JKX Oil & Gas Limited Annual Report 2022

STRATEGIC REPORT

Chairman's statement

I am pleased to be writing to you as Chairman of the Group and to present its results for the 2022 financial year.

You will notice that following the Company's delisting and its voluntary adoption of the Wates Private Governance Principles for Large Private Companies this year's Annual Report is more condensed than in previous years. Despite this new format this report continues to include key information about the Group's financial performance and governance. We hope you find this new format more accessible and therefore more useful.

Turning then to 2022. Despite the reduced impact of the global Covid-19 pandemic, 2022 remained a difficult year for the Group. This was largely due to the illegal invasion of Ukraine by the forces of the Russian Federation on 24th February 2022. The Group unconditionally condemns this action and is committed to complying with all applicable legislation, including that relating to sanctions. The Company recognizes the sacrifices that have been made by the people of Ukraine – including present and past Group employees and their families – and takes this opportunity to acknowledge the bravery and commitment of the Ukrainian armed forces.

As a result of the ongoing war a number of key international contractors have withdrawn from the Ukrainian market. This has had a serious negative impact on the group's ability to execute its work program and budget. This inability to carry out key Capex projects planned for 2022 (including in particular the drilling of new complex wells and the workover of existing wells) has resulted in significantly reduced production levels. Uncertainty about when the necessary technology will be available in Ukraine has, for technical reasons, resulted in a significant recategorization of proven reserves from 23.9 MMBoe to 3.1 MMboe. This factor triggered an impairment review of oil and gas assets and as a result of this analysis, an impairment charge of $39m has been recognised in respect of our fields in Ukraine. It is hoped that when the necessary technologies again become available in Ukraine a very significant proportion of these proven reserves will be reinstated and production levels can be fully restored. In the meantime, the Group is preparing a revised 5-year work program and budget that is based on the resources currently available to it.

As described further in this report, the Company has implemented a wide-ranging sanctions policy and has recused itself from governance of its Russian assets. The disposal of these assets (which represented over 50% of the Groups proved reserves) is a priority for the Board. The Board is actively pursuing the disposal of these assets, but the geopolitical context, the complexity of the applicable sanctions' legislation and the practical reality all present significant challenges to achieving the Board's desired outcome. The Group continues to work with range of international and local lawyers and consultants in an effort to identify purchasers and a sanctions compliant method of disposal that can practically be executed in the near term.

Financial Performance during 2022

As a consequence of the Group's inability to complete its 2022 work program (which has resulted in the suspension of all UGV leased wells since March 2022 and a number of other gas wells from late April to November 2022) Group production fell to 2,569 boepd in 2022 (2021: 4,094 boepd), an overall decrease in annual production of 37%.

The Group's financial performance for 2022 has also been impacted by the significant impairment charge against our oil and gas assets described above.

Despite the challenging economic conditions, the Group generated a profit from operations in 2022 of $33.5m primarily from its operations in Ukraine compared to $46.3m in 2021. The average gas sales price in dollar terms was 87% higher in 2022 than in 2021 (2022: $841/Mcm, 2021 $449/Mcm). The average oil sales price in dollar terms was 5% higher in 2022 that in 2021. (2022 $73/ bbl, 2021: $70/bbl).

The Group started the year with a cash balance of $70.2m. As a result of the Tender Offer completed in January 2022, cash balances were reduced by $15.3m. The Group still generated strong cash from continuing operations of $22.0m (2021: $70.3m). The Group has no debt and funds its operations from its own cash resources. Cash and cash equivalents were $56.5 million as at 31 December 2022.

Post-closing events

Following the appointment of the new Board in 2022 a re-evaluation of the Group's Hungarian assets has been initiated and it has been decided to re-commence work in a phased manner, minimising expenditure whilst evaluating the prospects of the assets. The first phase of this work has commenced and further investment will be contingent on the success of this initial work program. I am happy to be able to report that we have made good progress with this phased appraisal, having already completed the planned initial 3-d seismic acquisition and interpretation program.

On the negative side, in May 2023 the investigative judge of the Pechersk District Court of Kyiv ordered the seizure of the entire shareholding in Ukrainian PJSC "Ukrnaftoburinnia" and its transfer to the state. The JKX Group acquired 10% of these rights in 2006 and the events on which the order for the seizure and transfer were based are irrelevant to JKX. JKX believes that the seizure of its interest may be a result of a misunderstanding by the relevant authorities and hopes to resolve the issue consensually. If this is not possible JKX will be forced to use all appropriate means (including but not limited to international treaty arbitration) to protect the interests of its over 800 shareholders.

Outlook

The Board is conscious of the challenging situation in which it finds itself and has identified a number of immediate priorities including:

Finding a compliant scheme for the disposal of the Group's Russian assets that is capable of practical implementation,

STRATEGIC REPORT

Chairman's statement

Continuing the focus on cost control, optimised logistics and effective decision making, as well as ensuring that the internal control environment remains appropriate to meet the increasing challenges the Group faces.

As part of this drive for efficiency, the Board will consider whether there is value in its voluntary adoption of the Wates Principles as a corporate governance regime and whether the cost (both financial and in terms of management time) of holding an Annual General Meeting is justified, now that it is no longer required. It is notable that attendance at AGM's has been very low for the last decade, with only 3 shareholders attending in 2023.

Reversing the Group production decline by optimizing recovery from existing assets as well as accessing production from new acquisitions.

Finally, I would like to thank the Group's staff, contractors and the communities in which it operates. Their continuing support is key to the Group's ongoing success given the complex environment in which it is operating.

Michael Bakunenko
Chairman, JKX Oil & Gas Limited
1 September 2023

STRATEGIC REPORT

Operations review

Group production

In 2022 group average production was 2,569 boepd (2021: 4,094 boepd), an overall decrease in production of 37%. This decrease in production was mainly due to the closure of all UGV leased wells since March 2022 and the closure of all old gas wells from late April to November 2022.

Group production

	boepd		Workovers**		Sidetracks		New wells	
Cash generating unit	2022	2021	2022	2021	2022	2021	2022	2021
Novomykolaivske complex	1,939	3,065	8	14	1	2	1	2
Elyzavetivske licence	629	1,029	0	0	0	0	0	0
Total Ukraine	2,569	4,094	8	14	1	2	1	2
Total Group	2,569	4,094	14	14	2	2	2	2

**Includes abandonments.

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

	Gas, Mcmd		Oil, bopd		boepd	
Cash generating unit	2022	2021	2022	2021	2022	2021
Novomykolaivske complex	231	370	579	887	1,939	3,065
Elyzavetivske licence	104	169	18	32	629	1,029
Total Ukraine	335	539	597	919	2,562	4,094
Total Group	335	539	597	919	2,569	4,094

Ukraine

Novomykolaivske complex production and operations

	boepd		Workovers		Sidetracks		New wells	
Field name	2022	2021	2022	2021	2022	2021	2022	2021
Ignativske	1,250	1,866	5	11	1	0	1	1
Molchanivske	211	380	1	0	0	1	0	0
Novomykolaivske	358	615	0	2	0	1	0	0
Rudenkivske	119	204	0	1	0	0	0	1
Zaplavske	0	0	2	0	0	0	0	0
Novomykolaivske complex	1,939	3,065	8	14	1	2	1	2

The decrease in Novomykolaivske complex production year-on-year was mostly attributed to the closure of leased wells from March 2022 and the closure of all old gas wells from late April to November 2022. There was only one new well drilled in 2022, IG148, which added 171 boepd on an annual average basis of production from the Devonian in Ignativske. A sidetrack of IG141 was completed in 2022 and added minor production as did the workover of IG136.

Outlook

Following the continued success in the Devonian of Ignativske a dynamic model has now been built which has been used to justify the drilling of an additional well targeting the Devonian in Ignativske. This well is expected to be drilled in Q4 2023.

Elyzavetivske licence production and operations

	boepd		Workovers		New wells	
Field name	2022	2021	2022	2021	2022	2021
Elyzavetivske	243	591	0	0	0	0
West Mashivska	386	438	0	0	0	0
Elyzavetivske Licence	629	1,029	0	0	0	0

STRATEGIC REPORT

Operations review

The reduction in production from the Elyzavetivske license was mainly due to 40% of the wells being leased from UGV and hence shut-in since April 2022. There was also a significant reduction in annual production as three other wells in the Elyzavtivske field were shut-in from April to October 2022.

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

STRATEGIC REPORT
Reserves update

In Ukraine, 2P reserves have reduced significantly this year due to the departure of western service companies which were required to assist with the Rudenkivske development.

The most significant decrease in reserves in Ukraine has resulted from the removal of the Rudenkivske full field development which relied on western service company supplied equipment and supervision for drilling dual lateral wells. These service companies have left country due to the war and there is no certainty on when they will return.

By removing the Rudenkivske full field development from reserves this has reduced the economic life of the Novo-Nikolavske complex significantly by 15 years to 2026 (last 2041). This has also resulted in significant reductions in the reserves for the other fields in the Novo-Nikolaevske complex and LPG, as significant quantities of the reserves included in last years assessment were produced after 2026.

In the Elyzavetivske field reserves have reduced by 0.8 MMboe also due to a significant reduction in field economic life from 2044 to 2034.

Total remaining 2P reserves at 31 December 2022

	31-Dec-21	Revisions	Production	31-Dec-22
Total				
Oil (MMbbl)	2.3	(1.5)	(0.2)	**0.6**
Gas (MMcm)	2,988	(2479)	(122)	**387**
LPG (MMbbl)	4.0	(3.6)	(0.1)	**0.3**
Oil + Gas + LPG (MMboe)	23.9	(19.7)	(1.1)	**3.1**
Ukraine				
Oil (MMbbl)	2.3	(1.5)	(0.2)	**0.6**
Gas MMcm	2,988	(2479)	(122)	**387**
LPG (MMbbl)	4.0	(3.6)	(0.1)	**0.3**
Oil + Gas + LPG (MMboe)	23.9	(19.7)	(1.1)	**3.1**
Hungary				
Oil (MMbbl)	0.0	0.0	(0.0)	**0.0**
Gas (MMcm)	0.0	0.0	(0.0)	**0.0**
Oil + Gas (MMboe)	0.0	0.0	0.0	**0.0**

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

Field-by-Field 2P reserves at 31 December 2022

MMboe	Dec-21	Revisions	Production	Dec-22
Ukraine				
Ignativske	3.7	(2.3)	(0.5)	**0.9**
Movchanivske	0.8	(0.4)	(0.1)	**0.2**
Novomykolaivske	0.7	(0.3)	(0.1)	**0.3**
Rudenkivske	12.5	(12.4)	(0.0)	**0.1**
Zaplavska	0.1	(0.1)	(0.0)	**0.0**
LPG Novomykolaivske complex	4.0	(3.6)	(0.1)	**0.3**
Sub-total Novomykolaivske complex licences	21.7	(19.0)	(0.8)	**1.9**
Elyzavetivske	2.2	(0.8)	(0.2)	**1.3**
Total Ukraine	23.9	(19.7)	(1.1)	**3.1**
Total	23.9	(19.7)	(1.1)	**3.1**

Reserves reported gross of royalties and includes fuel gas

STRATEGIC REPORT

Reserves update

JKX contingent resources

Ukraine complexes	Full Field Gross Resources (MMcm) 1C	2C	3C	Subcategory
Igntivkse Visean and Devonian	59.2	125.7	163.6	Development pending
Igntivkse Visean waterflood	0.0	4.3	4.3	Development unclarified
Molchanivske Main Devonian Sst			99.3	Development unclarified
Molchanivske Norht Devonian Sst	4.7	5.9	10.2	Development pending
Novomykolaivske Visean	18.1	25.1	27.3	Development pending
Rud V21 to V26	200.1	399.9	600.0	Development on hold
Rud V21 to V26	40.8	682.4	2580.9	Development unclarified
Rud T2 Clastics	1953.9	4326.8	8226	Development unclarified
Rud Devonian	625.9	1731.7	2734.3	Development on hold
Rud Devonian	2793.6	5314.6	9842.6	Development unclarified
Elyzavetivske and West Mashivske	0.0	22.5	22.5	Development pending
West Mashivske A1+A2	21.5	49.5	86.6	Development unclarified
West Mashivske A8	74.5	157.5	311.9	Development unclarified
West Mashivske G8	148.4	318.3	600.2	Development unclarified

Since there has been a significant reduction to the 2P reserves this year there has also been a significant increase in the contingent resources. All the production which is produced from the Ignativske, Molchanivske and Novomykolaivske field after the economic cutoff of 2026 has been included as contingent resources in the development pending category.

The production associated with the Rudenkivske full field development has been included in contingent resources in the development on hold category pending the return of western service companies and a field re-evaluation.

All of the other contingent resources listed above have less chance of achieving commercial development and hence are classified as development unclarified pending further subsurface evaluation.

STRATEGIC REPORT

Financial Review

Results for the year

The Group's financial performance for 2022 has been impacted by the significant impairment charge against our oil and gas assets of $40.0m. The Group generated a profit from operations in 2022 of $33.5m primarily from its operations in Ukraine compared to $46.3m in 2021. Results for both years include net movements in respect of provisions for disputed rental fees for 2010 and 2015 in Ukraine ($2.2m in 2022 and $18.7m in 2021).

The impairment charge was recognised in respect of our fields in Ukraine mainly as a result of the 87% decline in assessed 2P reserves at the end of the year. The most significant change in 2P reserves for Ukraine was in the Rudenkivske licence, a substantial part of the reserves reclassified to contingent resources. This development has now been cancelled due to the absence of specialised western service companies in country who left due to the war and cannot be expected to return within a 5 year time frame with any certainty. In addition, the deterioration of the economic conditions in Ukraine in 2022, such as the significant decrease in demand on the internal market resulting in lower gas and oil sales volumes, as well as a gas export ban and increase in gas rental taxes introduced by the government, has led to a decrease in forecasted earnings. This, together with high uncertainties as to how the situation will develop, suggested the need for revision of the past investment plans, especially in respect of the complex projects with high level of geological and technical risks, requiring substantial financing and external expertise.

The Group also reclassified its Hungarian entity from assets held for sale to an operating company in the consolidated financial statements as of 31 December 2022 in line with the criteria of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" and therefore the results are now included in the consolidated financial statements. Prior year numbers were also restated.

Ukraine revenues

Revenue for the year, derived from the sale of the Group's Ukrainian gas, condensate and LPG production for 2022 was $113.8m, 1.5% higher than the $112.1m reported in 2021. This increase is primarily due to higher commodity prices while total average daily Group production decreased by 37% (2022: 2,569 boepd, 2021: 4,094 boepd).

The average gas sales price in dollar terms was 87% higher in 2022 than in 2021 (2022: $841/Mcm, 2021 $449/Mcm). This is in line with international market trends. Total produced gas sales volumes for 2022 decreased by 44% from 171,855 Mcm in 2021 to 95,837 Mcm in 2022, due to the gas production volume having decreased by 38% from 196,900 Mcm in 2021 to 122,278 Mcm in 2022. Sales of gas inventory increased from 2,306 Mcm at the beginning of the year to 10,884 at 31 December 2022 but compensated for the lower production levels during the year. For more detail on production trends please refer to the Operations review.

The average oil sales price in dollar terms was 4% higher in 2022 that in 2021. (2021: $70/bbl, 2022 $73/ bbl). Total oil sales volumes for the year decreased by 30% from 328,168 barrels in 2021 to 229,045 barrels in 2022. Oil production volume decreased 34% from 334,272 barrels in 2021 to 219,184 barrels in 2022.

LPG sales volumes were 13,605 tonnes in 2022, 17% lower in comparison with 16,316 tonnes in 2021, with sale prices being higher in 2022 ($1,006/ tonne in 2022 compared to $645/tonne in 2021).

Inventory held at 31 December 2022 (10,884 million cubic metres of gas and 36,432 barrels) had an estimated sales value of $10.03m using average sales prices for December 2022.

Cost of sales

Cost of sales before exceptional items for 2022 totalled $67.3m (2021:$59.1m), including:

- $43.6m of production taxes, which were $14.9m higher than in 2021 and consist of $42.9 m related to Ukraine and $0.7 m related to Hungary. In Ukraine, the production tax expense (before exceptional charges) increased by $14.3m from $28.6m to $42.9m mainly due to tax legislation changes in relation to the average border gas price which is the basis for calculating gas production taxes.
- $21.8m of operating costs, which were $0.7m higher than in 2021. Out of this amount, $19.4m relates to Ukraine (2021:$16.9m), $2.1m relates to Hungary (2021:$3.7m) and $0.3m to London (2021: $0.5m) . The Ukrainian subsidiary was aimed to decrease the operating costs in Ukraine mainly due to the termination of well lease agreements and cost-cutting as a result of the Russian military invasion of Ukraine. Also in 2022, was launched processing of NGL raw materials, which gave the main increase in operating cost.
- Selling inventory volumes in Ukraine resulted in recognition of a credit of $5.0m (2021: credit $1.1m), which was added to these operating costs respectively, which gives the $16.8m of operating costs reported in note 20.
- $6.9m of depreciation, depletion and amortisation charge (2021:$10.4m), which mainly relates to Ukraine.

STRATEGIC REPORT

Financial Review

Cash flows

As of 31 December 2021, the Group's cash balance of $.70.2m which consisted of restricted cash to the amount of $25.4m, placed as a deposit in connection with the Tender Offer that completed in January 2022, and available cash balances to the amount of $49.3m. In January 2022, a total of 26,942,198 Shares were validly tendered at the Tender Offer Price of pence 42.0 per Ordinary Share which contributed significantly to reduction of cash balances by $15.3m.

