assets ¹	10,710	133,031	111,820	154	255,715	-	255,715
Total liabilities ¹	(7,323)	(57,980)	(7,027)	(30)	(72,360)	-	(72,360)
Non cash expense (other than depreciation and impairment)	229	214	118	-	561	-	561
Exceptional item – net reversal of provision for production based taxes	-	8,410	-	-	8,410	-	8,410
Increase in property, plant and equipment and intangible assets	-	20,850	9,104	-	29,954	-	29,954
Depreciation, depletion and amortisation	246	13,049	5,922	-	19,217	-	19,217

¹ Total assets and liabilities exclude assets and liabilities of the Hungarian disposal group classified as held for sale. Please refer to Note 15 for details.

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5. Property, plant and equipment and Intangible assets

5.(a) Property, plant and equipment

	Oil and gas fields Ukraine \$000	Gas field Russia \$000	Right-of use assets - coil tubing Russia ¹ \$000	Other assets \$000	Right-of use assets - properties ¹ \$000	Total \$000
2020						
Group						
Cost						
At 1 January	697,472	225,408	2,159	19,001	1,353	945,393
Additions during the year	9,368	505	-	1,248	177	11,298
Foreign exchange	(113,186)	(36,452)	(420)	(639)	(160)	(150,857)
Disposal of property, plant and equipment	-	-	-	(204)	-	(204)
At 31 December	593,654	189,461	1,739	19,406	1,370	805,630
Accumulated depreciation, depletion and amortisation and provision for impairment						
At 1 January	582,383	128,545	1,177	17,228	332	729,665
Depreciation on disposals of property, plant and equipment	-	-	-	(124)	-	(124)
Foreign exchange	(94,425)	(20,625)	(281)	(362)	(43)	(115,736)
Depreciation charge for the year	11,724	4,563	843	403	379	17,912
At 31 December	499,682	112,483	1,739	17,145	668	631,717
Carrying amount						
At 1 January	115,089	96,863	982	1,773	1,021	215,728
At 31 December 2020	93,972	76,978	-	2,261	702	173,913

¹ Right-of use assets relating to the Group's oil and gas assets and property leases have been reclassified to be presented separately. Please refer to Note 13 for the full disclosure on the Right-of-use assets.

Oil and gas fields in Ukraine and Russia include \$7.9m and nil respectively relating to items under construction (2019: \$7.8m and \$0.6m).

	Oil and gas assets					Total \$000
	Oil and gas fields Ukraine \$000	Gas field Russia \$000	Right-of use assets - coil tubing Russia ¹ \$000	Other assets \$000	Right-of use assets- properties ¹ \$000	
2019						
Group						
Cost						
At 1 January	578,094	192,952	-	17,755	-	788,801
Application of IFRS 16 – Right-of-use assets	-	-	2,159	-	907	3,066
Additions during the year	19,924	8,887	-	1,143	446	30,400
Foreign exchange	99,454	23,579	-	510	-	123,543
Disposal of property, plant and equipment	-	(10)	-	(407)	-	(417)
At 31 December	697,472	225,408	2,159	19,001	1,353	945,393
Accumulated depreciation, depletion and amortisation and provision for impairment						
At 1 January	486,258	110,621	-	16,810	-	613,689
Depreciation on disposals of property, plant and equipment	-	(10)	-	(195)	-	(205)
Foreign exchange	83,397	13,327	-	240	-	96,964
Depreciation charge for the year	12,728	4,607	1,177	373	332	19,217
At 31 December	582,383	128,545	1,177	17,228	332	729,665
Carrying amount						
At 1 January	91,836	82,331	-	945	-	175,112
At 31 December 2019	115,089	96,863	982	1,773	1,021	215,728

¹ Right-of use assets relating to the Group's oil and gas assets and property leases have been reclassified to be presented separately. Please refer to Note 13 for the full disclosure on Right-of-use assets.

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5.(b) 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 Ukrainian assets due to the significantly lower gas sales prices in 2020, and in relation to both Ukrainian and Russian assets due to the carrying amount of the Group net assets exceeding the Company's market capitalisation.

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. The impairment tests were performed based on conditions as at year end.

Impairment test for the Ukrainian oil and gas assets

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 (Zaplavaska) in the Poltava region of Ukraine.

The Ignativske, Movchanivske, Rudenkivske, Novomykolaivske production licences contain one or more distinct fields which, together with the Zaplavaska 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 Ukrainian 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 Ukrainian hryvnia being the currency in which future cash flows from NNC and Elyzavetivske will be generated.

Key Assumptions – NNC and Elyzavetivske

The key assumptions used in the impairment testing were:

- Production profiles: these were based on the latest available information assessed internally. Such information included 2P reserves for NNC and Elyzavetivske of 22.4 MMboe and 2.3 MMboe, respectively.
- Economic life of field: it was assumed that the title to the licences is retained based on legal right 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 2039). The economic life of the Elyzavetivske field is currently expected to be around 2034 as per management's current expectation.
- 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 international oil prices. The gas price used for 2021 is based on estimates of gas prices to be realised by our Ukrainian subsidiary determined considering external market forecasts as at year end with consideration given the applicability or otherwise of relevant pricing adjustments for the local market. For the period of the model a forward gas price curve was used.
- Oil prices: the Company used a forward price curve as at year end for the next ten years and remaining constant thereafter.
- Production taxes: the Company has assumed production tax rates of 29% for gas and 31% for oil and condensate. A gas tax rate of 12% is applied to wells drilled since 1 January 2018.
- 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 16.6%. 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 recoverable amount of NNC's oil and gas assets (\$114.5m) exceeds its carrying amount (\$84.4m) by \$30.1m and therefore NNC's oil and gas assets were not impaired.
- Elyzavetivske's recoverable amount (including the West Mashivska extension) (\$19.1m) exceeds its carrying amount (\$9.3m) by \$9.8m, and therefore the CGU's oil and gas assets were not impaired.

Sensitivity analysis for the NNC and Elyzavetivske

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 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, future capital expenditure and post-tax discount rates, all other inputs remaining equal, would be as follows:

		NNC Increase/(decrease) in headroom of \$29.3 for NNC CGU \$m	Elyzavetivske Increase/(decrease) in headroom of \$9.5m for Elyzavetivske CGU \$m
Impact if gas and oil prices:	increased by 20%	38.7	5
	reduced by 20%	(38.8)	(5.1)
Impact if gas and oil production volumes:	increased by 10%	25.5	2.5
	decreased by 10%	(25.5)	(2.5)
Impact if future capital expenditure:	increased by 20%	(14.2)	(0.0)
	decreased by 20%	14.2	0.0
Impact if post-tax discount rate:	increased by 2 percentage points to 18.6%	(10.3)	(0.9)
	decreased by 2 percentage points to 14.6%	11.9	1.0

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.

In accordance with IAS 36, the impairment review has 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 assessed internally including assessment of the results of external reserve engineer audits in the year. Such information included 2P reserves for YGE of 58.9 MMboe.
- Economic life of field: it was assumed that YGE will be successful in extending the licence term beyond its current 2026 expiration based on available legal right to the economic life of the field (expected to be around 2063). 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: from 1 July 2021 and annually thereafter, the gas prices have been increased by 3.0% based on historical experience.
- 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 12.1%. 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 (\$96.8m) exceeds its carrying amount of CGU's assets (\$89.5m) by \$7.3m 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 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:

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Sensitivity Analysis

		Increase/(decrease) in headroom of \$20.0m for Yuzhazenergie CGU \$m
Impact of Adygean gas price:	growth rates increased by 10% annually	8.9
	growth rates reduced by 10% annually	(8.1)
Impact of production volumes:	Increased by 10%	19.4
	Decreased by 10%	(19.3)
Impact of future capital expenditure:	Increased by 20%	(5.1)
	Decreased by 20%	5.2
Impact of post-tax discount rate:	Increased by 1 percentage point to 13.1%	(6.6)
	Decreased by 1 percentage point to 11.1%	7.6

6. Investments

The carrying value of unlisted investments comprises:

	2020 \$000	2019 \$000
PJSC of "Mining Company Ukrnaftoburinnya"	-	-
Linx Telecommunications Holding B.V.	500	500
	500	500

Group unquoted equity investments comprise a 10% holding of the ordinary share capital of PJSC of "Mining Company Ukrnaftoburinnya" ("UNB"), a Ukrainian oil and gas company, and a 1.43% holding of the ordinary share capital of Linx Telecommunications Holding B.V. ("Linx"), a Netherlands telecommunications company. These investments were previously measured at cost as allowed by IAS 39 (paragraph 46 (c)) and were fully impaired at 31 December 2017 and had been for several years.

As of 1 January 2018 the Group's investments in equity instruments were reclassified to financial assets at fair value through other comprehensive income in accordance with the provisions of IFRS 9. The Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

At 31 December 2020 the carrying value of UNB remained fully impaired following assessment by the Board considering relevant available information and valuation techniques, reflecting:

- the lack of liquidity in the shares of UNB and considerations regarding the nature of markets for such an investment;
- the absence of any history of dividends or other returns on the investment since acquisition in 2006 and the significant uncertainty regarding future returns;
- the absence of regular formal communication with UNB;
- the level of uncertainty regarding any market valuation method based on quoted Ukrainian oil and gas companies given key differences in the respective businesses and corporate structures;
- the limited number of quoted Ukrainian oil and gas companies that can be used for the market valuation approach, defined in IFRS 13; and
- a paper prepared by a specialist third party advisor to the Board of Directors noted the limited number of likely parties potentially interested in purchasing the investment and the difficulties in determining the consideration for which the investment might be disposed generally.

At 31 December 2020 the carrying value of Linx was reported as \$0.5m (2019: \$0.5m), with this valuation being based upon management's expectation of future and final dividends to be received from Linx in 2021. Management attends Linx shareholder meetings and is in regular communication with its management. Management understands that Linx continues to dispose of its businesses units and dividend out all proceeds to shareholders prior to a liquidation of the company. Previously dividends were received during 2017 and 2019 of \$0.1m and \$0.03m respectively after disposals of other business units. During 2020 the management was informed about the negotiations that are ongoing with a potential buyer for the other significant business units. The carrying value of \$0.5m is consistent with Linx management expectations of consideration to be received for disposal of the remaining business units and also with the most recent financial statements of Linx.

7. Inventories

	2020 \$000	2019 \$000
Warehouse inventory and materials	3,233	4,056
Oil and gas inventory	1,125	2,859
	4,358	6,915

During the year there were no obsolete inventories written off to profit and loss (2019: there were no obsolete inventories written off to profit and loss).

