

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your shares in JKX Oil & Gas plc (“JKX”), please send this document, but not the accompanying personalised form of proxy that you will have received from JKX (“Form of Proxy”), as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or otherwise transferred only part of your shares in JKX, you should retain this document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The contents of this document should not be construed as legal, investment or tax advice, nor should it be construed as an invitation to purchase or sell any of your shares in JKX. This document is being circulated to shareholders of JKX by Proxima Capital Group Inc. (“Proxima”) for the purpose of supporting resolutions proposed by Vidacos Nominees Limited (for and on behalf of Proxima) as a member of JKX pursuant to section 303(2)(a) of the Companies Act 2006.

Proxima believes that certain statements in this document may constitute “forward-looking statements”. Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and risks, many of which are subject to change. As a consequence, current plans, anticipated actions and future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of Proxima. Additionally, forward-looking statements speak only as of the date they are made and Proxima undertakes no obligation to release publicly the results of any future revisions or updates it may make to forward-looking statements to reflect new information or circumstances after the date of this document or to reflect the occurrence of future events.

**This document should be read as a whole. Your attention is drawn to the letter from Proxima set out on pages 2 to 15 of this document and which recommends that you vote IN FAVOUR OF all of the resolutions to be proposed at the GM, as defined below.**



**Resolutions to be put to shareholders at a general meeting of JKX Oil & Gas plc  
Recommendation of Proxima to vote IN FAVOUR OF all of the resolutions**

---

By now you should have received a notice of general meeting of JKX (“GM”) to be held at 11 a.m. (London time) on 28 January 2016 at The Kings Fund, 11-13 Cavendish Square, London W1G 0AN (“Notice of GM”).

**HOW TO VOTE**

You will find enclosed with the Notice of GM, a Form of Proxy for use at the GM. Whether or not you intend to attend the GM, Proxima would urge you to complete the Form of Proxy to vote **IN FAVOUR OF** all of the resolutions and to appoint Paul Ostling as your proxy for the GM.

**The sample form of proxy illustrated on page 16 of this document demonstrates how to complete the Form of Proxy to vote IN FAVOUR OF all of the resolutions**

The Form of Proxy must be completed and signed and sent or delivered, together with any power of attorney or other authority (if any) under which it is signed, so as to reach JKX’s registrars, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 8LU as soon as possible but in any event no later than 11 a.m. (London time) on 26 January 2016. The return of the completed Form of Proxy will not prevent you from attending the GM and voting in person if you wish to do so.

Alternatively, you may give proxy instructions by logging on to the Equiniti website, [www.sharevote.co.uk](http://www.sharevote.co.uk) and following their instructions. Proxies received electronically must be sent as soon as possible.

CREST members may also appoint a proxy or proxies through the CREST electronic proxy appointment service by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

The date of this document is 11 January 2016.



11 January 2016

**YOUR COMPANY NEEDS NEW LEADERSHIP: VOTE NOW TO SAVE JKX**

Dear Fellow Shareholder,

We are writing to ask for your support of all the resolutions to be proposed at the forthcoming shareholder meeting of JKK Oil and Gas plc (“**JKX**” or the “**Company**”) to be held on 28 January 2016, which has been convened by JKK in response to our requisition. This letter explains why we are acting now to requisition a meeting of shareholders and why we believe the passing of the resolutions would be positive for all JKK shareholders.

We were disappointed, but not surprised, by the Company’s circular. This continues the pattern of the board apparently putting their own personal interests first ahead of those of the JKK shareholders, and engaging in scare mongering rather than addressing the real issues that have contributed to the Company’s woeful performance and destruction of value over the past few years.

In the run up to the GM, as shareholders decide what kind of future they want for the Company—more of the same or a new refreshed vision and approach to restore value—we ask shareholders to consider the real issues. Namely:

- **The board’s consistent failure to deliver on their own promises and targets:**
  - The board has repeatedly promised improved performance, but has only achieved consistency in its failure to deliver.
- **Too many years of value destruction and underperformance against any objective set of metrics:**
  - The Company’s share price has fallen over 90% over the last five years.
  - The Company has underperformed against most of its peer group and all the major indices and is consistently undervalued on major metrics. The Company’s return on capital has been poor and worse than most of its peer group.
  - The Company’s underperformance cannot solely be explained by the fall in oil prices or the Ukraine crisis (despite management’s self-serving attempts to do just this).
- **The board’s unsatisfactory operational, financial and strategic management:**
  - The Company’s level of production, profits and also its forecasts have fallen significantly over the last five years.
  - The Company would appear to have massively overspent on its Russian projects for negligible return.
  - The Company’s Ukrainian operations would seem to have failed due to a lack of operational oversight, poor decision making and a mismanagement of relations with the competent authorities in Ukraine.
  - The Company has made costly mistakes in diverting from its core operations into non-core markets like Hungary and Slovakia.
  - The Company has lurched from one dispute to another; the issues it has faced with the Ukrainian authorities and Eclairs Group and Glengary Overseas could have been handled better by management and will benefit from the fresh perspective brought by a new board.