The Group generated cash from operating activities which was lower at $22.0m (2021: $70.3m), mainly due to lower production in Ukraine which was compensated by higher gas and oil sales prices. Financial resources spent on new drilling and work-over projects to maintain future production levels significantly reduced in 2022.

No dividends were paid to shareholders in the period (2021: nil).

Dmytro Piddubnyy
Chief Financial Officer
1 September 2023

STRATEGIC REPORT

Risks

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

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

What is the risk?	How do we manage it?
Invasion of Ukraine by the forces of the Russian Federation	
Description: On 24 February 2022, Russia invaded Ukraine and there is currently a serious and ongoing military conflict within Ukraine. This conflict is having a major impact on Ukraine and its population, with significant destruction of infrastructure and buildings in the areas of conflict, as well as damage in other areas of Ukraine. The conflict is also impacting the fiscal and economic environment in Ukraine, as well as the financial stability and banking system in Ukraine, including restrictions on the transfer of funds outside of Ukraine. The current conflict is also having a significant adverse effect on the Ukrainian financial markets, hampering the ability of Ukrainian companies and banks to obtain funding from the international capital and debt markets. At present, the conflict is ongoing and the scope and duration of the conflict is uncertain.	The conflict has disrupted the Group's activities in all areas of its operations. At the production site in Ukraine, staff numbers are kept to minimum levels. Where possible, all other staff work remotely and have been supplied with all necessary devices and software to facilitate remote working. Additionally, the Group aims to maintain most of its cash resources outside of Ukraine. We continue to monitor impacts to our people and our operations, and mitigation plans are implemented where needed.
Geopolitical and sanctions	
Description: Following Russia's invasion of Ukraine in February 2022 the EU, the US and the UK imposed further sanctions targeting inter alia the Russian banking system (including financing restrictions and the exclusion of certain banks from the SWIFT-System), Russian individuals and the energy and transport sectors. In response Russia has enacted countersanctions including inter alia restrictions on sales of shares of open or closed joint-stock companies. Russia also announced property blocking sanctions against foreign individuals and companies, in particular restrictions on dividend payments to foreign shareholders in Russian companies.	The Group remains committed to complying with all laws, including applicable sanctions regimes. Following Russia's invasion of Ukraine and the introduction of the aforementioned sanctions, the JKX Board undertook a thorough review of its involvement with Yuzhgazenergie LLC and Catering Yug LLC and in accordance with the advice of its external legal advisers as to the requirements of the applicable sanctions regimes introduced a comprehensive sanctions compliance policy. In order to comply with its legal obligations the Group, inter alia, discontinued its normal governance and control activities and suspended the repatriation of funds from these entities. International sanctions against Russia, as well as Russian countersanctions against foreign investors, adversely impact the Group's ability to exit its interest in Russia and the value which can be realised for that interest. The scope of sanctions continues to evolve across various jurisdictions and is likely to continue to impact the Group's ability to dispose its interest in Russia. As such, at this stage the Board cannot reasonably estimate the probability of completion and outcome of the exit process. Actual outcomes may be impacted by a variety of factors, including the international sanctions or other steps taken by governmental authorities. Based on this, it is considered that any measure of fair value of the Group's investments in Yuzhgazenergie LLC and Catering Yug LLC, other than nil, is subject to an extremely high measurement uncertainty and could not be reasonably justified. The respective impairment charge is recorded in the Group's 2022 financial statements.

STRATEGIC REPORT

Risks

What is the risk?	How do we manage it?
Liquidity, funding, and portfolio management	
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. It is important to maintain sufficient liquidity to allow for operational, technical, commercial, legal, and other contingencies. 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). 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. 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. Although the Group has been debt free since February 2020 this risk remains.	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.
Fiscal	
Description: The Group's most significant oil and gas operations are located in Ukraine. As a result of the legal and practical complexities arising following the invasion of Ukraine by the forces of the Russian Federation the Group has to date been unable to dispose of its Russian assets, although it remains the Board's policy to do so in a compliant manner. Produced oil, gas and condensate are sold into their domestic market and face risks such as those related to changes in taxes, capital controls, laws and regulations, political situation, or investor sentiment. A relatively weak judicial systems is susceptible to outside influence and displaying emerging market characteristics where the right to production can be challenged by State and non-State parties. It can take an extended period for the courts to reach final judgment. 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. Local legislation constantly evolves as the government attempts 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.	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. Except for provision for tax cases, 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. 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 to improve the methods of regular dialogue and on-going communications locally. Our strategy is to employ skilled local staff working in the countries of operation and to engage established legal, tax and accounting advisers to assist in compliance, 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.

What is the risk?	How do we manage it?
Applicable sanctions regimes prevent governance of Russian assets prior to their disposal and there is a risk that these assets may fail to identify or respond to fiscal risks 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. 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, although the timing is uncertain.	
Reservoir and operational performance.	
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. Production from our mature fields at the Novomykolaivske Complex in Ukraine require a high level of maintenance and intervention to minimise the production decline. Impact: Accurate reservoir performance forecasts from fields 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.	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. Our subsurface and operations specialists and industry-recognised personnel are part of the daily monitoring and reservoir management process of our fields and assets. In 2022, the Group recorded an 87% reduction in the assessed 2P reserves in Ukraine from 23.9 MMBoe to 3.1 MMboe. The most significant change in 2P reserves for Ukraine was in the Rudenkivske licence, with a substantial part of the reserves reclassified to contingent resources. The majority of the 2021 reserves in Rudenkivske were attributed to a program of technically complicated wells in 2024 onwards. This development has now been cancelled due to the absence of specialised western service companies in country who left due to the war and cannot be shown to return within a 5 year time frame with any certainty. In addition, the deterioration of the economic conditions in Ukraine in 2022, such as the significant decrease in demand on the internal market resulting in lower gas and oil sales volumes, as well as a gas export ban and increase in gas rental taxes introduced by the government, has led to a decrease in forecasted earnings. This, together with high uncertainties as to how the situation will develop, suggested the need for revision of the past investment plans, especially in respect of the complex projects with high levels of geological and technical risks, requiring substantial financing and external expertise.

STRATEGIC REPORT

Risks

What is the risk?	How do we manage it?

Financial discipline and governance.

Description: The Group has a complex structure which 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.

From 2015 to 2022 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.

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.

A Group Policy Manual has been implemented across the Group and is subject to regular review and revision by the Board to ensure that governance and control procedures are sufficient to ensure the appropriate level of financial discipline and controls, as well as delegation of authority along the corporate and management structure.

Following the appointment of the new Board in June 2022, it appointed KPMG to carry out a review of the Group's internal control framework and its consistent application across all Group Companies at all levels. This review has covered sales cycle, purchases and payments cycle, donations (and associated paperwork) made by Group Companies following the invasion of Ukraine in order to ensure that the applicable processes were appropriate and consistently applied. The Board has re-established an independent internal audit function, appointed an internal audit manager with both private practice and corporate experience, introduced more onerous financial and payment controls, updated management reporting and revised its Schedule of Matters Reserved to the Board.

Health, safety, and environmental risks.

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.

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 the 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.

Health, safety and the environment is a priority of the Board who are involved in the planning and implementation of continuous improvement initiatives. An HSECQ Manager based in the Group's major operating unit, PPC, reports regularly to the Board of Directors and provides a detailed monthly Group- HSE report.

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.

All locations have HSE Management Systems modelled on the ISO 9000 series, OHSAS 18001 and ISO 14001.

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.

Asset integrity.

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.

Status of our licences and relevant licence obligations are monitored on a country level.

What is the risk?	How do we manage it?
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.	

Major breach of business, ethical, or compliance standards.

Description: The Company is subject to numerous requirements and standards including the UK Bribery Act, and the Wates Principles 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.

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.

Inability to clear KYC procedures to the 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 and professional advice is increasing.

The CFO is responsible for compliance and, with the support of the Board, implements compliance-related activities and procedures.

Such activities focus on training, monitoring, risk management, due diligence and regular review of policies and procedures.

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.

In dealing with third parties, our policy is to maximise transparency and provide all information available to address KYC-related procedures and requests.

A review of the Company's Anti-Bribery policies and procedures is currently being undertaken by the newly appointed Internal Audit Manger to ensure it remains adequate given the changing environment in which the Group is operating.

Commodity prices and FX fluctuations.

Description: JKX is exposed to international and local oil and gas price movements, Such changes will have a direct effect on the Group's trading results.

Gas prices in Ukraine are closely aligned with gas prices in Europe. 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.

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.

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 foreign exchange rates might affect the US Dollar value of future profits, assets and cash flows of the Group.

JKX's policy is not to hedge commodity price exposure on oil, gas, LPG or condensate and not to hedge foreign exchange risk.

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.

As commodity prices in Ukraine normally follow international benchmarks, significant changes in the exchange rates are reflected in commodity prices providing a natural hedge.

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.

STRATEGIC REPORT

Risks

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.

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.

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.

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.

GOVERNANCE
Board composition

Michael Bakunenko Chairman of the Board

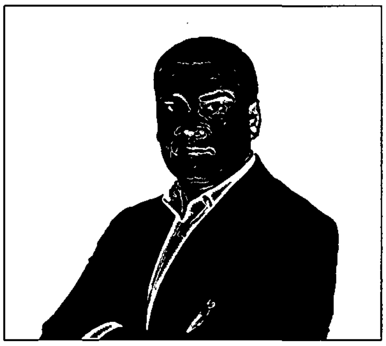
Appointed – 13 December 2017 (Non-Executive Director), 14 June 2022 (Chairman of the Board)

Experience – Michael Bakunenko was the Executive Chairman of the Board at PJSC Ukrnaftoburinnya, the second largest private oil and gas E&P Company in Ukraine, from September 2015 until July 2023. 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. Mr Bakunenko was first appointed as a Non-Executive Director on 8 December 2017 and as Chairman of the Board on 14 June 2022.

Olga Chebysheva Non-Executive Director, Chair of the Audit Committee

Appointed – 14 June 2022

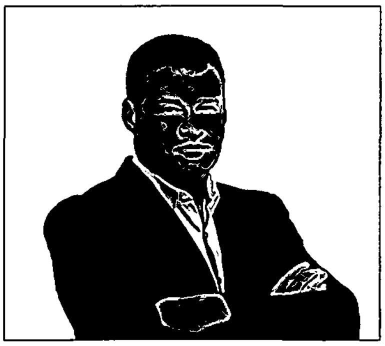
Experience – Olga Chebysheva has over 10 years of experience in audit and consulting at PwC. During her career at PwC Ukraine, Olga participated in many audit projects in the oil and gas industry, including audits of JKX and Regal Petroleum. In 2019, Olga joined PJSC Ukrnaftoburinnya, the second largest private oil and gas E&P Company in Ukraine, as Head of Finance. Olga was Chief Finance Director at PJSC Ukrnaftoburinnya until July 2023. Olga holds a Master's degree in International Economics from Donetsk National University. She is a Member of the Association of Chartered Certified Accountants (ACCA) and a certified statutory auditor of Ukraine.



Vitaliy Dorogan Executive Director

Appointed – 14 June 2022

Experience – Vitaliy Dorogan has 20 years of experience in the oil and gas industry and significant experience in accounting, finance, treasury and commercial functions. He began his career in 2002 at PJSC Ukrnafta, where he then held various positions. At various times, he was responsible for managing the corporate rights of that company and co-ordinating joint projects in the field of oil and gas production. During 2010-2022, he worked at PJSC Ukrnaftoburinnya, where he was Member of the Board. Vitaliy is currently General Director of PPC, the Group's Ukrainian operating subsidiary. He graduated from the Kyiv Institute of International Relations with a degree in International Economic Relations. He also studied at the Kyiv-Mohyla Business School under the Executive MBA program.



Mark Katsnelson Non-Executive Director

Appointed – 24 June 2022

Experience – Mark Katsnelson has more than 30 years' senior commercial experience gained in the US and Ukraine. He has particular expertise in commercial negotiations, deal structuring, the creation and management of long-term commercial relationships, risk management and all aspects of gas marketing. Mark graduated from the Kharkiv State Polytechnic University, Faculty of Economics in 1994. Mark was Deputy Chairman of the Board at PJSC Ukrnaftoburinnya until July 2023.

GOVERNANCE

Board composition

		Appointed	Resigned/Stood Down
Charles Valceschini	Chairman	13 September 2019	**9 June 2022**
Tony Alves	Non-Executive Director	13 September 2019	**4 June 2022**
Rashid Javanshir	Non-Executive Director	13 September 2019	**9 June 2022**
Victor Gladun	Executive Director	23 May 2019	**22 June 2022**

GOVERNANCE

Corporate governance

Governance principles applied during 2022

Until 6 January when the Company was delisted from the premium segment of the Official List of the Financial Conduct Authority the Company was subject to the Listing Rules of the UK Listing Authority and applied the principles of the 2018 UK Corporate Governance Code ('the Code').

Following the Company's delisting it voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies ("the Wates Principles") in place of the Code. As the Wates Principles applied during all but 6 days of 2022 this report focuses on the Company's application of the Wates Principles during 2022.

The Wates Principles sets out 6 principles that provide companies that are not subject to a formal corporate governance code an opportunity to consider their approach to governance and to demonstrate good practice in a way that is most appropriate for their organisation. The six principles and how they are addressed in this report are as follows:

i) **Purpose and leadership;**
The Group's purpose, values and culture and strategy are set out in detail in this report. Reference should particularly be made to the Chairman's Letter, the Strategic Report and this Governance Report.

ii) **Board Composition**
The Board composition and skills are addressed in the introduction to, and the remainder of , this Governance section.

iii) **Directors Responsibilities**
The manner in which the Company and its directors ensure that they have a clear understanding of their accountabilities and responsibilities is set out in more detail throughout this report, and in particular in this Governance Report. The Directors Sn 172 statement can be found on page 14 of this Strategic Report.

iv) **Opportunity and Risk.**
The Group's approach to risk and opportunity are set out in the Strategic Report (and the Risk Section of the Strategic Report in particular) and the Audit Report.
Remuneration.
Remuneration is dealt with in this Governance Report starting at page 26 .

v) **Stakeholder Relationships and Engagement;**
The manner in which the Company effectively manages its relationships with shareholders and other stakeholders is dealt with throughout this report.

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.

Board Composition and Governance framework during 2022

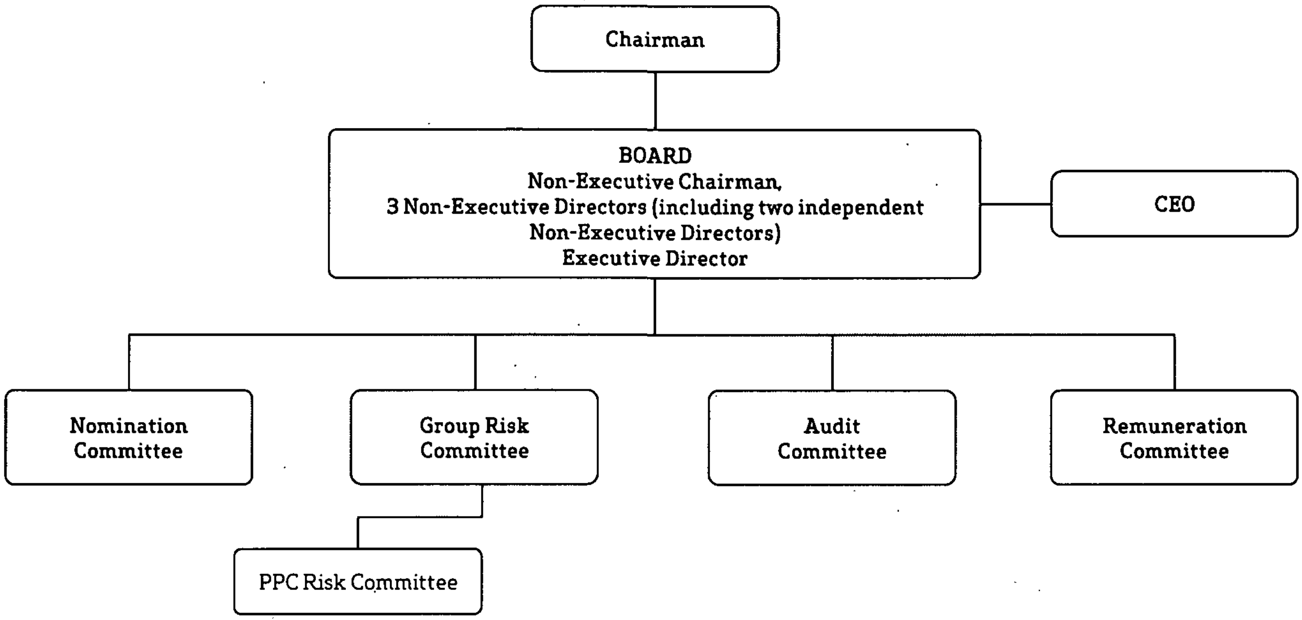
During the first half of 2022 the Board was comprised of a Non-Executive Chairman (Charles Valceschini), three Non-Executive Directors (Michael Bakunenko, Tony Alves, Rashid Javanshir), and one Executive Director (Victor Gladun) ("the Old Board").