8. Trade and other receivables

	2020 \$000	2019 \$000
Trade receivables	2,019	2,221
Less: ECLs	(348)	(423)
Trade receivables – net	1,671	1,798
Other receivables	166	160
VAT receivable	228	639
Prepayments	1,596	1,334
	3,661	3,931

As of 31 December 2020, trade and other receivables of \$0.3m (2019: \$0.4m) were past due and full expected credit loss (“ECL”) provision was recognised with the asset considered credit impaired. The amount of the provision was \$0.3m (2019: \$0.4m). This receivable relates to a single gas customer, which is more than four years past due. Legal proceedings were initiated in Q4 of 2016 and finished in Q3 of 2018 in favour of the Company. The Company is seeking collection of the amount outstanding, but significant uncertainty remains over the collection (\$0.1m was collected in 2019).

As of 31 December 2020, trade and other receivables of \$3.6m (2019: \$3.9m) were current and not impaired. There is no difference between the carrying value of trade and other receivables and their fair value.

The carrying amounts of the Group’s trade and other receivables are denominated in the following currencies:

	2020 \$000	2019 \$000
US Dollar	6	11
Sterling	3	-
Euros	1	1
Ukrainian Hryvnia	23	148
Russian Roubles	1,804	1,798
	1,837	1,958

9. Cash and cash equivalents

	2020 \$000	2019 \$000
Cash	22,858	12,495
Short term deposits	1,471	8,134
	24,329	20,629

Short term deposits held comprised amounts held on deposit, but were readily convertible to cash.

10. Trade and other payables

	Note	2020 \$000	2019 \$000
Current			

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Trade payables	1,218	3,894
Other payables	150	298
Contract liabilities	(a) 2,433	2,111
Other taxes and social security costs	1,956	2,435
VAT payable	1,444	1,993
Accruals	2,131	3,427
	9,332	14,158
Current		
Lease liabilities	401	1,461
Non-Current		
Lease liabilities	358	628
(a) Contract liabilities	2020 \$000	2019 \$000
At 1 January	2,111	3,273
Amounts included in contract liabilities that was recognised as revenue during the period	-	(1,848)
Cash received in advance of performance and not recognised as revenue during the period	265	-
Foreign exchange	57	686
	2,433	2,111

Contract liabilities are included within "trade and other payables" on the face of the statement of financial position. They arise from the Group's oil and gas forward sales, which enter into contracts that can take a few months to complete.

11. Borrowings

	2020 \$000	2019 \$000
Current		
Convertible bonds due 2020	-	5,683
Term-loans repayable within one year	-	5,683

Convertible bonds due 2020 (the final payment to Bondholders was made on 19 February 2020)

On 19 February 2013 the Company successfully completed the placing of \$40m of guaranteed unsubordinated convertible bonds with institutional investors which were due 2018 (prior to restructuring) raising cash of \$37.2m net of issue costs.

Prior to restructuring the Bonds had an annual coupon of 8 per cent per annum payable semi-annually in arrears.

The Bonds were 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 2020 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).

The Company made the final payment to Bondholders on 19 February 2020 in accordance with the terms and conditions of the Bond.

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 was removed; and
- the Company were to 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.

On 19 February 2018 the Company made a payment of the first instalment to Bondholders of \$5.3m (33% of the principal amount of the Bonds), together with the final accretion payment of \$0.5m (3.0% of the principal amount of the Bonds) and interest of \$1.1m. On 19 February 2019 the Company made a payment of the second instalment to Bondholders of \$5.3m (33% of the principal amount of the Bonds), together with \$0.7m interest payment in accordance with the terms and conditions of the Bond. On 19 August 2019 the Company made interest payment of \$0.4m in accordance with the terms and conditions of the Bond. On 19 February 2020 the Company made the final payment of the third instalment to Bondholders of \$5.4m (34% of the principal amount of the Bonds), together with \$0.4m interest payment in accordance with the terms and conditions of the Bond.

Credit facility

On 11 December 2019, PPC, our subsidiary in Ukraine, renewed a 12 month revolving credit line from Tascombank for UAH280m (originally secured 15 December 2017 for UAH150 m). At 31 December 2020 the total short-term line of credit amounted to \$9.9m at an exchange rate of \$1: 28.27 (2019: \$11.8m at an exchange rate of \$1: 23.69 Hryvnia). The amount outstanding at 31 December 2020 was nil (2019: nil), so the undrawn portion totaled \$9.9m (2019: \$11.8m). The facility will be available through December 2021 (subject to planned renewal after this date, if required) and draw downs are subject to certain bank credit approvals. In addition PPC holds a UAH50m (\$1.8m) overdraft facility which remains undrawn and was renewed until 13 December 2021.

The main terms and conditions of the revolving credit line with Tascombank are as follows:

- drawdowns can be made either in USD or UAH and are individually subject to credit approval by the lender;
- interest rate cost for USD drawn down is 9%;
- interest rate cost for UAH drawn down: 17.0% to 30 days, 17.50% 31 to 90 days, 20.00% 91 to 180 days, 21.00% 181 to 365 days;
- borrowing above UAH90m, equivalent to \$3.2m at 31 December 2020 (2019: \$3.8m) will require a corporate guarantee from JKX Oil & Gas Plc. The corporate guarantee provided by the JKX Oil & Gas plc in respect of the credit facility with Tascombank is considered to be an insurance contract under the provisions of IFRS 4;
- assets with a market value of UAH460m, equivalent to \$16.3m at 31 December 2020 (2019: UAH460m, equivalent to \$19.4m) have been identified for use as a collateral, collateral is to be provided only on a drawdown; and
- amount borrowed will be repaid during the last 4 months, by equal-sized monthly payments, to be effected on the last day of the month/the last day of the credit limit period. Last date of repayment for the last part of amount borrowed is 13 December 2021.

The credit facility of \$9.9m (2019: \$11.8m) includes two financial covenants. If the covenants are not met an additional interest of 2% applies to the facility but failure to meet covenants does not represent an event of default:

- to keep gross margin at no less than 50% during the period of the credit facility agreement, based on PPC's financial reporting results. This covenant was not met, however this did not result in additional interest of 2% being applied as the credit facility was not used during the year ended 31 December 2020.
- starting from the first quarter of 2019 and during the period of the credit facility agreement, PPC is to maintain the ratio between financial (interest) debt and EBITDA (adjusted to the annual value) at no more than 3.0. This covenant has been met as PPC had no debt during the year ended 31 December 2020.

In July 2020 PPC also signed a \$5.0m loan facility agreement with Alfa-Bank valid for 3 years. The loan facility cannot exceed \$5.0m, calculated at a fixed at the date of agreement exchange rate of \$27.6647.

The main terms and conditions of the loan facility with Alfa-Bank are as follows:

- drawdowns can be made either in USD, EUR or UAH and are individually subject to credit approval by the lender;
- interest rate cost for USD drawn down is 4.9%, based on 2 months repayment;
- interest rate cost for EUR drawn down 4.4%, based on 2 months repayment;
- interest rate cost for UAH drawn down 11.3%, based on 2 months repayment;
- full loan facility will require a corporate guarantee from JKX Oil & Gas Plc. The corporate guarantee provided by the JKX Oil & Gas plc in respect of the credit facility with Alfa-Bank is considered to be an insurance contract under the provisions of IFRS 4;
- collateral shall be properly documented and provided in advance, the tranche cannot be granted otherwise; and
- each amount borrowed shall be repaid within 2 months from the date when the tranche is agreed (agreed by signing of an additional agreement). The last date of the agreed loan facility is 21 July 2023.

Significant financial penalties:

- the non-payment penalty is 0.2% per day of the overdue amount but no more than National Bank of Ukraine (NBU) double discount rate;
- if the covenants are not met (for each case) an additional interest of 0.1% applies to the facility; and
- if the amount of the loan facility is not used for the purpose indicated in the loan facility agreement PPC is liable to pay 25% of the amount used not for the purpose indicated in the loan facility agreement.

Significant financial covenants:

All covenants listed below have been met during the year ended 31 December 2020.

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- EBITDA – should not be less than Nil at the end of each quarter during the period of the loan facility agreement;
- Debt to EBITDA ratio – should be no more than 3.0 at the end of each quarter during the period of the loan facility agreement; and
- EBITDA to Financial costs (Interest) ratio – should be not less than 2.0 at the end of each quarter during the period of the loan facility agreement.

12. Derivatives

	2020 \$000	2019 \$000
Non-current derivative financial instruments		
At the beginning of the year	-	62
Derivative liability written-off	-	(62)
At the end of the year	-	-

Convertible bonds due 2020 – embedded derivatives (the final payment to Bondholders was made on 19 February 2020)

Company Call Option

The Company could redeem the Bonds at any time in full but not in part at their principal amount plus one semi-annual coupon plus any accrued interest. If the Bonds were called prior to 19 February 2020, the redemption price would also include an additional U.S. \$6,000 per Bond.

The Company could redeem the Bonds any time in full but not in part at their principal amount plus any accrued interest 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.

Following the final payment of the Bond made to Bondholders on 19 February 2020 (see Note 11) the derivative of \$0.1m was written off to the income statement at 31 December 2019 as its fair value was negligible at year end.

13. Leases

This note provides information for leases where the Group is a lessee.

The balance sheet shows the following amounts relating to leases:

	1 January 2020 \$000	Right-of-use asset recognised during the year \$000	Foreign exchange on assets recognised \$000	Depreciation charge for the year \$000	Foreign exchange on depreciation \$000	31 December 2020 \$000
Oil and gas asset – coil tubing	982	-	(420)	(843)	281	-
Properties	1,021	177	(160)	(379)	43	702
Total	2,003	177	(580)	(1,222)	324	702

	1 January 2019 \$000	Right-of-use asset recognised during the year \$'000	Depreciation charge for the year \$000	31 December 2019 \$000
Oil and gas asset – coil tubing	2,159	-	(1,177)	982
Properties	907	446	(332)	1,021
Total	3,066	446	(1,509)	2,003

	31 December 2020 \$000	31 December 2019 \$000
Lease liabilities		
Current	401	1,461
Non-current	358	628
Total	759	2,089

The income statement shows the following amounts relating to leases:

	31 December 2020 \$000	31 December 2019 \$000
Interest on lease liabilities (included in finance cost)	197	254
Depreciation	1,222	1,509
Expenses relating to short-term leases (included in administrative expenses)	61	235
Expenses relating to low-value assets, excluding short-term leases of low-value assets (included in administrative expenses)	37	31
Total	295	520

	31 December 2020 \$000	31 December 2019 \$000
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	1,661	1,776

When measuring lease liabilities, the Group discounted lease payments using entity specific incremental borrowing rates. The weighted-average rate applied is 17%.