Following the resignation of the majority of the Old Board in June 2022, the Board ("the New Board") has consisted of a Non-Executive Chairman (Michael Bakunenko), 2 Non-Executive Directors (Olga Chebysheva and Mark Katsnelson) and one Executive Director (Vitaliy Dorogan) who is also General Director of PPC. Further details of the New Board, including their qualifications and experience are set out on page 17

During the period up to the resignation of the majority of the Old Board in June 2022 the Company had adopted the following governance structure:

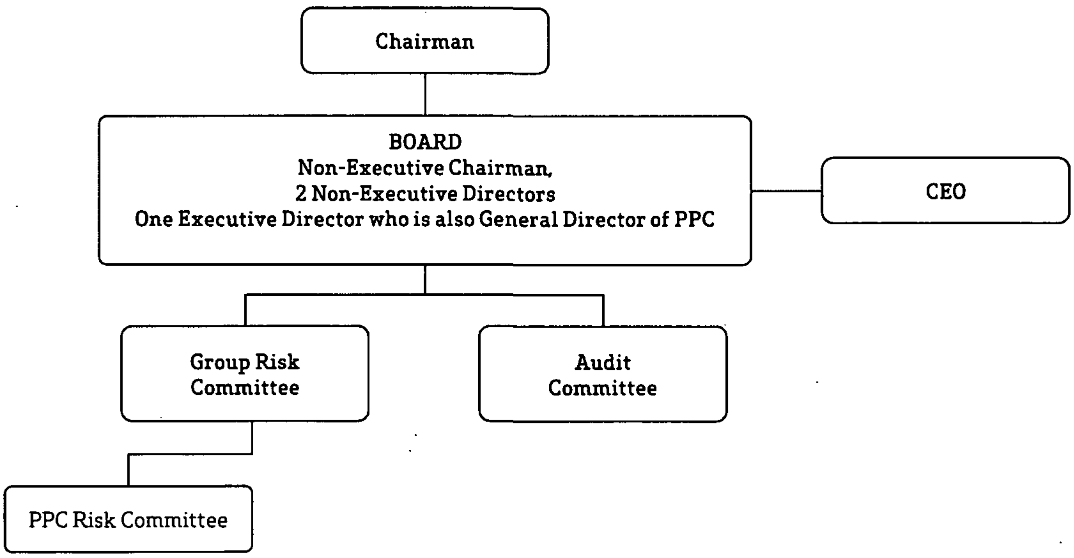
GOVERNANCE

Corporate governance



Following delisting the Board adopted the Wates Principles. Having considered the size, complexity and risks faced by the Company the New Board has abolished the Remuneration and Nomination Committees. All matters previously addressed by the Remuneration and Nomination Committees are now dealt with directly by the New Board . The New Board has also considered the value of appointing independent non-executive directors to offer constructive challenge, but has decided that given the issues that the Company currently faces and the proven working relationship of the existing board members it is not currently appropriate.

The following governce structure applied following the appointment of the New Board:



Board effectiveness and directors' responsibilities

Role of the Board

The Board provides leadership to the Group. The key matters reserved for the consideration and the approval of the Board were reviewed following the appointment of the New Board and the new policy adopted on 27 July 2022 reserves to the Board key actions and decisions such as Group Strategy and Management (including regular group performance management), Group Structure and Capital, Internal Controls and Risk Management, Approval of Significant Contracts and Corporate Actions, Key Communications, Board Membership and Related Appointments (including succession planning), Directors and Senior Management Remuneration, Corporate Governance, Key Group Policies and other significant matters (such as insurance). In addition, the Board considers strategy in depth as well as reviewing the strategic objectives of the Company at its Board meetings. The full policy can be found on the JKX website.

All other authorities are delegated by the Board, supported by appropriate controls, to the Chief Executive, Chief Financial Officer and General Director of the major operating Group company.

How the Board functions

The Board holds regular board meetings, generally on a quarterly basis, together with such other additional board meetings as are necessary to effectively manage the business of the Group.

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 Chief Financial Officer provides the Board with a performance update each month after the month end. The monthly reports outline all material operational, compliance, 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 forecasts for oil and gas production, sales and costs.

These reports provide the Board with the latest information on cash, cash flow forecasts, 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 the latest information in detail.

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 2022

Whilst the New Board abolished the Nomination and Remuneration Committee it has retained the Audit Committee. The Audit Committee currently has a sole member, Olga Chebysheva, an ACCA qualified accountant and Statutory Auditor of Ukraine, with experience working both in house and for PWC. In 2023 the Board will review whether the Audit Committee in its current form is effective and whether changes should be made.

During 2022 (and to date) there was also a Group Risk Committee chaired by the Chief Financial Officer (or his delegate) and comprising group employees.

Board skills, experience and responsibilities

During the 2022 financial year the Board had significant knowledge and experience of the oil and gas industry, geopolitical issues and financial matters in central and eastern Europe, particularly Ukraine.

Board diversity

Following the appointment of the New Board the Board consisted of 3 male and one female director of 2 different nationalities and resident in four different jurisdictions.

The Board recognises that 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.

GOVERNANCE

Corporate governance

Development of the Board
All Directors are provided with opportunities for further development and training updates. In addition to updates on governance, legal and regulatory matters, the Board receives invitations to detailed briefings from advisers. Newly appointed Directors receive an induction training session, including specific presentations on key topics and detailed briefings on legal matters, including issues relating to directors' duties, from the Company's external legal advisers.

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.

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.

Compliance

Internal control and risk management
The Board has overall responsibility for the Group's system of internal controls 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.

Following the appointment of the New Board in 2022 a separate Internal Audit function based in Ukraine was re-established with the appointment of an experienced Internal Audit Manager. The Board has initiated a review of the effectiveness of the internal control framework that has now been concluded with the updating of certain policies and internal processes. As a part of this process, the New Board appointed KPMG to review controls over the sales cycle, purchases and payments cycle, and donations (and associated paperwork) made by Group Companies following the invasion of Ukraine in order to ensure that the applicable processes were appropriate and consistently applied. The Board has already introduced more onerous financial and payment controls, updated management reporting and revised its Schedule of Matters Reserved to the Board. The New Board will work with Internal Audit to introduce any further measures considered necessary.

The Board has assessed 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 9-14 of the Strategic Report. Further information on internal control and risk management is set out in the Audit Committee Report below.

Compliance with applicable sanctions following the Russian invasion of Ukraine in February 2022.
Following the Russian invasion of Ukraine in February 2022 and the introduction of enhanced sanctions regulations by a number of applicable jurisdictions (as well as counter sanctions introduced by the Government of the Russian Federation) the Company has recused itself from the governance of its Russian assets on the basis of advice received from its external counsel. The situation, the regulatory environment and the Company's response remains under regular review.

The Company remains committed to the disposal of non-core assets, including its Russian assets, in a manner that is compliant with all applicable laws and regulations. The disposal of the Russian assets is a priority for the Company and is being actively worked on with its external counsel, given the complexity of the comprehensive sanctions regimes that have been implemented by relevant jurisdictions including the US, EU, UK and Ukraine.

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

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 believes this ensures 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 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 workplace, 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. No concerns were raised via this confidential reporting process during 2022.

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 Internal Audit Manager 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 appropriate.

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

Communication with shareholders and other relevant stakeholders.
The Board is committed to communication with all shareholders so that shareholders' views on the Group can be better understood and addressed as appropriate.

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 more general press and other releases, including via the Group website (www.jkx.co.uk). The Chairman and Board Members also consult informally with shareholders on a regular basis.

Extensive information about the Group's activities is provided in the Annual 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.

The Board also monitors and engages pro-actively with other key stakeholders such as governmental authorities, local communities, industry forums, employees, contractors and suppliers more generally.

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.

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 behalf of the Board

Michael Bakunenko
Chairman
1 September 2023

GOVERNANCE

Audit committee report

Membership of the Audit Committee during 2022

Tony Alves (as Chairman of the Audit Committee) and Rashid Javanshir were appointed to the Committee on 20 September 2019 and resigned as directors and members of the Committee on 4 and 9 June 2022 respectively.

Following the resignation of Mr Alves and Mr Javanshir the New Board considered the size, complexity and risks faced by the Company and decided to retain the Audit Committee whilst the Board considered the most appropriate way forward. Olga Chebysheva (a Non-Executive Director, an ACCA qualified financial professional and certified statutory auditor of Ukraine with over 10 years of experience in audit and consulting at PwC) was appointed to the Committee as its sole member not withstanding its Terms of Reference.

The Board recognises that the current composition of the Audit committee is unsatisfactory and restricts constructive challenge and debate. The Board is currently reviewing whether, given the size and issues that the Company faces, it should appoint additional members or disband the Audit Committee with its mandate being dealt with by the Board itself.

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.

Attendance at meetings

The Committee's meetings were attended, when considered appropriate by the Chairman of the Committee, by other Directors including the Chief Executive as well as 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's activities during 2022

During the 2022 financial year, 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
• Considered feedback on both the internal and external auditor reports submitted by local and Group management; • Reviewed risk reports and the Group risk register, 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 and approved the audit approach and scope of the audit work to be undertaken by the external auditors and the fees for the same; • Considered the independence of the auditors and their effectiveness, taking into account: (a) non-audit work undertaken by the external auditors and compliance with the policy; (b) FRC guidance; (c) the Committee's own Assessment;	• 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 full year financial statements on a going concern basis and reviewed the related disclosures in the Annual Report;

Internal controls and risk	External auditors	Accounting, tax and financial reporting
▪ 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.	▪ Considered and approved letters of representation issued to the external auditors; and ▪ Agreement of the external auditors' remuneration for the 2022 statutory accounts.	▪ 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 2022 financial statements related to:

- rental fee claims in Ukraine;
- liquidity and going concern;
- the carrying value of oil and gas assets;
- the impact of the unlawful invasion of Ukraine and the treatment of the Company's former subsidiaries located in Russia.

These issues were discussed with management and the external auditors at the time the Committee reviewed and agreed the auditors' Group Audit Plan, and at the conclusion of the audit of these financial statements.

Matters considered	Response and conclusion
Rental fee claims in Ukraine As detailed in Note 25 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 $24.4m (2021: $40.4m). The movement in provision during the year is reported as an exceptional item. Management have specifically assessed whether the litigation success on relevant cases during 2021 and 2022 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.	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 detailed verbal and written reporting on this matter from its legal counsel, Ilyashev & Partners. Having reviewed these reports and submissions, the Committee was satisfied that total provisions (including interest and penalties) were at the required level in respect of the rental fee claims and that the classification between current and non-current was appropriate.
Going concern 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.	The Committee addressed this issue by reviewing cash flow forecasts, together with associated sensitivity analysis and a reverse stress test scenario considering risks provided by senior management having considered the Group's business model. In particular this included examining and challenging

GOVERNANCE

Audit committee report

Matters considered	Response and conclusion
	the appropriateness of the assumptions used to prepare them and the scenarios considered. This is also an area of significant audit risk and accordingly the Committee received detailed verbal and written reporting from 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 the next 12 months, and that the going concern basis is the appropriate basis of preparation for the 2022 financial statements, whilst acknowledging the material uncertainty that exists (see Note 2 to the financial statements).
The carrying value of oil and gas assets 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. 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.	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 2022 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. The Committee agreed that, on the basis of the evidence available, the impairment of $40m was supportable 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.
Treatment of assets in Russia Following Russia's invasion of Ukraine and the introduction of the aforementioned sanctions, the JKX Board undertook a thorough review of its involvement with Yuzhgazenergie LLC and Catering Yug LLC and discontinued discharging its normal governance and control activities towards these entities. International sanctions against Russia, as well as Russian countersanctions against foreign investors, adversely impacted the Group's ability to exit its interest in Russia and the value which can be realised for that interest. The Directors reconfirm that it is a priority to dispose of all its Russian assets, a strategy that pre-dated the illegal invasion of Ukraine in February 2022. This disposal has been delayed by the complexities of the comprehensive international trade sanctions that have been introduced by applicable jurisdictions. As a matter of operational reality and as a consequence of commitment to fully comply with applicable laws, the Group no longer has control or influence over its Russian assets and no member of the JKX group receives payments from or makes any payment to its Russian assets. The Directors are working closely with its	The Committee received a memorandum analysing if the criteria were appropriately met in order to classify the Russian entities as other investments with nil value and concluded the appropriateness of this treatment.

international legal advisers to identify compliant ways in which this disposal can be achieved.

Based on the negative circumstances described above that occurred post-year end 2021, JKX has determined that these assets no longer met the criteria set out in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', as the sale of the shareholding in Russia within the next twelve months was no longer considered to be highly probable. In addition, JKX has determined that it no longer met the criteria set out in IFRS 10 'Consolidated Financial Statements' for having 'control' over the investees in Russia, following the Board ceasing to exercise its power over the investees and direct their activities. JKX does therefore not consolidate its interest in Yuzhgazenergie LLC and Catering Yug LLC, treating the investment as a financial asset measured at fair value within 'Other investments' until the shareholding is derecognised.

The scope of sanctions continues to evolve across various jurisdictions and is likely to continue to impact the Group's ability to dispose of its interest in Russia. As such, at this stage the Board cannot reasonably estimate the probability of completion and outcome of the exit process. Actual outcomes may be impacted by a variety of factors, including the international sanctions or other steps taken by governmental authorities. Based on this, it is considered that any measure of fair value of the Group's investments in Yuzhgazenergie LLC and Catering Yug LLC, other than nil, is subject to an extremely high measurement uncertainty and could not be reasonably justified. The respective impairment charge is recorded in the Group's 2022 financial statements and is included in other non-operating expenses.

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.

Internal Audit

During 2021 the Internal Audit Manager resigned and the ACCA qualified chartered accountant who is Head of Finance took over the role as an interim measure. Following the appointment of the New Board, a new Internal Audit Manager was recruited. He is an ACCA qualified professional with the relevant experience obtained in one of the big four audit companies and in the internal audit function of private and state entities operating in different sectors, including the oil and gas sector. The Internal Audit Manager has since accepted a more senior role outside the Group and the Board has recruited an appropriately qualified successor.

External Audit

The Audit Committee endeavours to maintain an objective and professional relationship with the Company's auditors.

Following the appointment of Harris & Trotter LLP as statutory auditors on 1 December 2022, and the completion of the 2021 audit, Harris & Trotter LLP has expressed their willingness to continue in office for the 2022 financial year.

GOVERNANCE

Audit committee report

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 2022 neither BDO LLP nor Harris & Trotter LLP provided 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 23 to the consolidated financial statements.

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

Olga Chebysheva
Chair of the Audit Committee
1 September 2023

GOVERNANCE

Remuneration report

Introduction

Following the delisting and reregistration of the Company in the first quarter of 2022 and the voluntary adoption of the Wates Principles the Board has decided to revise its Remuneration reporting in the interests of simplicity and to better reflect the requirements of its new governance code.

The Company's Remuneration Policy (the "Remuneration Policy") was approved by shareholders at the 2020 AGM that took place on 19 June 2020 and has applied from that date.

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.

Notwithstanding the delisting and reregistration of the Company in the first quarter of 2022 the Remuneration Policy will remain in place whilst the Board considers that it reflects the needs of the Company, but the Company is no longer required to submit it to the shareholders for approval every three years,

The Directors' Remuneration Report for the 2021 financial year was , for technical reasons, put to the Annual General Meeting on 22 June 2023 and received 47, 510,729 votes in support, being 99.96% of the votes cast.

Composition of the Remuneration Committee

Until June 2022 the Remuneration Committee consisted of three independent Non-Executive Directors (Dr Rashid Javanshir (Remuneration Committee Chairman), Tony Alves and Charles Valceschini). Following their resignation in June 2022 and having considered the size, complexity and risks faced by the Company the New Board has abolished the Remuneration Committee although the Remuneration Policy remains in place. Matters previously dealt with by the Remuneration Committee will now be dealt with by the Board itself.

Remuneration Committee activities

Prior to its abolition in June 2022 the Remuneration Committee considered the remuneration of the Chairman, the other Non-Executive Directors and the Chief Executive (and updated the KPI's and reward structures for senior executives).

Changes to Non-Executive Directors' remuneration during 2022

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. Non-Executive Directors cannot participate in any Company share scheme nor are they eligible to join the Company's pension benefit arrangements.

Prior to the resignation of the Old Board Non-Executive Directors were 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. Michael Bakunenko agreed to waive his committee and board membership fees up until he was appointed Chairman of the Company. Victor Gladun also did not receive any committee or board membership fees in addition to the remuneration he received as General Director of PPC.

Following appointment of the New Board directors are paid commercially based fees that reflect the nature and extent of their skills and experience. The sole executive director (Vitaliy Dorogan) is also General Director of PPC and receives no directors fees in addition to the remuneration he receives for his role in PPC.

The table below sets out a single figure for the total remuneration received by each Director of the Company for the financial years ended 31 December 2021 and 31 December 2022.

GOVERNANCE

Remuneration report

$'000	Fees 2022	Fees 2021	Total remuneration[1] 2022	Total remuneration[1] 2021
Non-Executive Directors				
Michael Bakunenko[2]	142		142	
Olga Chebysheva	33		33	
Mark Katsnelson	41		41	
Executive Director				
Vitaliy Dorogan				
Former Non-Executive Directors				
Charles Valceschini	124	183	124	183
Tony Alves	71	105	71	105
Dr Rashid Javanshir	61	90	61	90
Former -Executive Directors				
Victor Gladun	255	788	255	788
Total	727	1,166	727	1,166

1 1.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, did not receive any board or committee fees until his appointment as Chairman of the Company in 2022. Following his appointment as Chairman of the Company he receives both his directors fees and also additional fees in accordance with Company's Articles of Association for the additional services required given the challenges that the Group currently faces. This additional payment is reconsidered on an annual basis and was renewed in August 2022.

Work of Remuneration Committee during 2022

The Company's Remuneration Committee was 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. The Remuneration Committee did not receive any advice from external remuneration specialists or consultants in 2022.

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 and life assurance, income protection and private medical cover.

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:

Clarity - The Remuneration Committee has adopted a harmonious approach to remuneration. The Group's workforce and any Executive Director are all eligible to receive an annual cash bonus on the satisfaction of their KPIs, in addition to their salary. In 2022, 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.

Proportionality/Alignment to culture - the Board 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.

GOVERNANCE

Remuneration report

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

Michael Bakunenko
Chairman of the Board
1 September 2023

GOVERNANCE

Directors' report

Legal form

JKX Oil & Gas plc was, until 2 February 2022, a public company. On 2 February 2022 the Company was reregistered as a private company with the name JKX Oil & Gas Limited.

The Company is and was 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

The 2023 AGM was held on 22 June 2023. Individual shareholders were given the opportunity to put questions to the Chairman and to other members of the Board. The voting results were announced on the Company's corporate website.

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.

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 in Note 13 to the financial statements.

Shares in JKX Oil & Gas

Details of movements in share capital during the year are set out in Note 16 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 2022, the Company did not purchase in the market any of its own ordinary 10p shares, to be held as treasury shares. As part of the Company's delisting and reregistration process the 402,771 ordinary shares previously held as treasury shares and representing 0.23% of the shares then in issue were cancelled. There are currently no shares held in treasury.

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

Following registration as a private company on 2 February 2022 new Articles of Association were adopted. 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 15-16.

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

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

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.

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 2022 financial year and is

GOVERNANCE

Directors' report

currently in force. The Company also purchased and maintained throughout the 2022 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 2022) that take effect, alter or terminate upon a change of control following a takeover.

There are and were 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 33 to the financial statements.

GOVERNANCE
Directors' report

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 Financial Statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, 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.

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 UK-adopted international accounting standards in conformity with the requirements of 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 (if any) 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.

Business Relationships

Business relationships are addressed in particular in the Section 172 Statement set out at page 14.

Dividends

No dividends have been paid or proposed for the year ended 31 December 2022. The Board will not be recommending the payment of a dividend.

Going concern

The going concern statement can be found in Note 2.

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 2022 can be found in the financial statements.

GOVERNANCE

Directors' report

Capitalised interest

No interest was capitalised in 2022 (2021: nil).

Directors' responsibilities

The directors confirm to the best of their knowledge:

- The Groups financial statements have been prepared in accordance with UK-adopted international accounting standards 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 or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group and parent company's auditors are aware of that information.

By order of the Board

Michael Bakunenko
Chairman of the Board
1 September 2023

GOVERNANCE

Independent auditor's report

To the members of JKX Oil & Gas Limited

Opinion

We have audited the financial statements of JKX Oil and Gas Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2022 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 their preparation is applicable law and UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006, and as regards to the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practise.

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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards in conformity with the requirement of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practise; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Independence
We are 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern
We draw attention to note 2 in the financial statements, which refers to the invasion of Ukraine by Russian military forces on 24 February 2022. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Based on the work we have performed, we have identified a material uncertainty in relation 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 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.

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

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.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the Group, the Parent Company and their environment obtained in the course of the audit; we have not identified material misstatements in the Strategic report or the Directors' report.

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 are not in agreement with the accounting records and returns; 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 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 the countries in which the Group operates 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 consolidation elimination journals, 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 charged 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.

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.

GOVERNANCE

Independent auditor's report

To the members of JKX Oil & Gas Limited

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.

Stephen Haffner (Senior Statutory Auditor)
For and on behalf of Harris & Trotter LLP, Statutory Auditor
101 New Cavendish Street
London
W1W 6XH
1 September 2023

GROUP FINANCIAL STATEMENTS

Consolidated income statement

For the year ended 31 December 2022

	Note	2022 $000	2021[1] $000
Revenue	4	114,866	112,152
Cost of sales			
Exceptional item – (provision for production based taxes)	18	(2,185)	(18,691)
Exceptional item – (impairment of oil & gas assets) /net reversal of provision	5(a)	(40,048)	256
Other production based taxes	20	(43,628)	(28,711)
Other cost of sales	20	(23,710)	(30,394)
Total cost of sales	20	(109,571)	(77,540)
Gross profit		5,295	34,612
Administrative expenses		(15,325)	(11,751)
Other operating income	6, 8	151	6,771
Other operating expenses	8	(214)	(528)
(Loss)/gain on foreign exchange		1,400	(1,190)
Profit from operations before exceptional items		33,540	46,349
(Loss)/profit from operations after exceptional items		(8,693)	27,914
Finance income	21	1,352	795
Finance costs	22	(931)	(706)
Other non-operating expenses	15	(27,000)	-
(Loss)/profit before tax		(35,272)	28,003
Taxation – current	25	(8,337)	(9,858)
- before the exceptional items	25	419	2,739
- on the exceptional items	25	5,964	(1,036)
Total taxation	25	(1,954)	(8,155)
(Loss)/profit from continuing operations (attributable to equity holders of the parent company)		(37,226)	19,848
(Loss)/profit from discontinued operation (attributable to equity holders of the parent company), net of tax	14,15	-	(60,094)
(Loss)/profit for the year attributable to equity shareholders of the parent company		(37,226)	(40,246)

[1] Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

GROUP FINANCIAL STATEMENTS

Consolidated income statement

For the year ended 31 December 2022

	Note	2022 in cents	2021[1] 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	27	(25.64)	11.56
-before exceptional items	27	(0.66)	22.90
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	27	-	(35.00)
-before exceptional items	27	-	0.53
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the parent company:			
Basic and diluted (loss)/profit per 10p ordinary share			
-after exceptional items	27	(25.64)	(23.44)
-before exceptional items	27	18.98	23.48

1 Comparative earnings per share have been amended to provide a consistent basis of measurement with 2021. Refer to Note 27 for details.

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 43-80

GROUP FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December 2022

	2022 $000	2021[1] $000
(Loss)/profit for the year	**(37,226)**	(40,246)
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods when specific conditions are met:		
- Currency translation differences	**(19,688)**	2,465
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
- Remeasurements of post-employment benefit obligations	**382**	(12)
- Changes in the fair value of equity investments at fair value through OCI	**(255)**	-
Other comprehensive income/(loss) for the year, net of tax	**(19,561)**	2,453
Total comprehensive loss for the year attributable to equity shareholders of the parent company	**(56,787)**	(37,793)
Continuing operations	**(56,787)**	22,301
Discontinued operations	**-**	(60,094)

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details

GROUP FINANCIAL STATEMENTS

Consolidated statement of financial position

As at 31 December 2022

	Note	2022 $000	2021[1] $000
ASSETS			
Non-current assets			
Property, plant and equipment	5(a)	36,070	104,377
Deferred tax assets	26	4,930	-
Investment	6	245	500
		41,245	104,877
Current assets			
Inventories	7	7,674	4,234
Trade and other receivables	8	3,434	10,775
Cash and cash equivalents	9	56,426	44,780
Restricted cash	9	-	25,387
		67,534	85,176
Assets classified as held for sale	14,15	-	31,176
Total current assets		67,534	116,352
Total assets		108,779	221,229
LIABILITIES			
Current liabilities			
Current tax liabilities		(1,533)	(4,504)
Trade and other payables	10	(10,257)	(24,623)
Lease liabilities	12	(206)	(373)
Provisions	18	(7,853)	(13,108)
		(19,849)	(42,608)
Liabilities of disposal group classified as held for sale	14,15	-	(4,176)
Total current liabilities		(19,849)	(46,784)
Non-current liabilities			
Provisions	18	(21,119)	(31,962)
Defined pension benefit plan	19	(474)	(1,052)
Lease liabilities	12	(9)	(392)
Deferred tax liabilities	26	-	(1,970)
		(21,602)	(35,376)
Total liabilities		(41,451)	(82,160)
Net assets		**67,328**	**139,069**
EQUITY			
Share capital	16	11,712	26,666
Share premium	16	-	-
Other reserves	17	(198,390)	(178,829)
Retained earnings		254,006	291,232
Total equity		67,328	139,069

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

These financial statements on pages 43-80 were approved by the Board of Directors on 1 September 2023 and signed on its behalf by:

Michael Bakunenko
Chairman, JKX Oil & Gas Limited

Dmytro Piddubnyy
Chief Financial Officer

The above consolidated statement of financial position should be read in conjunction with the accompanying notes on pages 43-80

GROUP FINANCIAL STATEMENTS

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Attributable to equity shareholders of the parent				
	Share capital $000	Share premium $000	Retained Earnings $000	Other reserves (Note 17) $000	Total equity $000
At 1 January 2022	**26,666**	**-**	**291,232**	**(178,829)**	**139,069**
Loss for the year	-	-	(37,226)	-	(37,226)
Exchange differences arising on translation of overseas operations	-	-	-	(19,688)	(19,688)
Reduction of Capital[1]	(14,954)	-	-	-	(14,954)
Changes in the fair value of equity investments at FVOCI				(255)	(255)
Remeasurement of post-employment benefit obligations	-	-	-	382	382
Total comprehensive loss attributable to equity shareholders of the parent	(14,954)	-	(37,226)	(19,561)	(71,741)
At 31 December 2022	**11,712**	**-**	**254,006**	**(198,390)**	**67,328**

At 1 January 2021	**26,666**	**97,476**	**234,002**	**(181,282)**	**176,862**
Loss for the year	-	-	(40,246)	-	(40,246)
Exchange differences arising on translation of overseas operations	-	-	-	2,465	2,465
Reduction of Capital[1]	-	(97,476)	97,476	-	-
Remeasurement of post-employment benefit obligations	-	-	-	(12)	(12)
Total comprehensive loss attributable to equity shareholders of the parent	-	(97,476)	57,230	2,453	(37,793)
At 31 December 2021	**26,666**	**-**	**291,232**	**(178,829)**	**139,069**

1 Please refer to Note 16 for the full disclosure on the cancelation of the Share Premium account and the reduction of Share Capital.

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 17 for the details.

GROUP FINANCIAL STATEMENTS

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	2022 $000	2021[1] $000
Cash flows from operating activities			
Cash generated from continuing operations	29	21,999	70,304
Cash generated from discontinued operations	14	-	3,300
Disposal of cash balances related to discontinued operations	15	(4,553)	
Income tax paid		(10,946)	(6,305)
Net cash generated from operating activities		6,500	67,299
Cash flows from investing activities			
Interest received		1,352	795
Proceeds from sale of property, plant and equipment		56	56
Purchase of property, plant and equipment		(4,822)	(15,149)
Cash (used) in/generated from discontinued operations		-	(1,316)
Net cash used in investing activities		(3,414)	(15,614)
Cash flows from financing activities			
The Reduction of Capital	16	(14,954)	-
Principal paid on lease liabilities		(366)	(388)
Net cash used in financing activities		(15,320)	(388)
(Decrease) / increase in cash and cash equivalents in the year		(12,234)	51,297
Cash and cash equivalents at 1 January		74,720	24,725
Effect of exchange rates on cash and cash equivalents		(6,060)	(1,302)
Cash and cash equivalents at 31 December		56,426	74,720
Cash and cash equivalents in continuing operations at the end of the year[1]	9	56,426	70,167
Cash and cash equivalents in discontinued operations at the end of the year[1]	14,15	-	4,553

[1] Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

The above consolidated income statement should be read in conjunction with the accompanying notes on pages 43-80

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

1. General information

JKX Oil & Gas ltd (the ultimate parent of the Group hereafter, 'the Company') is a private limited company. The Company's securities were delisted from the London Stock Exchange on 6 January 2022 and the Company was re-registered as a private company on 2 February 2022.

The Company 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 100 New Bridge Street, London, EC4V 6JA.

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. Considering the above, the Group has assessed the going concern assumption based on which the financial statements have been prepared.

Going concern

The Group's business activities, together with the factors likely to affect its future operations, performance and position are set out in the Chairman's Statement and Finance Review. The financial position of the Group, its cash flows and liquidity position are set out in these consolidated financial statements.

On 24 February 2022 Russia initiated a full-scale military invasion of Ukraine. This was followed up by the immediate enactment of martial law by the Ukrainian President's Decree approved by Verkhovna Rada of Ukraine and corresponding introduction of the related temporary restrictions that impact the economic environment.

As a result of the War, JKX Oil & Gas Group has experienced a number of significant disruptions and operational issues within its business. The currently known impacts of the War on the Group are:

- The production assets of the Group's Ukrainian subsidiaries are located in the central part of the country (Poltava region), which is controlled by the Ukrainian Government. No military activities have occurred at the Group's field locations. The Gas Transmission System Operator of Ukraine has maintained complete operational and technological control over the operations of the Ukrainian Gas Transmission System.
- All of the Group's inventories are in good condition and in safe storage.
- Following the onerous sanctions regimes provided by the UK/EU/US in 2022 and the loss of control over the Group's Russian subsidiaries Yuzhgazenergie LLC and Catering Yug LLC, Management determined that these investments no longer met the criteria *of IFRS 5 to be classified as assets held for sale and the criteria of IFRS 10 to be consolidated as a subsidiary, therefore classified* these investments prospectively as a financial asset measured at fair value and impaired them in full in the financial statements for 2022. Management are currently developing an exit strategy, which would be in compliance with the Group's anti-sanctions policy. The scope of sanctions continues to evolve across various jurisdictions and is likely to continue to impact the Group's ability to dispose its interest in Russia.
- The Group has no debt and funds its operations from its own cash resources. Cash and cash equivalents were $56.5 million as at 31 December 2022, of which $30.4 million were held outside of Ukraine, in currencies other than the Ukrainian Hryvnia. The Directors maintain a significant level of flexibility to modify the Group's development plans as may be required to preserve cash resources for liquidity management. Absent the potential impact of the military conflict in Ukraine, the Directors are satisfied that the Group and the Company are a going concern and will continue their operations for the foreseeable future.

In assessing the impact of the military conflict on the ability of the Group and the Company to continue as a going concern, management have prepared and reviewed updated financial forecasts, including cash flow projections, for the twelve months from the date of approval of these financial statements, taking into consideration most likely and possible downside scenarios for the ongoing business impacts of the war.

These forecasts were based on the following key assumptions:

- All of the Group's assets in Ukraine remain safe and in good condition;
- The Group continues to work only on the condition that 100% advances are received prior to sale;
- In an extreme scenario, in which the Group has zero production as a result of possible future military conflict dictating field operations being completely shut-in, and all other non-production-related costs being maintained at current levels with no reduction or mitigating actions as would otherwise be possible, the Directors are satisfied that the Group and the Company have sufficient liquid resources to be able to meet their liabilities as they fall due and to be able to continue as a going concern for the foreseeable future.

Based on these steps that management are taking, they have concluded that it is appropriate to prepare the financial statements on a going concern basis. However, due to the uncertain impact of the future development of the military invasion on the above-mentioned

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

significant assumptions underlying managements forecasts, management concludes that a material uncertainty exists, which may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

Adoption of new and revised standards
The following new standards, amendments to standards and interpretations became effective for the Group on 1 January 2022 or afterwards (these standards, amendments to standards and interpretations did not have a material impact on the consolidated financial information):

- Amendments to IAS 16 Property, Plant and Equipment prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling items produced while bringing that asset into operation and clarify that these proceeds (and the corresponding costs of production) are recognised in profit or loss;
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets clarify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These can either be incremental costs of fulfilling that contract or the allocation of other costs that relate directly to fulfilling contracts.

There are no other amended standards which the Group considers to have a material impact on these 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 2022 and have not been early adopted by the Group. For these Standards and Interpretations management anticipates that their adoption will not have a material effect on the consolidated financial statements of the Group in future periods.

	Effective for annual periods beginning on or after
IFRS 17 Insurance Contracts	01-Jan-23
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01-Jan-23
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	01-Jan-23
Amendments to IAS 8: Definition of Accounting Estimates	01-Jan-23
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	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 2022 were $1:£0.83 (2021: $1:£0.74), $1: 36.75 Hryvnia (2021: $1: 27.28 Hryvnia), $1: 373.43 Hungarian Forint (2021: $1: 326.74 Hungarian Forint).

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,

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

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.

When assets held for sale have not met the criteria, described above or management changed the decision to distribute assets, they are cased or classified to the operating activity. Financial statements for the periods since classification as held for sale or as held for distribution to owners shall be amended accordingly if the disposal group or non-current asset that ceases to be classified as held for sale or as held for distribution to owners is a subsidiary, joint operation, joint venture, associate, or a portion of an interest in a joint venture or an associate.

If an asset held for sale ceased to be classified as an entity held for sale, the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been represented.

Further information on discontinued operations and non-current assets held for sale can be found in note 14 and 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 Group 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.

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.

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

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

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.

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.

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 Limited 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.

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

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.

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 (b))
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) Fair value measurements
Fair value measurements are estimates of the amounts for which assets or liabilities could be transferred at the measurement date, based on the assumption that such transfers take place between participants in principal markets and, where applicable, taking highest and best use into account.

Where available, fair value measurements are derived from prices quoted in active markets for identical assets or liabilities. In the absence of such information, other observable inputs are used to estimate fair value. Inputs derived from external sources are corroborated or otherwise verified, as appropriate. In the absence of publicly available information, fair value is determined using estimation techniques that take into account market perspectives relevant to the asset or liability, in as far as they can reasonably be ascertained, based on predominantly unobservable inputs. fair value estimations are generally determined using models and other valuation methods, the key inputs for which include future prices, volatility, price correlation, counterparty credit risk and market liquidity, as appropriate; for other assets and liabilities, fair value estimations are generally based on the net present value of expected future cash flows.

d) Taxation including rental fees and deferred tax assets (Notes 25 and 26)
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.

e) Provisions for decommissioning costs (Note 18)
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.

f) 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.

g) Enforcement of arbitration award (Note 25)
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.

h) Exceptional items (Notes 18 and 25)
Judgment is required when determining whether items meet the definition of 'exceptional' under the Group's accounting policy.