14. Financial instruments

Fair values of financial assets and financial liabilities - Group

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction. Where available, market values have been used (this excludes short term assets and liabilities).

	Book and Fair Value 2020 \$000	Book Value 2019 \$000	Fair Value 2019 \$000
Financial assets			
Cash and cash equivalents (Note 9) – classified at amortised cost	24,329	20,629	20,629
Trade receivables (Note 8) – classified at amortised cost	1,671	1,798	1,798
Other receivables (Note 8) – classified at amortised cost	166	160	160
Financial liabilities			
Trade payables (Note 10) - carried at amortised cost	1,218	3,894	3,894
Other payables (Note 10) - carried at amortised cost	150	298	298
Accruals (Note 10) - carried at amortised cost	1,839	3,080	3,080
Borrowings – convertible bonds due 2020 (Note 11) - carried at amortised cost (current)	-	5,683	5,683
Lease liabilities	759	2,089	2,089

The Group had no borrowings at 31 December 2020. Financial liabilities measured at amortised cost were carried at \$4.0m at 31 December 2020 (2019: \$15.0m).

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Credit risk - Group

The Group has policies in place to ensure that sales of products are made to customers with appropriate credit worthiness. The Group limits credit risk by assessing creditworthiness of potential counterparties before entering into transactions with them and continuing to evaluate their creditworthiness after transactions have been initiated. Where appropriate, the use of prepayment for product sales limits the exposure to credit risk. There is no difference between the carrying amount of trade and other receivables and the maximum credit risk exposure.

The maximum financial exposure due to credit risk on the Group's financial assets, representing the sum of cash and cash equivalents, trade receivables and other current assets, as at 31 December 2020 was \$26.2m (2019: \$22.6m).

Capital management - Group

The Directors determine the appropriate capital structure of the Group specifically, how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's business strategy.

The Group's policy as to the level of equity capital and reserves is to ensure that it maintains a strong financial position and low gearing ratio which provides financial flexibility to continue as a going concern and to maximise shareholder value. The capital structure of the Group consists of shareholders' equity together with net cash. The Group's funding requirements are met through a combination of equity and operational cash flow. The Group is debt free and benefits from undrawn credit facilities (see Note 11).

Net cash

Net cash comprises: borrowings disclosed in Note 11 and total cash in Note 9 and excludes derivatives. Equity attributable to the shareholders of the Company comprises issued capital, other reserves and retained earnings (see Consolidated statement of changes in equity).

The capital structure of the Group is as follows:

	2020 \$000	2019 \$000
Convertible bonds due 2020 (Note 11)	-	(5,683)
Total cash (Note 9)	24,329	20,629
Net cash	24,329	14,946
Total shareholders' equity	176,862	186,255

Liquidity risk - Group

The treasury function is responsible for liquidity, funding and settlement management under policies approved by the Board of Directors. Liquidity needs are monitored using regular forecasting of operational cash flows and financing commitments. The Group maintains a mixture of cash and cash equivalents and committed facilities in order to ensure sufficient funding for business requirements.

The following tables set out details of the expected contractual maturity of non-derivative financial liabilities. The tables include both interest and principal cash flows on an undiscounted basis. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

The maturity analysis for financial liabilities was as follows:

	Within 3 months \$000	3 months - 1 year \$000	1 - 2 years \$000	2 - 5 years \$000
Group - 31 December 2020				
Maturity of financial liabilities				
Trade payables (Note 10)	1,218	-	-	-
Other payables (Note 10)	150	-	-	-
Accruals (Note 10)	1,839	-	-	-
Lease liabilities	149	382	258	211

Group - 31 December 2019	Within 3 months \$000	3 months - 1 year \$000	1 - 2 years \$000	2 - 5 years \$000
Maturity of financial liabilities				
Trade payables (Note 10)	3,894	-	-	-
Other payables (Note 10)	298	-	-	-
Accruals (Note 10)	3,080	-	-	-
Borrowings – Convertible bonds due 2020	5,683	-	-	-
Lease liabilities	484	1,294	392	342

Interest rate risk profile of financial assets and liabilities - Group

Fixed rate interest was charged on the Group's convertible bond (see Note 11). The interest rate profile of the other financial assets and liabilities of the Group as at 31 December is as follows (excluding short-term assets and liabilities, non-interest bearing):

Group – 31 December	2020 Within 1 Year \$000	2019 Within 1 Year \$000
Floating rate		
Short term deposits (Note 9)	1,471	8,134
Other receivables (Note 8)	1,671	160
Other payables (Note 10)	150	298

Floating rate financial assets comprise cash deposits placed on money markets at call, seven day and monthly rates.

Interest rate sensitivity - Group

The sensitivity analysis below has been determined based on the exposure to interest rates on our short term deposits at the reporting date.

If interest rates had been 1 per cent higher/lower and all other variables were held constant, the Group's profit (2019: profit) after tax and net assets for the year ended 31 December 2020 would increase/decrease by \$5,000 (2019: \$12,000). 1 per cent is the sensitivity rate used as it best represents management's assessment of the possible change in interest rates that could apply to the Group.

Foreign currency exposures - Group

The table below shows the extent to which the Group has monetary assets and liabilities in currencies other than the functional currency of the operating company involved. These exposures give rise to the net currency gains and losses recognised in the income statement.

As at 31 December the asset/(liability) foreign currency exposures were:

	2020 \$000	2019 \$000
Sterling	700	675
Euros	4,254	1,086
Ukrainian Hryvnia	4,395	5,470
Bulgarian Leva	-	41
Russian Roubles	4,164	(368)
Total net	13,513	6,904

¹ Foreign currency exposures do not include Hungarian Forints, as Hungary is included under "assets held for sale" in the Statement of financial position.

Foreign currency sensitivity - Group

The Group is mainly exposed to the currency fluctuations of Ukraine (Hryvnia), Russia (Rouble) and UK (Sterling). The sensitivity analysis principally arises on money market deposits and working capital items held at the reporting date.

The following table details the Group's sensitivity to a 19 per cent (2019: 10 per cent) increase and decrease in the US Dollar against Sterling and against Hryvnia and Rouble, all other variables were held constant. Due to the historically significant foreign currency fluctuation in the UK, Ukraine and Russia 19 per cent has been used to calculate sensitivity for Sterling, Hryvnia and Rouble. 19 per cent (2019: 10 per cent) is the sensitivity rate that best represents management's assessment of the possible change in the foreign exchange rates affecting the Group. A positive number below indicates an increase in profit and equity when the US Dollar weakens

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against the relevant currency. For a strengthening of the US Dollar against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Hryvnia 2020 \$000	Hryvnia 2019 \$000	Rouble 2020 \$000	Rouble 2019 \$000	Sterling 2020 \$000	Sterling 2019 \$000
Profit/(loss) for the year and Equity						
19 per cent strengthening of the US Dollar/ (2019: 10 per cent)	(835)	(547)	(791)	37	(133)	(67)
19 per cent weakening of the US Dollar/(2019: 10 per cent)	835	547	791	(37)	133	67

Commodity risk and sensitivity - Group

The Group's earnings are exposed to the effect of fluctuations in oil, gas and condensate prices and the risks relating to their fluctuation in are discussed on pages 36 - 37, together with the discussion of financial risk factors. The Group's oil, gas and condensate is sold to local trading companies through market related contracts.

The Group is a price taker and does not enter into commodity hedge agreements unless required for borrowing purposes which may occur from time to time. Therefore no sensitivity analysis has been prepared on the exposure to oil, gas or condensate prices for outstanding monetary items at the 31 December 2020 as there is no impact on any outstanding amounts.

15. Discontinued operations and assets classified as held for sale

In early February 2018 the Group announced its intention to exit its oil and gas operations in Hungary and initiated an active programme to dispose of its Hungarian business.

On 9 March 2020 the company announced that it had agreed terms for the disposal of the entire share capital of Hungarian business. Following pandemic related delays the Group received notification that the relevant Hungarian authorities have refused the necessary consent to the transaction pursuant to legislation introduced as a result of the current COVID-19 pandemic. Consequently, the transaction did not proceed.

The Hungarian business unit has been classified as held for sale for the period of more than 12 months.

An extension of the period required to complete the sale does not preclude the asset from being classified as held for sale as the delay is caused by events and circumstances beyond the Group's control. Management reviewed the classification criteria as defined by IFRS 5 and confirms that the sale is highly probable and the Group remains committed to its plan to sell the Hungarian business unit.

In February 2021 the Group signed Memorandum of Understanding with a new potential buyer in the amount of \$2.9m. The purpose of this Memorandum is to establish the responsibilities/next steps of the parties in order to successfully conclude the possible deal, subject to the agreement and execution of a legally binding acquisition agreement.

The associated assets and liabilities were presented as held for sale in the financial statements at 31 December 2018 and remains as such at 31 December 2019 and 31 December 2020. Prior to the reclassification assets were measured at the lower of carrying amount and fair value less costs to sell.

The financial performance and cash flow information presented are for periods ended 31 December 2020 and 31 December 2019.

	31 December 2020 \$000	31 December 2019 \$000
Revenue	-	133
Exceptional item - reversal of provision for impairment of Hungary	-	2,232
Royalties	-	(25)
Other cost of sales	-	(369)
Total cost of sales	-	1,971
Exceptional item - provision for impairment of Hungary	(322)	-
Administrative expenses	(669)	(11)
(Loss)/gain on foreign exchange	(11)	44
(Loss)/profit from operations and before tax	(1,002)	2,004
(Loss)/profit for the year	(1,002)	2,004
Net cash inflow/(outflow) from operating activities	300	(176)

Effect of exchange rates on cash and cash equivalents	-	-
Net cash generated/(used) by the subsidiary	300	(176)

The following assets and liabilities were classified as held for sale in relation to the discontinued operation as at 31 December 2020 and 2019.

	31 December 2020 \$000	31 December 2019 \$000
Assets and liabilities of disposal group classified as held for sale		
Assets classified as held for sale		
Property, plant and equipment	1,911	2,232
Trade and other receivables	879	859
Cash	396	96
Total assets of disposal group held for sale	3,186	3,187
Liabilities of the disposal group classified as held for sale		
Trade and other payables	(86)	(87)
Abandonment provision	(200)	(200)
Total liabilities of disposal group held for sale	(286)	(287)
Net assets	2,900	2,900

16. JKX Employee Benefit Trust

In 2013, JKX Employee Benefit Trust was established and acquired 5,000,000 of shares in JKX Oil & Gas plc at a cost of \$4.0m for the purpose of making awards under the Group's employee share schemes and these shares have been classified in the statement of financial position as treasury shares within retained earnings.