Rental fee demands (Notes 18 and 25)
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 determined that it was 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 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 sought advice from external counsel. Accordingly the risk of the lower court judgments on the merits of the case being cancelled were considered very low. Consequently the Group's Management released the provisions against any cases whereby the court judgments of first and appellate instances ruled in favour of PPC. However, during the first half of 2022 the Supreme Court cancelled all the judgments of the lower courts that had ruled in favour of PPC and ordered PPC to pay the outstanding debt. PPC fully paid the outstanding sum in July 2022 and recognised $20.1m of additional provision for two tax cases related to January to December 2015 claims in the consolidated financial statements as at 31 December 2021. Whilst this Supreme Court decision occurred post-year end, the cases themselves were present and ongoing as at the balance sheet date, and therefore it is considered an adjusting post-balance sheet event to be recognised in the current year.

Non-current assets held for sale and discontinued operations (Note 14 and 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 2021 as it was deemed non-recurring. At 31 December 2021 the Group was in the process of

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

disposing of the Hungarian business unit and it was classified as held for sale. Subsequently to 31 December 2021, following the appointment of the new Board in 2022 a re-evaluation of the Group's Hungarian assets has been initiated and it has been decided to re-commence work in a phased manner, minimising expenditure whilst evaluating the prospects of the assets. The first phase of this work has commenced and further investment will be contingent on the success of this initial work programme. As a result, the Board no longer consider it highly likely that these assets will be disposed of within the next 12 months and they are no longer recognised as an asset held for sale.

The Group announced its intention to dispose of Russian business unit, as a non-core asset, in Q3 2021. Following the classification, a write-down was recognised on 31 December 2021 to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised in discontinued operations as an exceptional item (provision for impairment of Russian assets) in the statement of profit or loss.

Since the first quarter 2022, following the loss of control over the Group's interest in businesses within Russia, the Group accounts for this interest as financial assets measured at fair value within 'Other investments'. The scope of sanctions against Russia continues to evolve across various jurisdictions and is likely to continue to impact the Group's ability to dispose its interest in Russia. As such, it is considered by management that any measure of fair value, other than nil, would be subject to an extremely high measurement uncertainty and could not be reasonably justified. Accordingly, it is not currently possible to estimate any carrying value other than zero when determining the measurement of the interest in Russian business unit.

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 (2021: 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 Hungary 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.

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.

2022	UK $000	Ukraine $000	Hungary $000	Rest of World[1] $000	Sub Total $000	Eliminations $000	Total $000
External revenue							
Revenue by location of asset:							
- Oil	-	16,726	1,095	-	17,821	-	17,821
- Gas	-	81,685	-	-	81,685	-	81,685
- Liquefied petroleum gas	-	13,682	-	-	13,682	-	13,682
- Other	-	1,678	-	-	1,678	-	1,678
	-	113,771	1,095	-	114,866	-	114,866
Inter segment revenue:							
- Management services/other	141	-	-	-	141	(141)	-
	141	-	-	-	141	(141)	-
Total revenue	141	113,771	1,095	-	115,007	(141)	114,866
Profit/(loss) before tax:							
Profit/(loss) from operations	(7,546)	3,083	(3,022)	(1,736)	(9,221)	528	(8,693)
Other non-operating expenses	(27,000)	-	-	-	(27,000)	-	(27,000)
Finance income	-	1,351	1	-	1,352	-	1,352
Finance cost	(16)	(915)	-	-	(931)	-	(931)
	(34,562)	3,519	(3,021)	(1,736)	(35,800)	528	(35,272)

2022	UK $000	Ukraine $000	Hungary $000	Rest of World[1] $000	Sub Total $000	Eliminations $000	Total $000
Assets							
Property, plant and equipment	208	34,347	1,515	-	36,070	-	36,070
Investment	245	-	-	-	245	-	245
Deferred tax assets	-	4,930	-	-	4,930	-	4,930
Inventories	-	7,674	-	-	7,674	-	7,674
Trade and other receivables	365	2,052	1,017	-	3,434	-	3,434
Cash and cash equivalents	11,098	26,220	2,871	16,237	56,426	-	56,426
Total assets[1]	11,916	75,223	5,403	16,237	108,779	-	108,779
Total liabilities[1]	(1,165)	(39,814)	(446)	(26)	(41,451)	-	(41,451)
Non cash expense (other than depreciation and impairment of fixed assets)	(27,000)	-	-	-	(27,000)	-	(27,000)
Exceptional item – provision for production based taxes	-	(2,185)	-	-	(2,185)	-	(2,185)
Increase in property, plant and equipment and intangible assets	-	4,664	366	-	5,030	-	5,030
Depreciation, depletion and amortisation	(36)	(7,448)	(12)	-	(7,496)	-	(7,496)
Impairment of oil & gas assets	-	(39,048)	(1,000)	-	(40,048)	-	(40,048)

1 Total assets and liabilities as at 31 December 2022 exclude assets and liabilities of the former Russian subsidiary due to the loss of the Group's control over it. Please refer to Note 14 for details.

There is one customer in Ukraine and one customer in Hungary that exceeds 14% of the Group's total revenues (2021: one customer in Ukraine, which exceeded 27% of the Group's total revenues).

Major customers	2022 $000	2021 $000
Ukraine	14,707	30,688
Hungary	1,095	-

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

2021	UK $000	Ukraine $000	Hungary $000	Rest of World[1,2] $000	Sub Total $000	liminations $000	Total $000
External revenue							
Revenue by location of asset:							
– Oil	-	22,874	-	-	22,874	-	22,874
– Gas	-	77,378	-	-	77,378	-	77,378
– Liquefied petroleum gas	-	10,523	-	-	10,523	-	10,523
– Other	-	1,361	-	-	1,361	-	1,361
	-	112,136	-	-	112,136	-	112,136
Inter segment revenue:							
– Management services/other	219	16	-	-	235	(219)	16
	219	16	-	-	235	(219)	16
Total revenue	219	112,152	-	-	112,371	(219)	112,152
Profit/(loss) before tax:							
Profit/(loss) from operations[1]	(34)	31,727	(3,623)	(141)	27,929	(15)	27,914
Finance income	-	795	-	-	795	-	795
Finance cost	(15)	(691)	-	-	(706)	-	(706)
	(49)	31,831	(3,623)	(141)	28,018	(15)	28,003
Assets							
Property, plant and equipment	334	101,876	2,167	-	104,377	-	104,377
Investment	500	-	-	-	500	-	500
Inventories	-	4,234	-	-	4,234	-	4,234
Trade and other receivables	6,416	3,003	1,356	-	10,775	-	10,775
Cash and cash equivalents	25,858	35,293	859	8,157	70,167	-	70,167
Total assets[1]	33,108	144,406	4,382	8,157	190,053	-	190,053
Total liabilities[1]	(1,546)	(75,031)	(1,382)	(25)	(77,984)	-	(77,984)
Exceptional item – net reversal of provision for production based taxes	-	(18,691)	-	-	(18,691)	-	(18,691)
Increase in property, plant and equipment and intangible assets	385	13,123	256	-	13,764	-	13,764
Depreciation, depletion and amortisation	(257)	(10,840)	-	-	(11,097)	-	(11,097)

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary.
2 Total assets and liabilities as at 31 December 2021 exclude assets and liabilities of former Russian subsidiary classified as held for sale at that date. The loss before tax for 2021 excludes the loss of the former Russian subsidiary classified as held for sale in 2021. Financial result of the former Russian subsidiary for 2021 was presented within the loss from discontinued operations. Please refer to Note 14 for details.

5. Property, plant and equipment and Intangible assets

5.(a) Property, plant and equipment

2022	Oil and gas fields Ukraine $000	Oil and gas fields Hungary $000	Other assets $000	Right-of use assets - properties[1] $000	Total $000
Group					
Cost					
At 1 January	627,128	2,167	18,950	1,692	649,937
Additions during the year	3,706	366	1,105	(147)	5,030
Foreign exchange	(159,412)	(6)	(1,499)	(208)	(161,125)
Disposal of property, plant and equipment	-	-	(35)	-	(35)
At 31 December	471,422	2,527	18,521	1,337	493,807
Accumulated depreciation, depletion and amortisation and provision for impairment					
At 1 January	528,245	-	16,374	941	545,560
Depreciation on disposals of property, plant and equipment	-	-	-	-	-
Foreign exchange	(134,808)	-	(411)	(148)	(135,367)
Depreciation charge for the year	6,849	12	339	296	7,496
Impairment	39,048	1,000	-	-	40,048
At 31 December	439,334	1,012	16,302	1,089	457,737
Carrying amount					
At 1 January	98,883	2,167	2,576	751	104,377
At 31 December 2022	32,088	1,515	2,219	248	36,070

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 12 for the full disclosure on the Right-of-use assets.

Oil and gas fields in Ukraine includes $6.3m relating to items under construction (2021: $11.3m).

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

2021	Oil and gas assets: Oil and gas fields Ukraine $000	Oil and gas fields Hungary[2] $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
Group							
Cost							
At 1 January	593,654	1,911	189,461	1,739	19,406	1,370	807,541
Additions during the year	11,789	256	-	-	1,041	678	13,764
Foreign exchange	21,685	-	-	-	91	18	21,794
Disposal of property, plant and equipment	-	-	-	-	(46)	-	(46)
Reclassified as assets held for sale	-	-	(189,461)	(1,739)	(1,542)	(374)	(193,116)
At 31 December	627,128	2,167	-	-	18,950	1,692	649,937
Accumulated depreciation, depletion and amortisation and provision for impairment							
At 1 January	499,682	-	112,483	1,739	17,145	668	631,717
Depreciation on disposals of property, plant and equipment	-	-	-	-	(12)	-	(12)
Foreign exchange	18,194	-	-	-	26	12	18,232
Depreciation charge for the year	10,369	-	-	-	386	342	11,097
Reclassified as assets held for sale	-	-	(112,483)	(1,739)	(1,171)	(81)	(115,474)
At 31 December	528,245	-	-	-	16,374	941	545,560
Carrying amount							
At 1 January	93,972	1,911	76,978	-	2,261	702	175,824
At 31 December 2021	98,883	2,167	-	-	2,576	751	104,377

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 12 for the full disclosure on Right-of-use assets.

2 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

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 Russian invasion of Ukraine. This factor was combined with an 87% reduction in the assessed 2P reserves in Ukraine from 23.9 MMBoe to 3.1 MMboe.

The most significant change in 2P reserves for Ukraine was in the Rudenkivske licence, with a substantial part of the reserves reclassified to contingent resources. The majority of the 2021 reserves in Rudenkivske were attributed to a program of technically complicated wells in 2024 onwards. This development has now been cancelled due to the absence of specialised western service companies in country who left due to the war and cannot be shown to return within a 5 year time frame with any certainty. In addition, the deterioration of the economic conditions in Ukraine in 2022, such as significant decrease in demand on the internal market resulting in lower gas and oil sales volumes, as well as a gas export ban and increase in gas rental taxes introduced by the government, has led to a decrease in forecasted earnings. This, together with high uncertainties as to how the situation will develop, suggested the need for revision of the past investment plans, especially in respect of the complex projects with high levels of geological and technical risks, requiring substantial financing and external expertise.

These factors constituted an impairment trigger and accordingly an impairment test was undertaken. 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 six production licences (Ignativske, Movchanivske, Rudenkivske, Novomykolaivske, Zaplavska and Elyzavetivske) in the Poltava region of Ukraine.

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

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

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

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

In accordance with IAS 36, the impairment review was undertaken in 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.
- 2P reserves for NNC and Elyzavetivske of 1.8 MMboe and 1.3 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 2026). 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 2023 is based on estimates of gas prices to be realised by our Ukrainian subsidiary determined considering external market forecasts as at the year end with consideration given to 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.

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

- Oil prices: the Company used a forward price curve as at the year end for the next ten years and remaining constant thereafter.
- Production taxes: the Company has assumed production tax rates of 31% for oil and condensate. From April 2022, the Ukrainian government introduced the new mechanism of differentiated rental tax rates for natural gas production, depending on three levels of actual selling prices - up to 150 USD/1,000 m3, from 150 USD to 400 USD and over 400 USD.
- For gas produced from 'old' wells (drilled before 2018) at a depth of up to 5 000 meters, if a gas price is 150 USD per 1,000 m3 or less, the tax rate will be 14,5%, if more than 150 but less than 400 USD, then 29%. If a gas price exceeds 400 USD, then the rate will be 29% of the amount up to 400 USD per 1,000 m3 and 65% of the amount in excess of 400 USD per 1,000 m3.
- For gas produced from new wells (drilled after 2018) at a depth of up to 5 000 meters, if a gas price is 150 USD per 1,000 m3 or less, the tax rate will be 6%, if more than 150 but less than 400 USD, then 12%. If a gas price exceeds 400 USD, then the rate will be 12% of the amount up to 400 USD per 1,000 m3 and 36% of the amount in excess of 400 USD per 1,000 m3.
- The calculation of the actual selling price for gas, to which the tax rate is applied, until July 31, 2022 was determined as the arithmetic mean value of the customs value of imports and quotations at the Dutch TTF gas hub.
- From August 1, 2022, the actual selling price for gas produced in Ukraine is calculated as the maximum of the following values:
  - the weighted average selling price of natural gas transferred/supplied by rent payers in the relevant tax (reporting) period to state entity 'Naftogaz of Ukraine' resulting from transactions on an organized commodity exchange;
  - the weighted average selling price of natural gas determined based on the results of transactions on an organized commodity exchange during the period from the first to the last day of the month preceding the tax (reporting) period (except for transactions with 'Naftogaz of Ukraine' and its subsidiaries);
  - the price of natural gas defined as the arithmetic mean of the following values for the period from the first to the last day of the month preceding the tax (reporting) period:
    (i) the arithmetic mean of "Bid" and "Ask" UA VTP gas prices on the conditions of advance payment (next month, MaH), published in the Argus European Natural Gas report under the heading "Ukraine Market Information and Prices";
    (ii) the arithmetic mean of "Bid" and "Ask" UA VTP gas prices (next month, MaH) published in the ICIS European Spot Gas Market report under the heading "UA VTP Gas Price Assessment".
- Capital and operating costs: these were based on current operating and capital costs in Ukraine for both units. Estimates were provided by third parties and supported by estimates from our own specialists, where necessary.
- Post tax nominal discount rate of 21.9%. 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 ($17.3m) is less than its carrying amount ($56.3m) by $39m and therefore NNC's oil and gas assets were impaired.
- Elyzavetivske's recoverable amount (including the West Mashivska extension) ($24.7m) exceeds its carrying amount ($14.8m) by $9.9m, and therefore the CGU's oil and gas assets were not impaired. No impairment reversal was deemed necessary due to factors disclosed above.

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 impairment for NNC CGU $m	Elyzavetivske Increase/(decrease) in headroom of $12.6m for Elyzavetivske CGU $m
Impact if gas and oil prices:	increased by 20%	(3.5)	5.0
	reduced by 20%	4.4	(5.0)
Impact if gas and oil production volumes:	increased by 10%	(6.1)	2.9
	decreased by 10%	6.1	(2.9)
Impact if future capital expenditure:	increased by 20%	1.5	(0.1)
	decreased by 20%	(1.5)	0.1
Impact if post-tax discount rate:	increased by 2 percentage points to 23.9%	0.2	(0.7)
	decreased by 2 percentage points to 19.9%	(0.2)	0.7

Impairment of Hungarian oil and gas assets
Further to treating a Hungarian business unit as operational assets, 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 a well MK101 due to technical issues and impairment of $1.0m was recognised.

6. Investments

The carrying value of unlisted investments comprises:

	2022 $000	2021 $000
Linx Telecommunications Holding B.V.[2]	245	500
PJSC of "Mining Company Ukrnaftoburinnya"[1]	-	-
Investment into Yuzhgazenergie LLC and Catering Yug LLC[3]	-	-
	245	500

[1] 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 as at 31 December 2017 and 31 December 2018 respectively, with the Linx investment subsequently being written back in 2019.

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 2022 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 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.

[2] At 31 December 2022 the carrying value of Linx was reported as $0.2m (2021: $0.5m), with this valuation being based upon management's expectation of future and final dividends to be received from Linx in 2022-2023. 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, 2019, 2021 and 2022 of $0.1m, $0.03m, $0.4m and $0.02m respectively after disposals of other business units and recognised in other operating income. Since 2020 Management is informed about the negotiations that are ongoing with a potential buyer for the other significant business units. The carrying value of $0.2m is consistent with Linx management's expectations of consideration to be received for disposal of the remaining business units and also with the most recent financial statements of Linx.

[3] Investments into Yuzhgazenergie LLC and Catering Yug LLC were treated as an asset held for sale due to management's intention to dispose these investments as of 31 December 2021 (please refer to note 15), But based on the negative circumstances described above that occurred post-year end 2021, JKX has determined that these assets no longer met the criteria set out in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', as the sale of the shareholding in Russia within the next twelve months, was no longer considered to be highly probable. In addition, JKX has determined that it no longer met the criteria set out in IFRS 10 'Consolidated Financial Statements' for having 'control' over the investees in Russia, following the Board ceasing to exercise its power over the investees and direct their activities. JKX does therefore not consolidate its interest in Yuzhgazenergie LLC and Catering Yug LLC, treating the investment as a financial asset measured at fair value within 'Other investments' with a fair value of nil as of 31 December 2022.

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

7. Inventories

	2022 $000	2021 $000
Warehouse inventory and materials	**1,592**	2,349
Oil and gas inventory	**6,082**	1,885
	7,674	4,234

During 2022, $0.8m (2021: $0.2m) was recognised as an expense for inventories carried at net realisable value and obsolete inventories. This is recognised in cost of sales.

The oil and gas inventory is valued at the lower of average production cost and net realisable value.

8. Trade and other receivables

	2022 $000	2021[1] $000
Trade receivables	**1,298**	536
Less: ECLs	**(267)**	(346)
Trade receivables – net	**1,031**	190
Other receivables[2]	**650**	6,872
VAT receivable[1]	**304**	2,304
Prepayments	**1,449**	1,409
	3,434	10,775

1 Prior year numbers were restated as a result of application of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' to the Group's operations in Hungary. Please refer to Note 14 for details.

As at 31 December 2022, trade and other receivables of $0.3m (2021: $0.3m) 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 (2021: $0.3m). This receivable relates to a single gas customer, which is more than four years past its due date. 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).

2 As at 31 December 2022 the provision against VAT receivables was recognised in amount $0.2m (2021: $0.5m).

3 In January 2022, the Group received part of the arbitration award to the amount of $6.2m, recognised as an asset as of 31 December 2021 (see Note 25), and as other operating income through the consolidated income statement for the year ended 31 December 2021.

As at 31 December 2022, trade and other receivables of $3.4m (2021: $10.8m) 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:

	2022 $000	2021[1] $000
US Dollar	**99**	6,278
Sterling	**-**	-
Euros	**98**	-
Ukrainian Hryvnia	**648**	181
Hungarian Forint	**836**	603
	1,681	7,062

1 Prior year numbers were restated as a result of application of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' to the Group's operations in Hungary. Please refer to Note 14 for details.

9. Cash and cash equivalents

	2022 $000	2021[1] $000
Cash	56,426	44,556
Restricted cash[1]	-	25,387
Short term deposits	-	224
	56,426	70,167

[1] Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

[1]In November 2021, the Company placed a deposit with SP Angel Corporate Finance LLP, which acted exclusively as its broker in connection with the Tender Offer. Please refer to Note 16 for the full disclosure.

Short term deposits held comprised amounts held on deposit, but were readily convertible to cash.

10. Trade and other payables

	Note	2022 $000	2021[1] $000
Current			
Trade payables		1,144	2,783
Other payables		45	203
Contract liabilities	(a)	495	10,105
Other taxes and social security costs		6,265	5,594
VAT payable		1,113	3,628
Accruals		1,195	2,310
		10,257	24,623
Current			
Lease liabilities		206	373
Non-Current			
Lease liabilities		9	392

[2] Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

(a) Contract liabilities	2022 $000	2021 $000
At 1 January	10,105	2,433
Amounts included in contract liabilities that were recognised as revenue during the period	(10,071)	-
Cash received in advance of performance and not recognised as revenue during the period	444	7,683
Foreign exchange	17	(11)
At 31 December	495	10,105

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

Credit facility

On 11 December 2019, PPC, the Group's 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 2021 the total short-term line of credit amounted to $10.3m at an exchange rate of $1: 27.28 (31 December 2020: $9.9m at an exchange rate of $1: 28.27 Hryvnia).The amount outstanding at 31 December 2021 was nil (31 December 2020: nil), so the undrawn portion totaled $10.3m (2020: $9.9m). The facility was available until December 2021 (subject to planned renewal after this date, if required) and draw downs are subject to certain bank credit approvals.

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

In addition PPC holds a UAH50m ($1.8m) overdraft facility which remains undrawn and was renewed until 19 January 2022 and the revolving credit line was renewed until 13 December 2021. Management of the Group decided not to extend the agreement for a renewable loan facility and overdraft facility in 2022.

12. 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 2022 $000	Right-of-use asset recognised during the year $000	Modification of lease agreements $000	Foreign exchange on assets recognised $000	Depreciation charge for the year $000	Foreign exchange on depreciation $000	31 December 2022 $000
Properties	751	4	(151)	(208)	(296)	148	248
Total	751	4	(151)	(208)	(296)	148	248

	1 January 2021 $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	Reclassified as asset held for sale $000	31 December 2021 $000
Properties	702	678	18	(342)	(12)	(293)	751
Total	702	678	18	(342)	(12)	(293)	751

	31 December 2022 $000	31 December 2021 $000
Lease liabilities		
Current	206	373
Non-current	9	392
Total	215	765

The income statement shows the following amounts relating to leases:

	31 December 2022 $000	31 December 2021 $000
Interest on lease liabilities (included in finance cost)	85	69
Depreciation	296	342
Expenses relating to short-term leases (included in administrative expenses)	122	9
Expenses relating to low-value assets, excluding short-term leases of low-value assets (included in administrative expenses)	72	107
Expenses relating to lease of wells for production of oil and gas resources (included in cost of sale)	132	261
Total	707	788

	31 December 2021 $000	31 December 2021 $000
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	366	388

When measuring lease liabilities, the Group discounted lease payments using entity specific incremental borrowing rates. The weighted-average rate applied is 14% (2021: 14%).

13. 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 2022 $000	Book and Fair Value 2021[1] $000
Financial assets		
Cash and cash equivalents (Note 9) – classified at amortised cost	56,426	44,780
Restricted cash (Note 9) – *classified at amortised cost*	-	25,387
Trade receivables (Note 8) – classified at amortised cost	1,031	190
Other receivables (Note 8) – classified at amortised cost	650	6,872
Financial liabilities		
Trade payables (Note 10) - carried at amortised cost	1,144	2,783
Other payables (Note 10) - carried at amortised cost	45	203
Accruals (Note 10) - carried at amortised cost	737	634
Lease liabilities	215	765

[1] Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

The Group had no borrowings at 31 December 2022. Financial liabilities measured at amortised cost were carried at $2.1m at 31 December 2022 (2021: $4.6m).

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 2022 was $58.2m (2021: $77.2m).

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.

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:

	2022 $000	2021 $000
Cash (Note 9)	56,426	44,780
Restricted cash (Note 9)	-	25,387
Total cash	56,426	70,167
Total shareholders' equity	67,328	139,069

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

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:

Group - 31 December 2022	Within 3 months $000	3 months - 1year $000	1 - 2 years $000	2 - 5 years $000
Maturity of financial liabilities				
Trade payables (Note 10)	1,144	-	-	-
Other payables (Note 10)	45	-	-	-
Accruals (Note 10)	737	-	-	-
Lease liabilities	50	121	-	-

Group - 31 December 2021	Within 3 months $000	3 months - 1year $000	1 - 2 years $000	2 - 5 years $000
Maturity of financial liabilities				
Trade payables (Note 10)	2,783	-	-	-
Other payables (Note 10)	203	-	-	-
Accruals (Note 10)	634	-	-	-
Lease liabilities	89	273	343	103

Interest rate risk profile of financial assets and liabilities - Group

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	2022 Within 1 Year $000	2021 Within 1 Year $000
Floating rate		
Short term deposits (Note 9)	-	224
Other receivables (Note 8)	650	6,872
Other payables (Note 10)	45	203

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 loss (2021: loss) after tax and net assets for the year ended 31 December 2022 would increase/decrease by $4,000 (2021: $1,000). 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:

	2022 $000	2021 $000
Sterling	**3,533**	24,881
Euros	**23,773**	12,183
Ukrainian Hryvnia	**12,878**	18,019
Hungarian Forint	**607**	950
Total net	**40,791**	56,033

[1]Foreign currency exposures do not include Russian Roubles as Russia is included under "other investments" in the Statement of financial position.

Foreign currency sensitivity – Group

The Group is mainly exposed to the currency fluctuations of Ukraine (Hryvnia), Hungary (Forint), UK (Sterling) and Euro. 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 25 per cent (2021: 23 per cent) increase and decrease in the US Dollar against Sterling and against Hryvnia, all other variables were held constant. Due to the historically significant foreign currency fluctuation in the UK and Ukraine 25 per cent has been used to calculate sensitivity for Sterling and Hryvnia. 25 per cent (2021: 23 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 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 2022 $000	Hryvnia 2021 $000	**Euros 2022 $000**	Euros 2021 $000	**Sterling 2022 $000**	Sterling 2021 $000	**Forint 2022 $000**	Forint 2021 $000
Profit/(loss) for the year and Equity								
25 per cent strengthening of the US Dollar/ (2021: 23 per cent)	**(2,576)**	(3,369)	**(4,755)**	(2,278)	**(707)**	(4,653)	**(121)**	(219)
25 per cent weakening of the US Dollar/(2021: 23 per cent)	**4,293**	5,382	**7,924**	3,639	**1,178**	7,432	**202**	219

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 page 13, 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 31 December 2022 as there is no impact on any outstanding amounts.

14. Discontinued operations and assets classified as held for sale – Riverside Energy Kft

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 the 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 COVID-19 pandemic. Consequently, the transaction did not proceed. A few offers from other interested parties to buy the Hungarian business were received by the Group in 2021.

As at 31 December 2021. the Hungarian business unit was 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 was caused by events and circumstances beyond the Group's control. Subsequently to 31 December 2021, following the appointment of the new Board in 2022 a re-evaluation of the Group's Hungarian assets has been initiated and it has been decided to re-commence work in a phased manner, minimising expenditure whilst evaluating the prospects of the assets. The first phase of this work has commenced and further investment will be contingent on the success of this initial work programme. As a result, the Board no longer consider it highly likely that these assets will be disposed of within the next 12 months and they are no longer recognised as an asset held for sale.

On 30 September 2022, the Board of Directors decided to return the Hungarian asset to the Group's operating strategy, approved the budget and working program for the further year. The associated assets and liabilities were reclassified from assets held for sale to the operating activity in the financial statements at 31 December 2022. Prior to the reclassification assets were measured at the lower of carrying amount and fair value less costs to sell. The loss of the Hungarian asset for the year 2022 was classified within the Group's financial result from the continuing operations. Prior year numbers were restated as a result of this change and is in line with the disclosure requirements within IFRS 5.

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

The financial performance and cash flow information presented are for periods ended 31 December 2022 and 31 December 2021.

	31 December 2022 $000	31 December 2021 (before restatement) $000
Royalties	-	(98)
Other cost of sales	-	(3,700)
Exceptional item - reversal/(loss) on provision for impairment of Hungary	-	256
Total cost of sales	-	(3,542)
Exceptional item - provision for impairment of Hungary	-	-
Administrative expenses	-	(10)
Loss on foreign exchange	-	(68)
(Loss)/profit from operations and before tax	-	(3,620)
Taxation-current	-	(4)
(Loss)/profit for the year	-	(3,624)
Net cash inflow from operating activities	-	364
Net cash outflow from investing activities	-	-
Net cash generated by the subsidiary	-	364

The following assets and liabilities were classified as held for sale in relation to the discontinued operation as at 31 December 2021.

Assets and liabilities of disposal group classified as held for sale	31 December 2022 $000	31 December 2021 (before restatement) $000
Assets classified as held for sale		
Property, plant and equipment	-	2,167
Trade and other receivables	-	1,356
Cash	-	859
Total assets of disposal group held for sale	-	4,382
Liabilities of the disposal group classified as held for sale		
Trade and other payables	-	(1,196)
Abandonment provision	-	(186)
Total liabilities of disposal group held for sale	-	(1,382)
Net assets	-	3,000

15. Assets classified as held for sale: Yuzhgazenergie LLC and Catering Yug LLC

The Group announced its intention to dispose of Yuzhgazenergie LLC (YGE), as a non-core asset, in Q3 2021. Steps were actively taken to dispose of YGE, but no disposal could be completed before the introduction of enhanced sanctions following the Russian invasion of Ukraine. This was deemed a non-adjusting subsequent event as these conditions were not present as at 31 December 2021. The Group classified YGE as an asset held for sale in the consolidated financial statements as at 31 December 2021 due to the following criteria of IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"* being met at that date:

(a) it must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets (or disposal groups). The Board made a decision to sell the asset in September 2021 and an active program to find a buyer was initiated. An investment banking firm was engaged and started to look for a potential buyer. The Group received several offers from potential buyers by 31 December 2021.

(b) its sale must be highly probable. The Group received an offer from a potential buyer to sell the business for $27m and signed an SPA with the terms of sale finalised.

Immediately before the classification of the Russian business as discontinued operations, the recoverable amount was estimated for certain items of property, plant and equipment and no impairment loss was identified. Following the classification, a write-down of $60,998k was recognised on 31 December 2021 to reduce the carrying amount of the assets in the disposal group to their fair value less costs to sell. This was recognised in discontinued operations in the statement of profit or loss.

On February 24, 2022, Russia started a broad offensive in Ukraine with simultaneous attacks across various areas. In response to Russia's invasion in Ukraine the EU, the US and the UK imposed further sanctions including financing restrictions targeting certain Russian banks and certain state-owned companies. The EU announced the resolution on the enactment of additional and more severe sanctions for Russia, specifically targeting inter alia the Russian banking system, Russian individuals and the energy and transport sectors. Russia continued the widespread attacks across Ukraine and intensified the attacks during the following days. The EU, the US and the UK decided to exclude certain banks from the SWIFT-System.

On March 4; 2022, the US, the EU and the UK imposed further property blocking sanctions on individuals and Russia enacted countersanctions including inter alia restrictions on sales of shares of open or closed joint-stock companies. Russia also announced property blocking sanctions against foreign individuals and companies, in particular restrictions on dividend payments to foreign shareholders in Russian companies.

The scope of sanctions has evolved at pace and continues to do so across various jurisdictions including restrictions on dealing with designated individuals and entities and exporting of a wide range of goods and services to Russia.

Following Russia's invasion of Ukraine and the introduction of the aforementioned sanctions, the JKX Board undertook a thorough review of its involvement with Yuzhgazenergie LLC and Catering Yug LLC and discontinued discharging its normal governance and control activities towards these entities.

International sanctions against Russia, as well as Russian countersanctions against foreign investors, adversely impacted the Group's ability to exit its interest in Russia and the value which can be realised for that interest. The Directors reconfirm that it is a priority to dispose of all its Russian assets, a strategy that pre-dated the illegal invasion of Ukraine in February 2022. This disposal has been delayed by the complexities of the comprehensive international trade sanctions that have been introduced by applicable jurisdictions. As a matter of operational reality and as a consequence of commitment to fully comply with applicable laws, the Group no longer has control or influence over its Russian assets and no member of the JKX group receives payments from or makes any payment to its Russian assets. The Directors are working closely with its international legal advisers to identify compliant ways in which this disposal can be achieved.

Based on the negative circumstances described above that occurred post-year end 2021, JKX has determined that these assets no longer met the criteria set out in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', as the sale of the shareholding in Russia within the next twelve months, was no longer considered to be highly probable. In addition, JKX has determined that it no longer met the criteria set out in IFRS 10 'Consolidated Financial Statements' for having 'control' over the investees in Russia, following the Board ceasing to exercise its power over the investees and direct their activities. JKX does therefore not consolidate its interest in Yuzhgazenergie LLC and Catering Yug LLC, treating the investment as a financial asset measured at fair value within 'Other investments' until the shareholding is derecognised.

The scope of sanctions continues to evolve across various jurisdictions and is likely to continue to impact the Group's ability to dispose its interest in Russia. As such, at this stage the Board cannot reasonably estimate the probability of completion and outcome of the exit process. Actual outcomes may be impacted by a variety of factors, including the international sanctions or other steps taken by governmental authorities. Based on this, it is considered that any measure of fair value of the Group's investments in Yuzhgazenergie LLC and Catering Yug LLC, other than nil, is subject to an extremely high measurement uncertainty and could not be reasonably justified. The respective impairment charge of $27m is recorded in the Group's 2022 financial statements and is included to the other non-operating expenses.

The results of Yuzhgazenergie LLC and Catering Yug LLC for the year are presented below:

	31 December 2022 $000	31 December 2021 $000
Revenue	-	16,896
Exceptional item - provision for impairment of Russian asset	-	(60,998)
Royalties	-	(1,576)
Other cost of sales	-	(10,317)
Total cost of sales	-	(55,995)
Administrative expenses	-	(2,454)
Other operating income	-	27
Loss on foreign exchange	-	(366)
Finance income	-	148
Finance cost	-	(197)
(Loss)/profit from operations and before tax	-	(58,837)
Taxation-current	-	(687)
Taxation-deferred	-	(570)

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

(Loss)/profit for the year	-	(60,094)
Net cash inflow from operating activities	-	3,399
Net cash outflow from investing activities	-	(1,316)
Net cash generated by the subsidiary	-	2,083

The following assets and liabilities were classified as held for sale in relation to the discontinued operation as at 31 December 2021.

Assets and liabilities of disposal group classified as held for sale	31 December 2022 $000	31 December 2021 $000
Assets classified as held for sale		
Property, plant and equipment	-	14,103
Deferred tax assets	-	8,829
Inventories	-	1,320
Trade and other receivables	-	2,371
Cash	-	4,553
Total assets of disposal group held for sale	-	31,176
Liabilities of the disposal group classified as held for sale		
Lease liabilities	-	(257)
Trade and other payables	-	(2,319)
Abandonment provision	-	(1,600)
Total liabilities of disposal group held for sale	-	(4,176)
Net assets		27,000

16. Share capital

Equity share capital, denominated in Sterling, was as follows:

	2022 Number	2022 £000	2022 $000	2021 Number	2021 £000	2021 $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	144,780,947	14,478	11,712	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

In November 2021, the Company proposed a tender offer for the purchase of up to 40,096,476 Ordinary Shares in the Company, cancellation of the admission of its Ordinary Shares to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange. The resolutions proposed were duly passed at the general meeting of the Company.

In November 2021, the Company completed a reduction of its share capital through the cancellation of its entire share premium account of $97,476,000 (£72,629,460) in full thereby creating distributable reserves to undertake the Tender Offer.

In January 2022, a total of 26,942,198 Shares were validly tendered at the Tender Offer Price of pence 42.0 per Ordinary Share (15.65% per cent of the issued share capital of the Company) and the Delisting of the Company became effective on the 6 January 2022.