During 2019 JKX Employee Benefit Trust sold 1,186,547 shares at an average price of £0.30 per share. 180,525 shares were used in 2019 to settle share options, out of which 48,660 were sold in order to cover National insurance cost, therefore at 31 December 2019 JKX Employee Benefit Trust held 3,632,928 shares in JKX Oil & Gas plc. During January 2020 JKX Employee Benefit Trust sold its remaining 3,632,928 shares at an average price of £0.28 per share.

17. Share capital

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

	2020 Number	2020 £000	2020 \$000	2019 Number	2019 £000	2019 \$000
Authorised						
Ordinary shares of 10p each	300,000,000	30,000	-	300,000,000	30,000	-
Allotted, called up and fully paid						
Balance at 1 January and 31 December	172,125,916	17,212	26,666	172,125,916	17,212	26,666

Of which the following are shares held in treasury:

Treasury shares held at 1 January and 31 December	402,771	40	77	402,771	40	77
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The Company did not purchase any treasury shares during 2020 (2019: none) and no treasury shares were used in 2020 (2019: none) to settle share options. There are no shares reserved for issue under options or contracts. As at 31 December 2020 the market value of the treasury shares held was \$0.2m (2019: \$0.1m).

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18. Other reserves

	Merger reserve \$000	Capital redemption reserve \$000	Foreign currency translation reserve \$000	Post- employment benefit obligation reserve \$000	Equity investments with FVOCI reserve \$000	Total \$000
At 1 January 2020	30,680	587	(182,054)	(449)	500	(150,736)
Exchange differences arising on translation of overseas operations	-	-	(30,431)	-	-	(30,431)
Remeasurement of post-employment benefit obligations	-	-	-	(115)	-	(115)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	-	-
At 31 December 2020	30,680	587	(212,485)	(564)	500	(181,282)
At 1 January 2019	30,680	587	(203,535)	(355)	-	(172,623)
Exchange differences arising on translation of overseas operations	-	-	21,481	-	-	21,481
Remeasurement of post-employment benefit obligations	-	-	-	(94)	-	(94)
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-	-	500	500
At 31 December 2019	30,680	587	(182,054)	(449)	500	(150,736)

Merger reserve was created on 30 May 1995 when JKK Oil & Gas plc acquired the issued share capital of JP Kenny Exploration & Production Limited for the issue of ordinary shares and represents the difference between the fair value of consideration given for the shares and the nominal value of those instruments.

Capital redemption reserve relates to the buyback of shares in 2002, there have been no additional share buy-backs since this time.

Equity investments with FVOCI reserve includes movements that relate to changes in the fair value of unlisted investments in equity.

Foreign currency translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not the US Dollar.

During 2020, the Russian Rouble ('RR') weakened by approximately 19% from RR61.91/\$ to RR73.88/\$ (2019: strengthened by approximately 11% from RR69.47/\$ to RR61.91/\$). Ukrainian Hryvnia ('UAH') weakened by approximately 19% from UAH 23.69/\$ to UAH 28.27/\$ (2019: strengthened by approximately 14% from UAH 27.69/\$ to UAH 23.69/\$). Currency translation differences of US\$30.4m (2019: US\$21.4m) included in the Consolidated statement of comprehensive income arose on the translation of property, plant and equipment denominated in RR and UAH and amounted to \$15.8m and \$18.8m respectively (see Note 5 (a)), \$4.2m relates to the translation of the liabilities in RR and UAH.

Post-employment benefit obligation reserve relates to a remeasurement of liability for defined benefit pension plan in PPC, our subsidiary in Ukraine. Please refer to Note 20 for the details.

19. Provisions

The provision for production based taxes, is in respect of claims against PPC for additional rental fees for the periods August to December 2010 and January to December 2015. \$13.5m was recognised as a credit in the 2020 Consolidated income statement (2019: \$8.4m credit) which is the net of a \$15.1m reversal of provisions for two tax cases that have been closed in favour of PPC relating to January to December 2015 claims and of \$1.6m interest accrued for the remaining cases that have not been closed, of which \$0.5m charge relates to the August to December 2010 claim (2019: \$1.3m charge) and \$1.1m charge relate to January to December 2015 claims (2019: \$4.7m). Remaining claims are being contested in the Ukrainian courts (see Note 27). The amount is denominated in Ukrainian Hryvnia ('UAH') and is stated above at its US\$-equivalent amount using the 2020 year end rate of UAH28.27/\$ (2019: UAH23.69/\$).

Case 816/1191/16, amounting to \$2.1m and related to January to December 2015 claims was reclassified from non-current to current at 31 December 2020.

The provision for rental fee claims at 31 December 2020 includes estimated interest and penalties. Judgement is applied regarding application of the relevant legislation to determine estimates of the interest and penalties, together with aspects of the underlying

claims which are considered overstated based on the legislation on which the claims are based, should this legislation be applied, notwithstanding that the Group disputes the claims in their entirety.

Changes in the judgement about the timing of the provision releases: during 2019 provisions were maintained for open cases unless judgments of the Supreme Court of Ukraine had been received in favour of PPC or appeals to this court were considered remote, based on assessment of facts and circumstances at the time. During 2020 the Group has determined that it is now appropriate to release provisions when first and appellate Court rulings have been received in respect of the case (on its merits) in the Group's favour. In reaching that conclusion Management have considered their experience of the legal process to date, the fact that the Supreme Court checks judgments of the first and appellate Courts and cannot review any new facts or circumstances and have sought advice from external counsel. Accordingly the risk of the lower court judgments on the merits of the case being cancelled are considered very low. Consequently the Group's Management have released provisions after court judgments of first and appellate instances in favour of PPC.

The Board believes that the claims are without merit under Ukrainian law and the Company will continue to contest them vigorously. Whilst provisions are held by the Group, additional contingent liabilities exist in respect of the rental fee claims given the judgments required in forming the provisions and alternative potential outcomes.

	Production based taxes \$000	Total \$000
Current provisions		
At 1 January 2020	15,861	15,861
Amount provided in the year	515	515
Foreign currency translation	(2,573)	(2,573)
Reclassification from non-current provisions	2,108	2,108
At 31 December 2020	15,911	15,911

	Production based taxes \$000	Total \$000
Non-current provisions		
At 1 January 2020	25,405	25,405
Amount provided in the year	1,101	1,101
Amount released in the year	(15,159)	(15,159)
Foreign currency translation	(4,159)	(4,159)
Reclassification to current provisions	(2,108)	(2,108)
At 31 December 2020	5,080	5,080

	Ukraine \$000	Russia \$000	Total \$000
Non-current provisions			
Provision on decommissioning			
Provision for site restoration			
At 1 January 2020	3,978	2,386	6,364
Foreign exchange adjustment	(656)	(388)	(1,044)
Revision in estimates	199	(198)	1
Unwinding of discount (Note 23)	390	140	530
At 31 December 2020	3,911	1,940	5,851

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 (2019: 2034). The Russia provision results from the decommissioning of 15 wells (2019:15) and removal of plant as required by the licence obligation and is due to start from 2064 (2019: 2050). The provisions are made using the Group's internal estimates that management believe form a reasonable basis for the expected future costs of decommissioning.

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20. Defined pension benefit plan

	2020 \$000	2019 \$000
At 1 January 2020	859	577
Service cost	40	34
Interest expense	87	94
Benefit payments	(41)	(35)
Employer contribution	115	95
Foreign exchange	(138)	94
At 31 December 2020	922	859

The Group operates a defined benefit pension plan in PPC, our subsidiary in Ukraine. PPC participates in a mandatory Ukrainian State-defined retirement benefit plan, which provides for early pension benefits for employees working in certain workplaces with hazardous and unhealthy working conditions. The plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The Group has no further payment obligation towards the local government pension scheme once the contributions have been paid.

The liability recognised in the Statement of Financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period. There is no pension asset given the nature of the scheme.

PPC has jobs with hazardous working conditions (hereinafter referred to as the "list II"). Upon early retirement the pensioners are entitled to a pension which is financed by their employers until they enrol into a regular pension scheme financed by a Pension Fund of Ukraine. The early pension benefit (in the form of a monthly annuity) is payable by employers only until the employee has reached the statutory retirement age (60 – for males and females). The right to pension emerges once a number of conditions pertaining to pension insurance service record and service record in hazardous jobs have been met and a certain age has been reached. Once employees from the list II have reached 55 years of age, PPC would compensate to Pension Fund of Ukraine pension obligation for the next 5 years on a monthly basis. The employer is responsible for 100% for "list II" categories of early pensioners. Pensions are calculated using a formula based on the employee's salary, pension insurance service record, and total length of past service at specific types of workplaces ("list II" category) and, thus, the pension plan is a defined benefit plan by its nature.

21. Cost of sales

	2020 \$000	2019 \$000
Operating costs	17,867	22,752
Depreciation, depletion and amortisation	17,130	18,512
Other production based taxes	13,783	23,518
	48,780	64,782
Exceptional item – production based taxes credit (Note 19)	(13,543)	(8,410)
	35,237	56,372

The cost of inventories (calculated by reference to production costs) expensed in cost of sales in 2020 was \$2.8m (2019: \$3.0m).

22. Finance income

	2020 \$000	2019 \$000
Interest income on deposits	487	857
	487	857

23. Finance costs

	2020 \$000	2019 \$000
Borrowing costs	224	1,183
Interest on lease liabilities	197	254
Unwinding of discount on site restoration (Note 19)	530	617
	951	2,054

24. Profit from operations – analysis of costs by nature

Profit from operations derives solely from continuing operations and is stated after charging/(crediting) the following:

	2020 \$000	2019 \$000
Depreciation – other assets (Note 5. (a))	782	705
Depreciation, depletion and amortisation – oil and gas assets (Note 5. (a))	17,130	18,512
Staff costs (none was capitalised during the year (2019: nil), Note 25)	7,265	9,051
Foreign exchange (gain)/loss	(1,048)	615

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors:

	2020 \$000	2019 \$000
Audit of the parent company and consolidated financial statements	267	294
Fees payable to company's auditors for other services:		
- Audit of the Company's subsidiaries	170	231
- Audit related assurance services	92	80
	529	605

No non-audit services were provided in 2020 and 2019.

25. Staff costs

	2020 \$000	2019 \$000
Wages and salaries	7,265	8,741
UK social security costs	77	130
Other pension costs	142	166
Share based payments (equity-settled) (Note 26)	-	14
	7,484	9,051

No staff costs were capitalised for the year ended 31 December 2020.

During the year, the average monthly number of employees was:

	2020 Number	2019 Number
Management/operational	453	492
Administration support	77	82
	530	574

There is one Director on a service contract included within management/operational (2019: one). Further details of the Directors and their remuneration are included on pages 60 to 67 which form part of these financial statements.

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26. Share-based payments

According to the 2010 Performance Share Plan (PSP) that is currently in place, the Remuneration Committee has the ability to grant awards of nil-cost options annually to senior management of the Group, conditional on the Group's performance over a period of at least three years. No consideration is required to be paid for the grant or exercise of an Option. Vesting of the options is dependent upon certain criteria, including comparison of the Group's TSR against the FTSE Fledgling index and the All-Share Oil & Gas Producers index. Options lapse when certain criteria are not met and may be forfeited when employees cease to be employed by the Group. The plan rules are described in the Directors' Remuneration Report. All share-based payments are equity settled.

During 2019 180,525 share options were exercised at nil cost per share and 75,625 shares lapsed, none granted in accordance with the PSP. The weighted average share price at the date of exercise of these shares was 23 pence. There were no outstanding options under the PSP at 31 December 2019.

No share options were exercised or granted during 2020.

The following table illustrates the number and weighted average exercise prices ('WAEP') of, and movements in, share options during the year.

	2020 Number	2020 WAEP	2019 Number	2019 WAEP
Outstanding at 1 January	-	-	151,250	0.00p
Exercisable at 1 January	-	-	104,900	0.00p
Lapsed/forfeited during the year	-	-	(75,625)	0.00p
Exercise of share options	-	-	(180,525)	0.00p
Outstanding and exercisable at 31 December	-	-	-	-

27. Taxation

	2020 \$000	2019 \$000
Analysis of tax on loss		
Current tax		
UK - current tax	-	-
Overseas - current year	3,303	6,561
Current tax expense	3,303	6,561
Deferred tax		
Overseas - prior year	-	-
Overseas - current year	678	3,645
Deferred tax benefit	678	3,645
Income tax expense	3,981	10,206

Factors that affect the total tax charge

The total tax charge for the year of \$4.0m (2019: \$10.2m charge) is lower (2019: lower) than the average rate of UK corporation tax of 19.00% (2019: 19.00%). The differences are explained below:

	2020 \$000	2019 \$000
Total tax reconciliation		
Profit before tax from continuing operations	24,851	30,415
(Loss)/profit before tax from discontinued operation	(1,002)	2,004
Tax calculated at 19.00% (2019: 19.00%)	4,722	5,779
Movement in recognised tax losses	368	474
Effect of tax rates in foreign jurisdictions	138	355
Rental fee provision	(1,904)	1,677
Other non-deductible expenses	812	1,745
Other	(155)	176
Total tax charge from continuing operations	3,981	10,206
Total taxation from discontinued operation	-	-

The total tax charge for the year was \$4.0m (2019: \$10.2m charge) comprising a current tax charge of \$3.3m (2019: \$6.6m charge) in respect of Ukraine, a deferred tax charge before exceptional items of \$3.7m (2019: credit of \$2.0m) and a deferred tax credit of \$4.4m in respect of exceptional items (2019: credit of \$1.7m). The increase in current tax charge reflects a lower profit in Ukraine. In Ukraine, the corporate tax rate for 2019 was 18% and remains at this level in 2020.

In May 2020 the Tax Code in Ukraine has changed introducing the clarification and amendment of tax differences used to increase the pre-taxed financial result, regarding the amount of fines, penalties imposed by the controlling bodies, and other public authorities for violations of the law. As a result of amendments, PPC recognised the total penalties in respect of rental cases provision accrued by the controlling bodies as permanent tax differences (previously deductible in future periods) amounted to \$10.6m which led to reduction of deferred tax asset of \$1.9m.

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

The Company's profits for this accounting year are taxed at an effective rate of 19.00%.

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.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 and Finance Bill 2016. These include a reduction to the main rate from 19% to 17% from 1 April 2020. The impact of the rate reduction is not expected to have a material impact on UK current taxation.

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 Rental Fees 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.

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 until the new law on Rental Fees was enacted in 2011.

Rental Fees paid since 2011

In 2011 a new law was 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.

Rental fees paid 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 repayment of more than \$180 million in Rental Fees that PPC had 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 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 was 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 did not find in favour of the Company in respect of the Rental Fees but awarded the Company damages of \$11.8 million plus interest, and costs of \$0.3 million in relation to subsidiary claims.

In March 2017, Ukraine's Ministry of Justice filed a claim with the High Court of the United Kingdom naming JKX as a defendant in an application seeking to set aside the arbitration award for damages against Ukraine and in favour of JKX.

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In October 2017 the High Court of the United Kingdom, ordered that the application brought by Ukraine seeking to set aside the recent arbitration award against Ukraine and in favour of JKX be dismissed. The Government of Ukraine is therefore still liable to pay to JKX the sum of USD11.8 million plus interest, and costs of USD0.3 million in relation to subsidiary claims, as previously ordered. The Judge also ordered that Ukraine should pay JKX's costs of \$0.1 million.

The arbitration award has now been legally recognised in Ukraine and in December 2019 JKX filed for its collection. No recognition will be made in the financial statements of any possible future benefit that may result from this award until there is further clarity on the process for, and likely success of, enforcing collection.

Rental Fee demands

The Group currently has two claims (2019: two) 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, which in total amount to approximately \$21.0million (2019: \$41.3 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:UAH 28.27 (2019: \$1: UAH 23.69).

- August – December 2010: approximately \$13.8 million (2019: \$15.9 million) (including \$9.5 million (2019: \$10.7 million) of interest and penalties). On 11 March 2014 PPC won the case in the Poltava Court. The tax office appealed and the Kharkiv Appellate Administrative Court reversed the earlier decision. PPC then lost an appeal in the High Administrative Court of Ukraine and the Supreme Court rejected PPC's application for the appeal. PPC has discovered that there were in fact certain procedures that were not followed regarding the tax notifications that formed the basis of the original claims against PPC. Certain documentation was found to be missing from the files of the tax authorities. In April 2017 the Poltava Circuit Administrative Court found in favour of PPC and cancelled the tax notification decisions on the grounds that due process had not been followed. On 1 June 2017 the Kharkiv Appellate Administrative Court upheld the judgment of the Poltava Circuit Administrative Court. In July 2017 the Poltava Joint State Tax Inspectorate ("PJSTI") filed a cassation complaint against the previous court judgements of lower courts in PPC's favour. This cassation hearing at the Supreme Court of Ukraine is expected in the 1st Q 2021. Whilst PPC has been successful in the April, June and July 2017 court hearings, the Board considers it appropriate to maintain a provision notwithstanding that PPC disputes the claim basis, given assessment of all relevant facts and circumstances.
- January – December 2015: approximately \$7.2 million (2019: \$25.4 million) (including \$5.4 million (2019: \$16.7 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 the series of claims for the difference between 28% and 55%, which were being contested in eight separate cases. Six of these cases have now been resolved in PPC's favour and the others continue to be contested:

Open 2015 cases for which provisions held:

Management have specifically assessed whether the success on cases during 2019 and 2020 provides a sufficient precedent to release the remaining provisions for the 2015 claims. It was concluded that given the inherent uncertainty associated with the Ukrainian Court system and political environment it remains appropriate to retain the remaining provisions.

- On 18 November 2020 the Poltava Circuit Administrative Court found in favour of PPC in case No. 816/1191/16 for a total of \$2.1m. PJSTI filed appellate complaint and the Kharkiv Appellate Administrative Court accepted it. The consideration is expected to be held in March 2021.
- Case No. 816/685/16 for \$5.1m has already been suspended. PJSTI have filed cassation complaint with the Supreme Court to unsuspend it. The hearing is expected to take place in the 1st half of 2021.

2015 cases closed in favour of the Group for which provisions released in prior periods:

- Case No. 816/845/16 for principal of \$0.3m. In December 2018 the Poltava Circuit Administrative Court, and in May 2019 the Kharkiv Appellate Administrative Court, found in favour of PPC and both ruled that Tax Notification Decisions previously issued against PPC were illegal and were cancelled. It was expected that PJSTI would file cassation complaint. In July 2019 the Supreme Court of Ukraine refused to accept the cassation complaint of the PJSTI for procedural reasons, meaning that these decisions will not be appealed. This case is therefore closed in favour of PPC.
- Case No. 816/688/16 for principal of \$1.8m. In April 2019, the Poltava Circuit Administrative Court, found in favour of PPC and ruled that Tax Notification Decisions previously issued against PPC were illegal and were cancelled. As PJSTI did not file an appeal within the required time, the judgement of the Poltava Circuit Administrative Court is now binding. This case is therefore closed in favour of PPC.
- Case No. 816/846/16 for \$2.2m: On 14 November 2019 the Poltava Circuit Administrative Court found in favour of PPC as well as ruled that Tax Notification Decisions previously issued against PPC were illegal and were cancelled. The KHAC by its judgment of 5 October 2020 and the Supreme Court by its judgment of 17 March 2021 upheld the judgment of the first instance court – thus, the case is fully closed in favour of PPC.

Pending 2015 cases for which provisions released:

Notwithstanding that for the three cases below there are further cassation complaints from PJSTI, the Group's position that once there is a judgment of the first and appellate instance court in favour of PPC, tax notification decision in respective case is cancelled and the provision released.

- On 4 May 2020 the Poltava Circuit Administrative Court found in favour of PPC in case No. 816/687/16 for \$4.7m. The Kharkiv Appellate Administrative Court on 15 October 2020 turned down PJTI's appellate complaint. PJSTI filed a cassation complaint, however on 19 November 2020 the Supreme Court returned it to the PJTI stating that it sees no grounds on reconsideration of the lower instance courts. PJTI, ignoring the ruling of the Supreme Court, refiled another cassation complaint. The Supreme Court accepted it and commenced the cassation proceedings. The consideration is expected at the end of 2021. The provision was released in 2020.
- Case No. 816/844/16 for \$2.8m: On 14 November 2019 the Poltava Circuit Administrative Court found in favour of PPC as well as ruled that Tax Notification Decisions previously issued against PPC were illegal and were cancelled. The Kharkiv Appellate Administrative Court on 15 July 2020 turned down PJTI's appellate complaint on merits. PJSTI filed cassation complaint and the Supreme Court accepted it. The consideration is expected at the end of 2021. The provision was released in 2019.
- On 22 December 2020 the Poltava Circuit Administrative Court found in favour of PPC in case No. 816/686/16 for \$10.4m. PJSTI filed an appellate complaint and the Kharkiv Appellate Administrative Court accepted it. On 12 March 2021 Kharkiv Appellate Administrative Court found in favour of PPC and cancelled the tax notification decisions recognizing them as illegal. We expect that PJSTI will file the cassation complaint against the above judgments within the following months. The provision was released in 2020.