The Company cancelled treasury shares during 2022 (2021: none).

Following the purchase and cancellation of the Ordinary Shares and movement in treasury shares, the total ordinary shares in issue is 144,780,947. There are no shares reserved for issue under options or contracts. As at 31 December 2022 the market value of the treasury shares held was nil (2021: $0.2m). Please refer to the statement of changes in equity for the movement.

17. 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 2022	30,680	587	(210,020)	(576)	500	(178,829)
Exchange differences arising on translation of overseas operations	-	-	(19,688)	-	-	(19,688)
Remeasurement of post-employment benefit obligations	-	-	-	382	-	382
Changes in the fair value of equity investments at FVOCI	-	-	-	-	(255)	(255)
At 31 December 2022	30,680	587	(229,708)	(194)	245	(198,390)
At 1 January 2021	30,680	587	(212,485)	(564)	500	(181,282)
Exchange differences arising on translation of overseas operations	-	-	2,465	-	-	2,465
Remeasurement of post-employment benefit obligations	-	-	-	(12)	-	(12)
At 31 December 2021	30,680	587	(210,020)	(576)	500	(178,829)

The merger reserve was created on 30 May 1995 when JKX 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.

The 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 2022, the Ukrainian Hryvnia ('UAH') weakened by approximately 34% from UAH 27.28/$ to UAH 36.56/$ (2021: strengthened by approximately 3.4% from UAH 28.27/$ to UAH 27.28/$). The currency translation loss of US$19.7m (2021: currency translation gain US$2.4m) included in the Consolidated statement of comprehensive income arose on the translation of property, plant and equipment denominated in UAH $25.8m (2021: currency translation gain on UAH $3.5m) (see Note 5 (a)).

The post-employment benefit obligation reserve relates to a remeasurement of the liability for the defined benefit pension plan in PPC, our subsidiary in Ukraine. Please refer to Note 19 for the details.

18. 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.

$2.2m was recognised as an expense in the 2022 Consolidated income statement (2021: $18.7m) which is $2.2m interest accrued for the remaining cases that have not been closed, of which $1.1m charge relates to the August to December 2010 claim (2021: $0.5m charge) and a $1.1m charge relating to January to December 2015 claims (2021: $0.3m). In 2021 JKX recognised a $2.2m reversal of provisions for one tax case that has been closed in favour of PPC relating to January to December 2015 claims and restored $20.1m to the provision for two tax cases related to January to December 2015 claims, which were released in 2019 due to their closed status in favour of PPC but the judgments of the lower courts were cancelled in the Supreme Court and were fully paid during the first half of 2022. Remaining claims are being contested in the Ukrainian courts (see Note 25). The amount is denominated in Ukrainian Hryvnia ('UAH') and is stated above at its US$-equivalent amount using the 2022 year end rate of UAH 36.57/$ (2021: UAH27.28/$).

Restored provisions for cases 816/687/16 amounting to $2.7m and 816/686/16 amounting to $7.6m were disclosed in the current portion of provisions as of 31 December 2021 and were fully paid during the first half of 2022. The accrued interest charges on the paid cases amounting to $7.8m were reclassified from non-current to current and are treated as on demand (see Note 25).

Case 816/685/16, principal only, amounting to $4.6m and related to January to December 2015 claims was reclassified from current to non-current at 31 December 2022. The provision relating to August to December 2010 case amounting to $12.0m was reclassified from current to non-current at 31 December 2022.

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

Whilst PPC has been successful in the court hearings, the Board considers it appropriate to maintain a provision given the uncertainty that remains regarding the future development of the claim, although this required significant judgment given the recent nature of the court rulings and assessment of the legislative environment. Any legal proceedings seeking to re-open the case and seek collection is anticipated to continue beyond 12 months after the reporting date given the legislative steps that would be required, and provisions in relation to this case have been presented as a non-current liability based on the expected timing of any subsequent payments. The provision against the case was previously classified as current based on the expected timing of the Supreme Court ruling in 2021 and potential payment.

The provision for rental fee claims at 31 December 2022 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 an 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.

Current provisions for production based taxes	2022 $000	2021 $000
At 1 January	13,108	15,911
Amount provided in the year	592	508
Amount releases in the year	(9,597)	(2,185)
Foreign currency translation	(2,163)	11,129
Reclassification from/(to) non-current provisions	5,913	(12,255)
At 31 December	7,853	13,108

Non-current provisions for production based taxes	2022 $000	2021 $000
At 1 January	27,346	5,080
Amount provided in the year	1,593	20,369
Amount released in the year	-	-
Foreign currency translation	(6,448)	(10,358)
Reclassification from/(to) current provisions	(5,913)	12,255
At 31 December	16,578	27,346

Non-current provisions Provision on decommissioning	Ukraine $000	Hungary $000	Total $000
Provision for site restoration			
At 1 January 2022	4,430	186	4,616
Foreign exchange adjustment	(1,144)	(7)	(1,151)
Additions	338	-	338
Revision in estimates	(19)	-	(19)
Unwinding of discount (Note 22)	757	-	757
At 31 December 2022	4,362	179	4,541

The provision in respect of Ukraine and Hungary represents the present value of the well and site restoration costs that are expected to be incurred up to 2034 (2021: 2034). The provisions are made using the Group's internal estimates that management believe form a reasonable basis for the expected future costs of decommissioning.

19. Defined pension benefit plan

	2022 $000	2021 $000
At 1 January 2022	1,052	922
Service cost	28	39
Interest expense	89	106
Benefit payments	(54)	(59)
Employer contribution	(382)	12
Foreign exchange	(259)	32
At 31 December 2022	474	1,052

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 "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.

20. Cost of sales

	2022 $000	2021[1] $000
Operating costs	16,849	20,025
Depreciation, depletion and amortisation	6,861	10,369
Other production based taxes	43,628	28,711
	67,338	59,105
Exceptional item – production based taxes charge/(credit) (Note 18)	2,185	18,691
Exceptional item - impairment of oil & gas assets	40,048	(256)
	109,571	77,540

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

The cost of inventories (calculated by reference to production costs) expensed in cost of sales in 2022 was $2.6m (2021: $2.3m).

21. Finance income

	2022 $000	2021 $000
Interest income on deposits	1,352	795
	1,352	795

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

22. Finance costs

	2022 $000	2021 $000
Borrowing costs	-	-
Interest on defined pension plan	89	106
Interest on lease liabilities	85	69
Unwinding of discount on site restoration (Note 18)	757	531
	931	706

23. Profit from operations – analysis of costs by nature

Profit from operations derives solely from continuing operations and is stated after charging/(crediting) the following:

	2022 $000	2021[1] $000
Depreciation – other assets (Note 5. (a))	635	728
Depreciation, depletion and amortisation – oil and gas assets (Note 5. (a))	6,861	10,369
Staff costs (none was capitalised during the year (2021: nil), Note 24)	3,871	4,867
Foreign exchange loss/(gain)	(1,400)	1,190

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors:

	2022 $000	2021 $000
Audit of the parent company and consolidated financial statements	301	530
Fees payable to company's auditors for other services:		
- Audit of the Company's subsidiaries	65	355
- Audit related assurance services	-	44
Tax compliance services	15	-
	381	929

24. Staff costs

	2022 $000	2021 $000
Wages and salaries	3,607	4,571
UK social security costs	123	110
Other pension costs	141	186
	3,871	4,867

No staff costs were capitalised for the year ended 31 December 2022.

During the year, the average monthly number of employees was:

	2022 Number	2021 Number
Management/operational	243	430
Administration support	46	75
	289	505

There is one Director on a service contract included within management/operational (2021: one).

25. Taxation

Analysis of tax on loss	2022 $000	2021[1] $000
Current tax		
UK - current tax	-	-
Overseas - current year	8,337	9,858
Current tax expense	8,337	9,858
Deferred tax		
Overseas - current year	(6,383)	(1,703)
Deferred tax (benefit)/charge	(6,383)	(1,703)
Income tax expense	1,954	8,155

[1] Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

Factors that affect the total tax charge

The total tax charge for the year of $2.0m (2021: $8.2m) is lower (2021: lower) than the average rate of UK corporation tax of 19.00% (2021: 19.00%). The differences are explained below:

Total tax reconciliation	2022 $000	2021[1] $000
(Loss)/profit before tax from continuing operations	(35,272)	28,003
(Loss)/profit before tax from discontinued operation	-	(60,094)
Tax calculated at 19.00% (2021: 19.00%)	(6,702)	5,321
Effect of tax rates in foreign jurisdictions	143	(325)
Rental fee provision	-	-
Other non-deductible expenses	8,294	3,217
Other	219	(58)
Total tax charge from continuing operations	1,954	8,155
Total taxation from discontinued operation	-	1,260

[1] Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

The total tax charge for the year was $2.0m (2021: $8.2m) comprising a current tax charge of $8.3m (2021: $9.9m) in respect of Ukraine, a deferred tax benefit before exceptional items of $0.4m (2021: benefit of $2.7m) and a deferred tax benefit of $6.0m in respect of exceptional items (2021: $1.0m charge). The decrease in the current tax charge reflects a lower profit in Ukraine during 2022. In Ukraine, the corporate tax rate for 2021 was 18% and remains at this level in 2022.

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.

The current UK Corporation tax rate of 19% generally applies to all companies whatever their size. From 1 April 2023, this rate will cease to apply and will be replaced by variable rates ranging from 19% to 25%. A small profits rate of 19% will apply to companies whose profits are equal to or less than £50,000. The main Corporation Tax rate is increased to 25% and will apply to companies with profits in excess of £250,000.

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.

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

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 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.

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.

In January 2022 the Group received part of the arbitration award amounting to USD 6.2 million and recognised it as an asset at 31 December 2021 (Note 8), with the remaining amount of USD 5.9 million expected to be received. The recognition of the remaining amount of USD 5.9 million will not be made in the financial statements until there is further clarity on the process for, and likely success of, enforcing collection.

Rental Fee demands
The Group currently has four claims (2021: four) for additional Rental Fees being contested through the Ukrainian court process. These arose from disputes over the amount of Rental Fees paid by PPC for certain periods since 2010, which in total amount to approximately $24.4 million (2021: $40.5million) (including interest and penalties), as detailed below. All amounts are being claimed in Ukrainian Hryvnia ('UAH') and are stated below at their US$-equivalent amounts using the year end rate of $1:UAH 36.57 (2021: $1:UAH 27.28).

- August – December 2010: approximately $12.0 million (2021: $14.8 million) (including $8.6 million (2021: $10.3 million) of interest and penalties). The case is divided into two court disputes:
  - 816/4476/14 – On 5 April 2017 the Poltava Circuit Administrative Court found in favour of PPC. The Kharkiv Appellate Administrative Court on 1 June 2017 turned down PJTI's appellate complaint on merits. On 22 April 2021 the Supreme Court cancelled the judgments of the lower courts in favour of PPC and decided to close the proceedings, leaving all the court judgments against PPC in case No. 816/539/14 as the only effective ones.
  - 816/3731/14 – This case is a fiduciary court dispute on forcible collection of the 2010 royalty and was initiated by PJSTI against PPC once PPC lost tax dispute No. 816/539/14. After two court judgments in favour of PPC in case No. 816/4476/14, on 29 June 2017, the PCAC found in favour of PPC in the collection case and declined to collect the 2010 royalty from PPC. The KHAC by its ruling on 5 February 2018 and the Supreme Court by its ruling on 21 July 2021 upheld the judgment of the first instance court – thus, the case was decided in favour of PPC on merits. However, there was a probability of re-opening the case if the PJSTI succeeds in renewing the terms for reconsidering the court judgments in this case due to newly discovered circumstances (the «NDC») – i.e., the judgment of the Supreme Court in case No. 816/4476/14 in April 2021. In the end, the PJSTI filed the application for NDC and lodged a motion on renewal of deadlines for filing. However, all three instances, including the Supreme Court, refused to

reconsider the amount due to NDC since the PJSTI missed the deadlines for filing of the respective application. Therefore the case has been fully closed in favour of PPC. Reserves are in place for now.

- 440/4814/22 – after the latest court judgment of the Supreme Court dated 25 May 2022 in favour of PPC in the case above, PPC lodged a motion to PJSTI requesting to eliminate the tax debt on the 2010 royalty from PPC's tax electronic card in the tax cabinet. PJSTI responded that they refused to do so. Respectively, filed with the PCAC the new lawsuit on obliging PJSTI to delete the tax debt from PPC's tax electronic card in the tax cabinet. On 28 November 2022 the PCAC issued the judgment in favor of PPC and obliged PJSTI to delete the respective tax debt. The PJSTI filed the appeal complaint against the aforementioned judgment of the 1st instance court. The KHAC accepted PJSTI's appeal and scheduled the hearing for 07th September 2023.

January – December 2015: approximately $12.4 million (2021: $25.6 million) (including $11.0 million (2021: $16.9 million) of interest and penalties). Following the commencement of international arbitration proceedings at the beginning of 2015 (see above), from July 2015 PPC reverted to paying a 28% Rental Fee for gas production (instead of the revised official rate of 55%) as a result of the awards granted under the arbitration. PPC also declared part of its Rental Fee payments at 55% for the first 6 months of 2015 as overpayments and consequently stopped paying the Rental Fee for gas in order to align the total payments made in 2015 with the 28% rate awarded under the arbitration proceedings. The Ukrainian tax authorities have issued PPC with a 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 in cases during 2019 and 2020 provides 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.

Case No. 816/685/16 for $5.5m. The first hearing on merits in the Poltava Circuit Administrative Court (1st instance court) has been scheduled for 01 August 2023.

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 a 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 $5.3m. 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.
- Case No. 816/844/16 for $3.7m. On 14 November 2019 the Poltava Circuit Administrative Court found in favour of PPC as well as ruling that Tax Notification Decisions previously issued against PPC were illegal and were cancelled. The KHAC by its judgment of 15 July 2020 and the Supreme Court by its judgment of 1 July 2021 upheld the judgment of the first instance court – thus, the case is fully closed in favour of PPC.
- 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. The Kharkiv Appellate Administrative Court on 29 March 2021 turned down PJTI's appellate complaint on merits. PJSTI attempted to file several times the cassation complaint – however, five times the cassation complaints of PJSTI were turned down. This case is therefore closed in favour of PPC.

Lost 2015 cases:

- 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. However, on 19 April 2022 the Supreme Court cancelled all the judgments made by the lower courts in favour of PPC, and ordered PPC to pay the outstanding debt. PPC fully paid the outstanding sum in June 2022. However, the interest on this amount is still provided for since there is a chance that within 3 years the PJSTI may request PPC to pay this amount.
- 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 recognising them as illegal. However, on 21 June 2022 the Supreme Court cancelled all the judgments made by the lower courts in favour of PPC and ordered PPC to pay the outstanding debt. PPC fully paid the outstanding sum in July 2022. However, the penalties are still provided for since there is a chance that within 3 years the PJSTI may request PPC to pay this amount.

It is expected that the process of hearings in respect of the remaining outstanding 2015 rental fee claims will continue into 2023 and possibly beyond. Full provisions are made for claim 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 an assessment of facts and circumstances at the time. During 2020 the Group determined that it was appropriate to release

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

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 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 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 released provisions after court judgments of first and appellate instances in favour of PPC.

In 2021 the Group has released provisions totalling $2.2m (inclusive of interest and penalties) in respect of Case 816/1191/16, which was one tax case that has been closed in favour of PPC relating to January to December 2015 claims.

In 2020 the Group released provisions totalling $15.1m (inclusive of interest and penalties) associated with 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 rejected appeals lodged by the tax authorities on the case merits. A cassation appeal for one case was filed and was 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 were released.

An exceptional item of $2.2m has been charged to the Consolidated income statement in the year (2021: $18.7m), being the net of provisions reversed for cases closed in PPC's favour, interest accrued on the remaining August – December 2010 and January – December 2015 claims, and the re-recognition of previously reversed cases as a result of the Supreme Court overruling judgments made by the lower courts in favour of PPC and ordering PPC to pay the outstanding debt (see Note 18).

26. Deferred tax

Management believe the Deferred Tax Asset is recoverable given the forecasted operational profit for the Group for the foreseeable future.

	Assets		Liability		Net	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Continuing operations						
Ukraine	4,930	3,729	-	(5,699)	4,930	(1,970)

The balance comprises temporary differences attributable to:

	Assets		Liability		Net	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Property, plant and equipment	**2,890**	-	-	(5,699)	**2,890**	(5,699)
Inventory	**458**	553	-	-	**458**	553
Provision for disputed rental fees	**684**	2,175	-	-	**684**	2,175
Provision for site restoration	**696**	700	-	-	**696**	700
Tax losses	-	-	-	-	-	-
Other	**202**	301	-	-	**202**	301
Deferred tax asset /(liability) recognised	**4,930**	3,729	-	(5,699)	**4,930**	(1,970)

	1 January 2022 $000	exchange differences $000	to profit or loss $000	31 December 2022 $000
Deferred tax liabilities				
Property, plant and equipment	(5,699)	1,466	4,233	-
Deferred tax assets				
Property, plant and equipment	-	-	2,890	2,890
Inventory	553	(140)	45	458
Provision for disputed rental fees	2,175	(553)	(938)	684
Provision for site restoration	700	(178)	174	696
Other	301	(77)	(22)	202

Net deferred tax	(1,970)	518	6,382	4,930

* Note there are minor differences in the tables due to rounding effects

	1 January 2021 $000	exchange differences $000	to profit or loss $000	Reclassified to assets held for sale $000	31 December 2021 $000
Deferred tax liabilities					
Property, plant and equipment	(8,956)	(245)	641	2,861	(5,699)
					-
Deferred tax assets					
Inventory	539	20	(6)	-	553
Provision for disputed rental fees	1,099	40	1,036	-	2,175
Provision for site restoration	1,025	23	40	(388)	700
Tax losses	11,924	-	-	(11,924)	-
Other	301	8	(8)	-	301
Net deferred tax	5,932	(154)	1,703	(9,451)	(1,970)

* Note there are minor differences in the tables due to rounding effects

27. 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 145,183,718 (2021: 171,723,145, including shares purchased by the Company and held as treasury shares of 402,771).