Case 816/1191/16 amounting to \$2.1m and related to January to December 2015 claims was reclassified from non-current to current at 31 December 2020. This case is expected to be considered on merits by the courts during the next twelve months.

It is expected that the process of hearings in respect of the remaining outstanding 2015 rental fee claims will continue into 2022 and possibly beyond. Full provisions are made for claim 816/1191/16, 816/685/16 and the 2010 cases.

Changes in the judgement about the timing of the provision releases: during 2019 provisions were maintained for open cases unless judgments of the Supreme Court of Ukraine had been received in favour of PPC or appeals to this court were considered remote, based on assessment of facts and circumstances at the time. During 2020 the Group has determined that it is now appropriate to release provisions when first and appellate Court rulings have been received in respect of the case (on its merits) in the Group's favour. In reaching that conclusion Management have considered their experience of the legal process to date, the fact that the Supreme Court checks judgments of the first and appellate Courts and cannot review any new facts or circumstances and have sought advice from external counsel. Accordingly the risk of the lower court judgments on the merits of the case being cancelled are considered very low. Consequently the Group's Management have released provisions after court judgments of first and appellate instances in favour of PPC.

In 2020 the Group has released provisions totalling \$15.1m (inclusive of interest and penalties) associated with the two of the 2015 cases, \$4.7m in respect of Case No. 816/687/16 and \$10.4m in respect of Case 816/686/16 for which the 2nd Instance Court has rejected appeals lodged by the tax authorities on the case merits. A cassation appeal for one case has now been filed and is expected to be heard at the end of 2021. A cassation appeal for case 816/686/16 has not yet been filed but is anticipated in due course. In line with the Group's revised position on provisioning the related reserves for these cases have been released.

In 2019 the Group has released provisions totalling \$14.4m (inclusive of interest and penalties) associated with four of the 2015 cases, \$0.6m in respect of Case No. 816/845/16, \$4.8m in respect of Case No. 816/688/16, \$5.3m in respect of Case No. 816/846/16 and \$3.7m in respect of Case No. 816/844/16, as all four cases have been closed in PPC's favour.

An exceptional item of \$13.5m has been credited to the Consolidated income statement in the year (2019: \$8.4 million credit), being the net of provisions reversed for cases closed in PPC's favour and interest accrued on the remaining August – December 2010 and January – December 2015 claims (see Note 19).

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28. Deferred tax

	Assets		Liability		Net	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Continuing operations						
Ukraine	2,576	8,108	(6,095)	(8,280)	(3,519)	(172)
Russia	12,312	12,033	(2,861)	(3,849)	9,451	8,184

The balance comprises temporary differences attributable to:

	Assets		Liability		Net	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Property, plant and equipment	-	-	(8,956)	(12,128)	(8,956)	(12,128)
Inventory	539	614	-	-	539	614
Provision for disputed rental fees	1,099	6,528	-	-	1,099	6,528
Provision for site restoration	1,025	1,131	-	-	1,025	1,131
Tax losses	11,924	11,556	-	-	11,924	11,556
Other	301	311	-	(1)	301	310
Deferred tax asset /(liability) recognised	14,888	20,141	(8,956)	(12,129)	5,932	8,012

	1 January 2020 \$000	exchange differences \$000	to profit or loss \$000	31 December 2020 \$000
Deferred tax liabilities				
Property, plant and equipment	(12,128)	1,965	1,207	(8,956)
Other	(1)	-	-	-
Deferred tax assets				
Inventory	614	(100)	25	539
Provision for disputed rental fees	6,528	(1,057)	(4,372)	1,099
Provision for site restoration	1,131	(106)	-	1,025
Tax losses	11,556	(2,104)	2,472	11,924
Other	310	0	(10)	301
Net deferred tax	8,012	(1,402)	(678)	5,932

* Note there are minor differences in the tables due to rounding effects

	1 January 2019 \$000	exchange differences \$000	to profit or loss \$000	31 December 2019 \$000
Deferred tax liabilities				
Property, plant and equipment	(9,635)	(1,511)	(982)	(12,128)
Other	(269)	32	236	(1)
Deferred tax assets				
Inventory	1,206	191	(783)	614
Provision for disputed rental fees	7,038	1,188	(1,698)	6,528
Provision for site restoration	1,058	160	(87)	1,131
Tax losses	10,721	1,310	(474)	11,556
Other	300	(132)	143	310
Net deferred tax	10,419	1,238	(3,645)	8,012

The deferred tax assets include an amount of \$11.9m (2019: \$11.6m) which relates to carried forward tax losses of our Russian subsidiary. The Group concluded that the deferred tax assets will be recoverable using the estimated future income based on the approved business plans and budgets for the subsidiary notwithstanding historic losses. The subsidiary is expected to generate taxable income from 2021 onwards.

	2020 \$000	2019 \$000
Unprovided deferred taxation		
Tax losses	(11,385)	(12,547)
Property, plant and equipment	-	-
Other temporary differences	-	-
	(11,385)	(12,547)

There is no expiry date on the remaining losses as at 31 December 2020. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

29. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the owners of the parent is based on the weighted average number of shares in issue during the year of 171,723,145 (2019 168,090,217), including shares purchased by the Company and held as treasury shares of 402,771 (2019: 402,771), shares held to satisfy the Group's employee share schemes, of which there were no remaining at the year end (2019: 3,632,928) and the profit for the relevant year.

Profit before exceptional items in 2020 of \$11,016,481 (2019 profit: \$13,246,738) is calculated from the 2020 profit of \$19,867,727 (2019: \$22,212,692) adjusted for exceptional items of \$13,221,048 (2019: \$10,642,954) and the related deferred tax on the exceptional items of \$4,370,000 (2019: \$1,677,000).

There are no dilutive instruments.

	2020 Cents	2019 Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent company:		
Basic and diluted profit per 10p ordinary share		
-after exceptional items	12.15	12.02
-before exceptional items	6.81	8.02
Earnings per share for (loss)/profit from discontinued operations attributable to the ordinary equity holders of the parent company:		
Basic and diluted (loss) /profit per 10p ordinary share		
-after exceptional items	(0.58)	1.19
-before exceptional items	(0.40)	(0.14)

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Total earnings per share for profit attributable to the ordinary equity holders of the parent company:

Basic and diluted profit per 10p ordinary share		
-after exceptional items	11.57	13.21
-before exceptional items	6.41	7.88

Reconciliations of earnings used in calculating earnings per share	2020 \$000	2019 \$000
--	---------------	---------------

Profit from continuing operations for the purpose of basic and diluted earnings per share (profit for the year attributable to the owners of the parent):		
- After exceptional item	20,870	20,209
- Before exceptional item	11,696	13,475

(Loss)/profit from discontinued operations for the purpose of basic and diluted earnings per share ((loss)/profit for the year attributable to the owners of the parent):		
- After exceptional item	(1,002)	2,004
- Before exceptional item	(680)	(228)

Total profit for the purpose of basic and diluted earnings per share (profit for the year attributable to the owners of the parent):		
- After exceptional item	19,868	22,213
- Before exceptional item	11,016	13,247

Number of shares	2020	2019
Basic weighted average number of shares	172,125,916	172,125,916
Treasury shares	(402,771)	(402,771)
Shares held in Employee Benefit Trust (Note 16)	(3,632,928)	(5,000,000)
Sale of shares held by Employee Benefit Trust (Note 16)	3,632,928	1,186,547
Exercise of share options (Note 26)	-	180,525
Weighted average number of shares	171,723,145	168,090,217

30. Dividends

No interim dividend was paid or declared for 2020 (2019: nil). In respect of the full year 2020, the directors do not propose a final dividend (2019: no final dividend paid or declared).

31. Reconciliation of profit from operations to net cash inflow from operations

	2020 \$000	2019 \$000
Profit from operations (continuing operations)	25,315	31,550
(Loss)/profit from operations (discontinued operations)	(1,002)	2,004
Depreciation, depletion and amortisation	17,912	19,217
Gain on disposal of fixed assets	(113)	(98)
Exceptional item –for production based taxes, including forex	(13,543)	(8,410)
Increase/(decrease) in provision for impairment of Hungary	322	(2,232)
Share-based payment charge	-	14
Cash generated from operations before changes in working capital	28,891	42,045
Decrease in operating trade and other receivables	272	1,156
(Decrease)/increase in operating trade and other payables	(3,794)	1,811

Decrease/(increase) in inventories	3,867	(3,802)
Net cash generated from continuing operations	28,938	41,386
Net cash generated from/ (used) in discontinued operations (Note 15)	300	(176)

Changes in liabilities from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Borrowings \$000	Leases \$000
At 1 January 2020	5,683	2,089
Cash flows		
- Payment of principal	(5,440)	(1,661)
- Payment of interest	(381)	-
Non-cash flows		
- Foreign exchange	-	134
- Interest accruing in the period	138	197
At 31 December 2020	-	759

	Borrowings \$000	Leases \$000
At 1 January 2019	11,003	3,511
Cash flows		
- Payment of principal	(5,280)	(1,776)
- Payment of interest	(1,131)	-
Non-cash flows		
- Accruals	-	134
- Foreign exchange	-	(34)
- Interest accruing in the period	1,091	254
At 31 December 2019	5,683	2,089

32. Capital commitments

Under the work programs for the Group's exploration and development licences the Group had committed \$0.3m to future capital expenditure on drilling rigs and facilities at 31 December 2020 (2019: nil).

33. Related party transactions

Key management compensation

Key management personnel are considered to comprise only the Directors. The remuneration of Directors during the year was as follows:

	2020 \$000	2019 \$000
Short-term employee benefits	1,156	1,141
Share-based payments charge	-	14
	1,156	1,155

Further information about the remuneration of individual Directors, together with the Directors' interests in the share capital of JKX Oil & Gas plc, is provided in the audited part of the Remuneration Report on pages 60 to 67 and in the Directors Report on page 77.

GROUP FINANCIAL STATEMENTS

Notes to consolidated financial statements

Three Non Executive Directors joined the Board during 2019 following removal of two Non Executive Directors at 2019 Annual General meeting (AGM) and resignations of the other two Non Executive Directors after 2019 AGM. Victor Gladun was appointed as an Executive Director of the Company at the AGM and on 20 September he was additionally appointed as the CEO of the JKX Group. Please refer to the Remuneration Report on page 60 for the disclosure on the bonus awarded to the Group CEO for 2020 (2019: nil).

Share-based payments represents the expenses arising from share-based payments included in the income statement, determined based on the fair value of the related awards at the date of grant (Note 26).

Transactions with related parties

The transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation.

PJSC "Mining Company Ukrnaftoburinnya" ("UNB"), a Ukrainian oil and gas company in which Group holds a 10% of the ordinary share capital was considered a related party at 31 December 2020. One of the Group's Non Executive Directors, Michael Bakunenko, a member of Audit and Nomination Committees, is also a Chairman of the Board of UNB.

The following transactions were carried out with UNB:

	2020 \$000	2019 \$000
Gas sales	2,498	1,330
Sale of property, plant and equipment (pipes)	-	135
	2020 \$000	2019 \$000
Natural gas liquids (NGLs) purchase	30	-

Gas, oil and property, plant and equipment are sold and purchased on normal commercial terms and conditions.

Subsidiary undertakings and joint operations

The Company's principal subsidiary undertakings including the name, country of incorporation, registered address and proportion of ownership interest for each are disclosed in Note C to the Company's separate financial statements which follow these consolidated financial statements.

Transactions between subsidiaries and between the Company and its subsidiaries are eliminated on consolidation.

34. Audit exemptions for subsidiary companies

The Group has elected to take advantage of the full extent of the exemptions available under Section 479A of the Companies Act 2006. Exemption from mandatory audit in section 479A of the act is available for qualifying subsidiaries that fulfil a set of conditions. As a result, statutory financial statements will not be audited for the following UK entities: JKX Services Limited, JKX Georgia Ltd, JKX (Ukraine) Ltd, Baltic Energy Trading Ltd, EuroDril Limited, JP Kenny Exploration & Production Limited, Page Gas Ltd, Trans-European Energy Services Limited, JKX Limited.

35. Events after the reporting date

On 12 March 2021 Kharkiv Appellate Administrative Court found in favour of PPC in case No. 816/686/16 and cancelled the tax notification decisions recognising them as illegal. Consequently the provision of \$10.4m (including interest and penalties) was released to profit and loss account for the year ended 31 December 2020. Please refer to Note 27 for the full disclosure.

COMPANY FINANCIAL STATEMENTS

Company statement of financial position

For the year ended 31 December 2020

Company number 3050645	Note	2020 \$000	2019 \$000
Assets			
Non-current assets			
Investments	C	13,270	21,424
Right-of-use assets	B	106	240
Other receivables	D	32,011	47,881
		45,387	69,545
Current assets			
Trade and other receivables	D	7,660	263
Cash and cash equivalents	F	1,412	8,825
		9,072	9,088
Total assets		54,459	78,633
Liabilities			
Current liabilities			
Trade and other payables	G	(1,110)	(15,391)
Lease liabilities	B	(136)	(139)
		(1,246)	(15,530)
Non-current liabilities			
Lease liabilities	B	-	(133)
Total liabilities		-	(15,663)
Net Assets		53,213	62,970
Equity			
Share capital	H	26,666	26,666
Share premium		97,476	97,476
Other reserves	H	(503)	(503)
Accumulated deficit		(70,426)	(60,669)
Total equity		53,213	62,970

The Company has elected to take the exemption under section 408 of the Companies Act 2006, to not present the parent company income statement. The net loss for the parent company was \$11.0m (2019: \$3.8m profit).

These financial statements on pages 133 to 142 were approved by the Board of Directors on 31 March 2021 and signed on its behalf by:



Victor Gladun
Chief Executive Officer



Dmytro Piddubnyy
Chief Financial Officer

COMPANY FINANCIAL STATEMENTS

Company statement of changes in equity

For the year ended 31 December 2020

	Share capital \$000	Share premium \$000	Accumulated deficit \$000	Other reserves \$000	Total equity \$000
At 1 January 2019	26,666	97,476	(64,975)	(503)	58,664
Profit for the financial year	-	-	3,833	-	3,833
Total comprehensive loss for the year	-	-	3,833	-	3,833
Transactions with equity shareholders					
Share option charge	-	-	14	-	14
Exercise of share options	-	-	17	-	17
Sale of shares held by Employee Benefit Trust ¹	-	-	442	-	442
Total transactions with equity shareholders	-	-	473	-	473
At 31 December 2019	26,666	97,476	(60,669)	(503)	62,970

	Share capital \$000	Share premium \$000	Accumulated deficit \$000	Other reserves \$000	Total equity \$000
At 1 January 2020	26,666	97,476	(60,669)	(503)	62,970
Loss for the financial year	-	-	(11,042)	-	(11,042)
Total comprehensive loss for the year	-	-	(11,042)	-	(11,042)
Transactions with equity shareholders					
Sale of shares held by Employee Benefit Trust ¹	-	-	1,285	-	1,285
Total transactions with equity shareholders	-	-	1,285	-	1,285
At 31 December 2020	26,666	97,476	(70,426)	(503)	53,213

¹ Please refer to Group Consolidated financial statements for the full disclosure on the sale of shares held by Employee Benefit Trust in Note 16.

COMPANY FINANCIAL STATEMENTS

Notes to the Company financial statements

A. Presentation of the financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified for financial assets and financial liabilities (including derivative instruments) at fair value through income statement, and in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101).

Please refer to Directors' report on pages 76 to 79 for information on Company's domicile, legal form, country of incorporation, description of the nature of the entity's operations and business activities.

Going concern

Please refer to Group Consolidated financial statements for the full disclosure on Going Concern on page 94.

Adoption of new and revised standards

No new accounting standards, or amendments to accounting standards, or IFRS IC interpretations that are effective for the year ended 31 December 2020, have had a material impact on the company. Please refer to Group's accounting policies note for the full disclosure.

Disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- Presentation of statement of cash flows;
- The requirements of IFRS 7 'Financial instruments': Disclosure of quantitative and qualitative information regarding risks arising from all financial instruments held by the Company. Equivalent disclosures are included in the Group's consolidated financial statements;
- The requirement of IFRS 13 'Fair Value Measurement' to disclose the valuation techniques and inputs used to develop fair value measurements for assets and liabilities held at fair value. Equivalent disclosures are included in the Group consolidated financial statements;
- Disclosure of related party transactions entered into between two or more members of a Group. Equivalent disclosures are included in the Group consolidated financial statements; and
- Disclosure of information relating to new standards not yet effective and not yet applied.

Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated to write off the cost of property, plant and equipment, less their residual values, over their expected useful lives using the straight line basis as follows:

Fixtures and fittings	- five to ten years
Computer equipment and software	- three years

Investments in subsidiaries

Investments are initially measured at historic cost, including transaction costs, and stated at cost less accumulated impairment losses. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the Company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Foreign currencies

Transactions in foreign currencies are initially recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date, with a corresponding charge or credit to the income statement. Non-monetary items are measured in terms of historical cost in foreign currency and are translated using the exchange rates of the original transaction.

The presentation and functional currency of the Company is the US Dollar. The US\$/£ exchange rate used for the revaluation of the closing statement of financial position at 31 December 2020 was \$1/£0.73 (2019: \$1/£0.76).

Share based payments

The Company operates a number of equity-settled, share-based compensation plans, under which the Company receives services from Executive Directors and Senior Management as consideration for equity instruments (options) of the Company. The fair value of the services received from Executive Directors and Senior Management in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the Company's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

COMPANY FINANCIAL STATEMENTS

Notes to the Company financial statements

- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares or shares held by the JKX Employee Benefit Trust. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity financial statements.

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the change will be treated as a cash-settled transaction.

The rules regarding the scheme are described in the Remuneration Report on pages 70 to 71 and in Note I on share based payments.

Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from share premium, net of any tax effects.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised in retained earnings.

Repurchased JKX Oil & Gas plc shares are classified as treasury shares in shareholders' equity and are presented in the retained earnings. The consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium. No gain or loss is recognised in the financial statements on the purchase, sale, issue or cancellation of treasury shares.

JKX Employee Benefit Trust

The JKX Employee Benefit Trust was established in 2013 to hold ordinary shares purchased to satisfy various new share scheme awards made to the employees of the Company which will be transferred to the members of the scheme on their respective vesting dates subject to satisfying the performance conditions of each scheme.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The asset is depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from two to three years for offices. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or the effect is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company also made use of the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of initial application.

The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Company did not elect to apply the practical expedient to grandfather the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Company applied the definition of a lease under IFRS 16 to all existing contracts.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument.

Other receivables

Other receivables include intercompany receivables which are initially recorded at their transaction price in accordance with IFRS 9 and are subsequently measured at amortised cost, reduced by any provision for impairment. IFRS 9 sets out a new forward looking 'expected loss' impairment model which replaced the incurred loss model in IAS 39. Under the IFRS 9 'expected loss' model, a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognised. Expected credit losses are assessed on a forward looking basis. The loss allowance is measured at initial recognition and throughout its life at an amount equal to lifetime ECL. Any impairment is recognised in the income statement within 'Administrative expenses'.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash. Cash is short-term with an original maturity of less than 3 months, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method if the time value of money is significant.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

Dividends

Interim dividends are recognised when they are paid to the Company's shareholders. Final dividends are recognised when they are approved by shareholders.

Taxation

Income tax expense represents the sum of the current tax payable and deferred tax.

The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity or in other comprehensive income, in which case the tax is also dealt with in equity or other comprehensive income respectively.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be recognised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on tax rates and laws substantively enacted by the reporting date. Deferred tax assets and liabilities are offset when there exists a legal and enforceable right to offset and they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

COMPANY FINANCIAL STATEMENTS

Notes to the Company financial statements

B. Leases

The balance sheet shows the following amounts relating to leases:

	1 January 2020 \$000	Depreciation charge for the year \$000	31 December 2020 \$000
Properties – office lease	240	(134)	106
Total	240	(134)	106

	1 January 2019 \$000	Depreciation charge for the year \$000	31 December 2019 \$000
Properties – office lease	375	(135)	240
Total	375	(135)	240

	2020 \$000	2019 \$000
Current		
Lease liabilities	136	139
Non-current		
Lease liabilities	-	133

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate. The weighted-average rate applied is 14%.