Profit before exceptional items in 2022 of $33,251,150 (2021 profit: $40,313,200) is calculated from the 2022 loss of $30,527,916 (2021: loss $40,246,487) adjusted for exceptional items of $69,742,706 (2021: $79,523,687) and the related deferred tax on the exceptional items of $5,963,640 (2021: $1,036,000).

There are no dilutive instruments.

	2022 Cents	2021[1] 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	(25.64)	11.56
-before exceptional items	(0.66)	22.90
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	-	(35.00)
-before exceptional items	-	0.53
Total earnings per share for (loss)/profit attributable to the ordinary equity holders of the parent company:		
Basic and diluted (loss)/profit per 10p ordinary share		
-after exceptional items	(25.64)	(23.44)
-before exceptional items	18.98	23.48

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

Reconciliations of earnings used in calculating earnings per share	2022 $000	2021[1] $000

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

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	(37,226)	19,848
- Before exceptional item	(956)	39,320
(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	-	(60,094)
- Before exceptional item	-	903
Total (loss)/profit 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	(37,226)	(40,246)
- Before exceptional item	27,554	40,313
Number of shares	2022	2021
Basic weighted average number of shares	145,183,718	172,125,916
Treasury shares	-	(402,771)
Shares held in Employee Benefit Trust (Note 16)	(3,632,928)	(3,632,928)
Sale of shares held by Employee Benefit Trust (Note 16)	3,632,928	3,632,928
Weighted average number of shares	145,183,718	171,723,145

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for details.

28. Dividends

No interim dividend was paid or declared for 2022 (2021: nil). In respect of the full year 2022, the directors do not propose a final dividend (2021: no final dividend paid or declared).

29. Reconciliation of profit from operations to net cash inflow from operations

	2022 $000	2021[1] $000
(Loss)/profit from operations (continuing operations)	(8,693)	27,914
(Loss)/profit from operations (discontinued operations)	-	(60,094)
Depreciation, depletion and amortisation	7,496	11,097
Gain on disposal of fixed assets	(56)	(34)
Exceptional item –for production based taxes, including forex	2,185	18,691
Exceptional item - impairment of oil & gas assets	40,048	256
Increase in provision for impairment of Russia	-	60,998
Cash generated from operations before changes in working capital	40,980	58,828
Increase/(decrease) in operating trade and other receivables	7,435	(1,748)
Increase/(decrease) in operating trade and other payables	(12,634)	15,925
Increase/(decrease) in operating provisions	(8,866)	-
Decrease in inventories	(4,916)	1,062
Net cash generated from continuing operations	21,999	69,841
Net cash generated from discontinued operations (Note 14)	-	4,226

1 Prior year numbers were restated as a result of application of IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" to the Group's operations in Hungary. Please refer to Note 14 for detail

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.

	Leases 2022 $000	Leases 2021 $000
At 1 January	765	759
Cash flows		
- Payment of principal	(366)	(388)
Non-cash flows		
-Additions and modification of lease agreements	(146)	654
- Reclassified to assets held for sale		(312)
- Disposal of lease agreements		(28)
- Foreign exchange	(123)	11
- Interest accruing in the period	85	69
At 31 December	215	765

30. Capital commitments

Under the work programs for the Group's exploration and development licences the Group had committed $0.08m to future capital expenditure on drilling rigs and facilities at 31 December 2022 (2021: $0.6m).

GROUP FINANCIAL STATEMENTS

Notes to the consolidated financial statements

31. 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:

	2022 $000	2021 $000
Short-term employee benefits	728	378
	728	378

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 10% of the ordinary share capital was considered a related party at 31 December 2022. The Company's Chairman, Michael Bakunenko, was also a Chairman of the Board of UNB effective 31 December 2022.

The following transactions were carried out with UNB:

	2022 $000	2021 $000
Gas sales	6,627	3,070
Other services	10	-

	2022 $000	2021 $000
Gas purchase	3,424	-
Natural gas liquids (NGLs) purchase	2,614	-

The balances owed to and due from related parties were as follows as at 31 December 2022 and 2021:

	2022 $000	2021 $000
Trade and other receivables (prepayments made)	128	-
Trade and other payables (contract liabilities)	-	3,308

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.

32. 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.

33. Events after the reporting date

In May 2023, the tax authorities initiated an unscheduled tax audit in respect of the payment of withholding tax for dividends paid during 2017 – 1Q2018 by Poltava Petroleum Company to its parent Company registered in the Netherlands. In July 2023, the tax authorities issued the Inspection report and ordered PPC to pay UAH20m ($0.5m). Management disagree with the report findings and consider the probability of the payment as remote. This is considered as non-adjusting subsequent event and therefore, no provision has been recognised in these financial statements.

In April 2023, the entire equity rights in PJSC "Ukrnaftoburinnia" in which the JKX Group holds 10% of interest, were seized and transferred to Ukrainian state-owned entity "Ukrnafta". The Directors are keeping the situation under close review and will take such steps as it is considered necessary to protect its legitimate interests. This may include a commencement of international arbitration.

COMPANY FINANCIAL STATEMENTS

Company statement of financial position

For the year ended 31 December 2022

Company number 3050645	Note	2022 $000	2021 $000
Assets			
Non-current assets			
Investments	C	13,270	13,270
Right-of-use assets	B	208	331
		13,478	13,601
Current assets			
Trade and other receivables	D	162	33,400
Cash and cash equivalents	F	10,840	360
Restricted cash	F	-	25,387
		11,002	59,147
Total assets		24,480	72,748
Liabilities			
Current liabilities			
Trade and other payables	G	(1,002)	(1,353)
Lease liabilities	B	(171)	(167)
		(1,173)	(1,520)
Non-current liabilities			
Lease liabilities	B	(8)	(158)
Total liabilities		(1,181)	(1,678)
Net Assets		23,299	71,070
Equity			
Share capital	H	11,712	26,666
Share premium		-	-
Other reserves	H	(503)	(503)
Retained earnings /accumulated deficit		12,090	44,907
Total equity		23,299	71,070

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 $32.8m (2021 $17.9m profit).

These financial statements on pages 83 to 90 were approved by the Board of Directors on 1 September 2023 and signed on its behalf by:

Michael Bakunenko
Chairman, JKX Oil & Gas Limited

Dmytro Piddubnyy
Chief Financial Officer

COMPANY FINANCIAL STATEMENTS

Company statement of changes in equity

For the year ended 31 December 2022

	Share capital $000	Share premium $000	Accumulated deficit $000	Other reserves $000	Total equity $000
At 1 January 2021	26,666	97,476	(70,426)	(503)	53,213
Profit/(loss) for the financial year	-	-	17,857	-	17,857
Total comprehensive profit/(loss) for the year	-	-	17,857	-	17,857
Reduction of Capital[1]	-	(97,476)	97,476	-	-
Transactions with equity shareholders					
Total transactions with equity shareholders	-	-	-	-	-
At 31 December 2021	26,666	-	44,907	(503)	71,070

	Share capital $000	Share premium $000	Retained earnings $000	Other reserves $000	Total equity $000
At 1 January 2022	26,666	-	44,907	(503)	71,070
(Loss)/profit for the financial year	-	-	(32,817)	-	(32,817)
Total comprehensive (loss)/profit for the year	-	-	(32,817)	-	(32,817)
Reduction of Capital[1]	(14,954)	-	-	-	(14,954)
Transactions with equity shareholders					
Total transactions with equity shareholders	-	-	-	-	-
At 31 December 2022	11,712	-	12,090	(503)	23,299

1 Please refer to Company financial statements for the full disclosure on the cancelation of the Share Capital account in Note H.

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 the 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 the Directors' report for information on the 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.

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 2021, have had a material impact on the company. Please refer to the 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 2022 was $1/£0.83 (2021: $1/£0.74).

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

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 48 to 49 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 Limited 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.

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. The Company used weighted average cost of capital 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. The 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 2022 $000	Additions during the year $000	Depreciation charge for the year $000	31 December 2022 $000
Properties – office lease	331	37	(160)	208
Total	331	37	(160)	208

	1 January 2021 $000	Additions during the year $000	Depreciation charge for the year $000	31 December 2021 $000
Properties – office lease	106	385	(160)	331
Total	106	385	(160)	331

	2022 $000	2021 $000
Current		
Lease liabilities	171	167
Non-current		
Lease liabilities	8	158

When measuring lease liabilities, the Company discounted lease payments using the weighted-average cost of capital of 7%.

The income statement shows the following amounts relating to leases:

	2022 $000	2021 $000
Interest on lease liabilities	16	15
Total	16	15

C. Investments

The net book value of unlisted fixed asset investments comprises:

	2022 $000	2021 $000
Cost		
At 1 January	13,270	13,270
At 31 December	13,270	13,270
Equity investment in subsidiaries		
At 31 December	13,270	13,270

At 31 December 2022, subsidiary undertakings of JKX Oil & Gas Limited 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 [4]	Oil & gas services	100.00	Ukraine
Baltic Energy Trading Ltd* [3]	Oil & gas exploration and production	100.00	UK
Eastern Ukrainian Pipeline Ltd [4]	Oil & gas services	100.00	Ukraine
EuroDril Limited[3]	Oil & gas exploration, production and services	100.00	UK

Name	Business	% held (ordinary shares)	Country of incorporation and area of operation
JKX Georgia Ltd*[3]	Oil & gas exploration, production and services	100.00	UK
JKX Hungary BV [1]	Oil & gas exploration and production	100.00	Netherlands
JKX Ltd*[4]	Dormant	100.00	UK
JKX (Navtobi) Limited [5]	Oil & gas exploration and production	100.00	Cyprus
JKX (Nederland) B.V. [1]	Finance and Holding	100.00	Netherlands
JKX Services Limited*[3]	Services	100.00	UK
JKX Ukraine BV [1]	Finance and Holding	100.00	Netherlands
JKX (Ukraine) Ltd* [3]	Oil & gas exploration, production and services	100.00	UK
JP Kenny Exploration & Production Limited* [4]	Finance and Holding	100.00	UK
Kharkiv Investment Company [4]	Holding	100.00	Ukraine
Shevchenko Farm	Landowner	100.00	Ukraine
Page Gas Ltd* [3]	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 [6]	Oil & gas exploration, production and services	100.00	Hungary
Trans-European Energy Services Limited* [3]	Oil & gas exploration, production and services	100.00	UK

* Held directly by JKX Oil & Gas Limited. 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. 100 New Bridge Street, London, EC4V 6JA, England.
4. Production site of JV PPC, Sokolova Balka, Novosanjary district, Poltava region, 39352, Ukraine.
5. 1st Floor, 22 Stasicratous Olga Court, Nicosia, Cyprus.
6. Vaci ut 33, Budapest, 1134, Hungary.

Note: Investments into former subsidiaries Yuzhgazenergie LLC and Catering Yug LLC were treated as an asset held for sale due to management's intention to dispose these investments as of 31 December 2021 (please refer to the note 15 of consolidated financial statements), but based on the negative circumstances described above that occurred post-year end 2021, JKX has determined that these assets no longer met the criteria set out in IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', as the sale of the shareholding in Russia within the next twelve months was no longer considered to be highly probable. In addition, JKX has determined that it no longer met the criteria set out in IFRS 10 'Consolidated Financial Statements' for having 'control' over the investees in Russia, following the Board ceasing to exercise its power over the investees and direct their activities. JKX does therefore not consolidate its interest in Yuzhgazenergie LLC and Catering Yug LLC, treating the investment as a financial asset measured at fair value within 'Other investments' with a fair value of nil as of 31 December 2022. Please refer to Note 15 of the consolidated financial statements.

In the opinion of the Directors the carrying value of the investments are supported by the underlying net assets of the Group's CGU's.

D. Other receivables

	2022 $000	2021 $000
Current		
Prepayments	162	130
Other receivables	-	6,270
Amounts owed by group undertakings	-	27,000
	162	33,400

As of 31 December 2021 $27.0m owed by subsidiary undertakings bears no interest and is due on demand. They were classified as current receivables following the former subsidiary YGE being reclassified as an asset held for sale at the reporting date. In 2022 KX accrues expected credit losses due to the impairment of investments as classification as financial assets measured at fair value within 'Other investments' with a fair value of nil as of 31 December 2022.

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 $3.4m (2021: $3.6m) due from its subsidiary JP Kenny Exploration & Production Limited, and a reversal of a previous expected credit loss of $2.3m in relation to amounts due from its subsidiary JKX (Nederland) B.V. and $2.0m in relation to amounts due from its subsidiary Folyópart Energia Kft as at 31 December 2021 (31 December 2021: reversal of a previous expected credit loss of $28.0m in relation to amounts due from its subsidiary JKX (Nederland) B.V.). The movement included a repayment received during the year of $4.3m (2021: $30.8m repayment and revaluation charge $0.3m,).

COMPANY FINANCIAL STATEMENTS

Notes to the Company financial statements

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. The company analyses the ability of subsidiaries to generate sufficient future profits to settle the amounts owing and in case of a risk to be non-recoverable, these amounts will be included in the reserve of expected credit losses. Discounting over the recovery period had no effect as an effective interest rate is 0% given the loans are due on demand.

E. Taxation

Unprovided deferred tax	2022 $000	2021 $000
Tax losses	13,029	7,899
	13,029	7,899

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 Company's profits for this accounting year are taxed at an effective rate of 19.00%. From 1 April 2023, this rate was ceased to apply and will be replaced by variable rates ranging from 19% to 25%.

F. Cash and cash equivalents

	2022 $000	2021 $000
Cash and cash equivalents	10,840	360
Restricted cash*	-	25,387
Short term deposits	-	-
Total	10,840	25,747

*In November 2021, the Company placed a deposit with SP Angel Corporate Finance LLP, which acted exclusively as its broker in connection with the Tender Offer. Please refer to Note H for the full disclosure.

G. Trade and other payables

	2022 $000	2021 $000
Current		
Amounts owed to group undertakings	32	174
Trade and other payables	669	763
Accruals	301	416
	1,002	1,353

Maturity of financial liabilities

31 December 2022	In 1 year or less, or on demand $000
Maturity of financial liabilities	
Amounts owed to group undertakings	32
Trade payables	669
Accruals	301
Lease liabilities	171

31 December 2021	In 1 year or less, or on demand $000
Maturity of financial liabilities	
Amounts owed to group undertakings	174
Trade payables	763
Accruals	417
Lease liabilities	167

H. Called up share capital and other reserves

Share capital, denominated in Sterling, was as follows:

	2022 Number	2022 £000	2022 $000	2021 Number	2021 £000	2021 $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	144,780,947	14,478	11,712	172,125,916	17,212	26,666
Closing balance at 31 December	144,780,947	14,478	11,712	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

The Company purchased no treasury shares during 2022 (2021: none). There were no treasury shares used in 2022 (2021: none) to settle share options. There are no shares reserved for issue under options or contracts. As at 31 December 2022 the market value of the treasury shares held was nil (2021: $0.2m).

In November 2021 the Company proposed a tender offer for the purchase of up to 40,096,476 Ordinary Shares in the Company, cancellation of the admission of its Ordinary Shares to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange. The resolutions proposed were duly passed at the general meeting of the Company.

In November 2021 the Company has cancelled its share premium account of $97,476,000 (£72,629,460) in full to generate sufficient distributable reserves to undertake the Tender Offer.

In January 2022 a total of 26,942,198 Shares were validly tendered at the Tender Offer Price of 42.0 pence per Ordinary Share (15.65% per cent of the issued share capital of the Company) and the Delisting of the Company became effective on the 6 January 2022.

The Company cancelled treasury shares during 2022 (2021: none).

Following the purchase and cancellation of the Ordinary Shares and movement in treasury shares, the total ordinary shares in issue is 144,780,947. There are no shares reserved for issue under options or contracts. As at 31 December 2022 the market value of the treasury shares held was nil (2021: $0.2m). Please refer to the statement of changes in equity for the movement.

Other reserves

	Capital Redemption Reserve $000	Foreign Currency Translation reserve $000	Total $000
At 1 January 2021 and 31 December 2021	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.

COMPANY FINANCIAL STATEMENTS

Notes to the Company financial statements

J. Auditors' remuneration

	2022 $000	2021 $000
Audit services		
Fees payable to the Company's auditors for the audit of the parent company	42	42

K. Directors' remuneration

The remuneration of the Directors is disclosed in the audited section of the Remuneration Report, which form part of these financial statements.

L. Dividends

No interim dividend was paid or declared for 2022 (2021: nil). In respect of the full year 2022, the directors do not propose a final dividend (2021: no final dividend paid or declared).

M. Employees

From 1 January 2019 all employee costs that were previously met by the group company JKX Services Ltd were transferred to JKX Oil & Gas Limited.

	2022 $000	2021 $000
Wages and salaries	1,077	905
UK social security costs	123	110
Other pension costs	113	147
	1,313	1,162

During the year, the average monthly number of employees was:

	2022 Number	2021 Number
Management/operational	8	7
Administration support	-	1
	8	8

N. Events after the reporting date

See Note 33 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
BCom	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
HSECQ	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	Yuzhgazenergie LLC

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

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Notes