The income statement shows the following amounts relating to leases:

	2020 \$000	2019 \$000
Interest on lease liabilities	26	44
Total	26	44

C. Investments

The net book value of unlisted fixed asset investments comprises:

	2020 \$000	2019 \$000
Cost		
At 1 January	21,424	21,424
Write-off of investment	(8,154)	-
At 31 December	13,270	21,424
Equity investment in subsidiaries		
At 31 December	13,270	21,424

During 2012, JKX Oil & Gas (Jersey) Limited was incorporated in Jersey as a wholly-owned subsidiary. Its sole activity was to hold the bonds that were issued in February 2013 and which provided finance for the JKX Group of companies (see Note 11 to the consolidated financial statements). The Company made the final payment to Bondholders on 19 February 2020 in accordance with the terms and conditions of the Bond. Following the final payment of the bond JKX Oil & Gas (Jersey) Limited was dissolved on 1 April 2020 and investment was written off to profit and loss account.

At 31 December 2020, subsidiary undertakings of JKX Oil & Gas plc were:

Name	Business	% held (ordinary shares)	Country of incorporation and area of operation
Adygea Gas B.V. ¹	Holding	100.00	Netherlands
Baltic Catering Services ⁶	Oil & gas services	100.00	Ukraine
Baltic Energy Trading Ltd* ⁴	Oil & gas exploration and production	100.00	UK
Catering-Yug LLC ³	Oil & gas services	100.00	Russia
Eastern Ukrainian Pipeline Ltd ⁶	Oil & gas services	100.00	Ukraine
EuroDril Limited ⁴	Oil & gas exploration, production and services	100.00	UK
JKX Georgia Ltd* ⁴	Oil & gas exploration, production and services	100.00	UK
JKX Hungary BV ¹	Oil & gas exploration and production	100.00	Netherlands
JKX Ltd* ⁵	Dormant	100.00	UK
JKX (Navtobi) Limited ⁷	Oil & gas exploration and production	100.00	Cyprus
JKX (Nederland) B.V. ¹	Finance and Holding	100.00	Netherlands
JKX Services Limited* ⁴	Services	100.00	UK
JKX Ukraine BV ¹	Finance and Holding	100.00	Netherlands
JKX (Ukraine) Ltd* ⁴	Oil & gas exploration, production and services	100.00	UK
JP Kenny Exploration & Production Limited* ⁴	Finance and Holding	100.00	UK
Kharkiv Investment Company ⁶	Holding	100.00	Ukraine
Page Gas Ltd* ⁴	Oil & gas exploration and production	100.00	UK
Poltava Gas B.V. ¹	Holding	100.00	Netherlands
Poltava Petroleum Company ²	Oil & gas exploration and production	100.00	Ukraine
Folyópart Energia Kft ⁸	Oil & gas exploration, production and services	100.00	Hungary
Trans-European Energy Services Limited* ⁴	Oil & gas exploration, production and services	100.00	UK
Yuzhgazenergie LLC ⁵	Oil & gas exploration, production and services	100.00	Russia

* Held directly by JKX Oil & Gas plc. All other companies are held through subsidiary undertakings.

Company registered addresses:

1. Schiphol Boulevard 283, Tower F, 7th floor, 1118 BH Schiphol, Netherlands.

2. 30V, Lesi Ukrainky Boulevard, 01133, Kyiv, Ukraine.

3. 284 Pushkina Str., Maikop, Adygea Republic, 385000, Russia.

4. 6 Cavendish Square, London, W1G 0PD, England.

5. 400m from Shovgenovsk-Koshekhabl motor road, a. Koshekhabl, Koshekhabsky District, Republic of Adygea, 385400, Russia.

6. Production site of JV PPC, Sokolova Balka, Novosanjary district, Poltava region, 39352, Ukraine.

7. 1st Floor, 22 Stasiratos Olga Court, Nicosia, Cyprus.

8. Vaci ut 33, Budapest, 1134, Hungary.

^a The Group also holds a 100% investment in Schevchenko farm in Ukraine. The investment was not included in the "subsidiary undertakings" list above and does not need to be consolidated as the Group does not have any control over the entity. The Group is not exposed to any rights to variable returns from its involvement with the farm and does not have any ability to affect the farm's returns through its holding in the Farm's Charter Capital. The interest was purchased to protect access required for oil and gas activities, originally recorded at immaterial cost and subsequently impaired as part of the NNC cash generating unit in prior years.

In the opinion of the Directors the carrying value of the investments is supported by their underlying net assets of the Group's CGU's.

COMPANY FINANCIAL STATEMENTS

Notes to the Company financial statements

D. Other receivables

	2020 \$000	2019 \$000
Current		
Prepayments	9	75
VAT receivable	223	188
Amounts owed by group undertakings	7,428	-
	7,660	263
	2020 \$000	2019 \$000
Non-current		
Amounts owed by group undertakings	32,011	47,881

\$39.4m (2019: \$47.9m) owed by subsidiary undertakings bears no interest and is due on demand. They were reclassified between current and non-current to reflect estimated timing of recovery.

In accordance with IFRS 9 5.5 'Recognition of expected credit losses', the Company recorded an expected credit loss in relation to the intercompany loans of \$0.2m (2019: \$0.3m) and reversal of expected credit losses of \$3.6m as at 31 December 2020. Movement included, revaluation of the RUB denominated intercompany liability of \$9.8m and repayment received during the year of \$2.5m (2019: \$56.8m movement was mainly due to the waiver of the intercompany balances).

The Company expects that the carrying value of the intercompany loan receivable may not be fully recoverable as the subsidiaries may not generate sufficient future profits to settle the amounts owing and accordingly, these amounts have been impaired. Amongst other things, the Company's expected credit loss model used information generated by the expected credit losses model of its subsidiary undertakings to give an indication of the expected trading cash flows to be generated during the loan recovery period. That model includes relevant and reliable internal and external forward-looking information, incorporating economic forecasts about gas and oil prices and inflation. Discounting over the recovery period had no effect as an effective interest rate is 0% given the loans are due on demand.

E. Taxation

	2020 \$000	2019 \$000
Unprovided deferred tax		
Tax losses	7,815	8,545
Property, plant and equipment differences	-	-
Other temporary differences	-	-
	7,815	8,545

Neither the deductible temporary differences nor the tax losses expire under current tax legislation. Deferred tax assets have not been recognised in respect of the unprovided deferred taxation items because it is not probable that future taxable profit will be available to utilise these deductible temporary differences.

The standard rate of corporation tax in the UK changed from 20% to 19% with effect from 1 April 2017. At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%.

The Company's profits for this accounting year are taxed at an effective rate of 19.00%.

F. Cash and cash equivalents

	2020 \$000	2019 \$000
Cash and cash equivalents	177	915
Short term deposits	1,235	7,910
Total	1,412	8,825

G. Trade and other payables

	2020 \$000	2019 \$000
Current		
Amounts owed to group undertakings	199	14,168
Trade payables	698	308
Accruals	212	915
	1,109	15,391

Maturity of financial liabilities

	In 1 year or less, or on demand \$000
31 December 2020	
Maturity of financial liabilities	
Amounts owed to group undertakings	199
Trade payables	698
Accruals	212
Lease liabilities	101

	In 1 year or less, or on demand \$000	2-5 years \$000
31 December 2019		
Maturity of financial liabilities		
Amounts owed to group undertakings	14,168	-
Trade payables	308	-
Accruals	915	-
Lease liabilities	166	133

H. Called up share capital and other reserves

Share capital, denominated in Sterling, was as follows:

	2020 Number	2020 £000	2020 \$000	2019 Number	2019 £000	2019 \$000
Authorised						
Ordinary shares of 10p each	300,000,000	30,000	-	300,000,000	30,000	-
Allotted, called up and fully paid						
Opening balance at 1 January	172,125,916	17,212	26,666	172,125,916	17,212	26,666
Exercise of share options	-	-	-	-	-	-
Closing balance at 31 December	172,125,916	17,212	26,666	172,125,916	17,212	26,666

Of which the following are shares held in treasury:

	2020 Number	2020 £000	2020 \$000	2019 Number	2019 £000	2019 \$000
Treasury shares held at 1 January and 31 December	402,771	40	77	402,771	40	77

The Company purchased no treasury shares during 2020 (2019: none). There were no treasury shares used in 2020 (2019: none) to settle share options. There are no shares reserved for issue under options or contracts. As at 31 December 2020 the market value of the treasury shares held was \$0.2m (2019: \$0.1m).

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Other reserves

	Capital Redemption Reserve \$000	Foreign Currency Translation reserve \$000	Total \$000
At 1 January 2020 and 31 December 2020	587	(1,090)	(503)

Capital redemption reserve relates to the buyback of shares in 2002, there have been no additional share buy-backs since this time.

The foreign currency translation reserve comprises differences arising from the retranslation of the Company balance sheet from £ Sterling into US Dollars in 2006.

I. Share-based payments

Please refer to Group Consolidated financial statements for the full disclosure on share-based payments in Note 26.

Bonus scheme

The full details of the bonus performance criteria for senior employees and the bonus earned is explained in the Remuneration Report on pages 60 to 70.

J. Auditors' remuneration

	2020 \$000	2019 \$000
Audit services		
Fees payable to the Company's auditors for the audit of the parent company	31	30

K. Directors' remuneration

The remuneration of the Directors is disclosed in the audited section of the Remuneration Report on pages 60 to 66, which form part of these financial statements.

L. Dividends

No interim dividend was paid or declared for 2020 (2019: nil). In respect of the full year 2020, the directors do not propose a final dividend (2019: no final dividend paid or declared).

M. Employees

From 1 January 2019 all employee cost that were previously met by the group company JKX Services Ltd were transferred to JKX Oil & Gas plc.

	2020 \$000	2019 \$000
Wages and salaries	844	1,247
UK social security costs	77	130
Other pension costs	102	134
Share based payments (equity-settled) (Note I)	-	14
	1,023	1,525

During the year, the average monthly number of employees was:

	2020 Number
Management/operational	6
Administration support	1
	7

N. Events after the reporting date

See Note 35 to the consolidated financial statements.

General information

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
boe	Barrel of oil equivalent
boepd	Barrel of oil equivalent per day
bopd	Barrel of oil per day
GPF	Gas Processing Facility
Hryvnia	The lawful currency of Ukraine
HSECO	Health, Safety, Environment, Community and Quality
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
MMcm	Million cubic metres
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	Yuzhgasenergie LLC

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

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