- **Unacceptable corporate governance:**

- The board is too large for the current circumstances of the Company and, despite the board's stated aim of asset preservation and cost cutting, this does not appear to have been extended to the board and its HQ at an exclusive London address.
- The board has fostered a culture of remote management with insufficient controls, allowing the Company to become bloated, overstaffed and inefficient. For example, while production and profits have fallen, the number of employees has increased.
- The board lacks independence, having operated as a closed club with limited rotation of the independent non-executive directors and therefore insufficient challenge and oversight.
- The board has seen a total breakdown in its relations with past and current institutional shareholders.
- The executive management team should be held primarily responsible for the Company's failures and they all need to go.

Instead of addressing the real operational and strategic issues that can avoid a value-destructive liquidity crunch, turn the Company around and restore shareholder value, they appear to have used their circular to make claims which are patently false, as they seek to create a diversion, and to build a misleading picture of Proxima and what it is trying to achieve for JKK shareholders.

For example, the board says that Proxima is trying to take control of JKK. This statement is false. Proxima has proposed that it be represented by two out of seven board seats. Two out of seven is not control, by any definition, while the proposed executive management team will be made up of leading international executives who are wholly independent of Proxima.

The board say that we are proposing a "Russian directed" board, which will struggle in Ukraine and lacks the requisite Ukraine experience. This statement is untrue. The new board would be led by Paul Ostling as proposed Chairman, a dual US-UK citizen, former global COO of Ernst & Young, during which time he advised hundreds of major LSE and NYSE listed businesses. The CEO and executive Board member will be Tom Reed, a US national with years of experience in oil and gas. The CFO and executive Board member will be Russell Hoare, a UK national with 15 years of relevant experience in the region.

As to the Ukraine track record of the team we have proposed, this track record is excellent, as we demonstrate in more detail in our circular. Contrast this with the 'Ukraine experience' of the current board, which seems to be made up of taking a half billion pound CIS focused oil and gas business and transforming it into a disparate CEE / CIS play worth less than 50 million pounds. Frankly, we believe this is "experience" that the JKK shareholders could have done without.

The board has also stated that if shareholders vote in favour of the resolutions, they would be eliminating the board's supposed extensive experience and knowledge and memory, which would result in a substantial loss of value for shareholders. This argument at best amounts to scaremongering and seeks to hold the Company and its shareholders hostage in what looks like a last gasp attempt to preserve their own futures at JKK. We do not think shareholders should fall for this. The new management team could pick up the reins with an orderly professional handover and to assist with a smooth transition the new board would seek to offer the relevant members of the board a short term consultancy as part of their settlement.

In addition, since we served our requisition, the board has tried to buy us off by offering us two board seats. This is despite the numerous statements in their circular that indicate that their view is that Proxima has nothing to offer the Company. This reflects the actions of a board which appears willing to say or do anything to stay in power.

Why are we doing what we are doing? We have a stake of almost 20% in JKK, and believe that this stake could and should be worth several multiples of what it is today. We are sure other shareholders have the same view of their own stakes. At the same time, the board claimed that we did not make our true intentions to them clear. Therefore, let us make it very clear right now.

- Our intention is to vote for a team that we believe has the necessary skills, focus and on-the-ground commitment to do what is necessary to rebuild value at JKK.
- Our intention is to vote for a team that is committed to reinstating proper corporate governance at the Company in order to ensure that the interests of all shareholders will be fairly represented.

- Our intention is to vote for a team that will be able to reset relationships with all of the Company's stakeholders that have effectively been disenfranchised or with whom the current board has been embroiled in legal disputes.

We outline in further detail in this document why we believe change is now critical, set out our vision and proposed turnaround strategy for JKX, and demonstrate why the team we have proposed is the right team to turn JKX around.

Our proposed changes will help bring a new perspective to the issues that the Company has been facing with the Ukrainian authorities and with all other stakeholders. Rather than pursuing endless disputes, your new board would instead seek to implement operational excellence to avoid the failures of the past. We recognise that the Company urgently needs an oil and gas strategy for success, rather than a legal strategy for the current board's survival.

We call on all shareholders to support us in our efforts to bring much needed and long overdue change to the Company, for the good of all shareholders.

**WE CAN ONLY SAFEGUARD THE FUTURE OF JKX WITH YOUR SUPPORT—ACT NOW TO SAVE YOUR COMPANY: WE RESPECTFULLY ASK YOU TO VOTE IN FAVOUR OF ALL OF THE RESOLUTIONS**

## 1. Consistent failure of the board to deliver on promises and targets

The board has consistently failed to deliver on their promises of improved performance and as a result they do not have any credibility in terms of shareholders' faith in their ability to turn the Company around from its current predicament. This, among other reasons, is why we consider that a fundamental change to the board is now needed.

Please see below examples of the promises previously made by the board on which they have subsequently failed to deliver:

Year	Board's Promise	Result
2010	"We have the people, the strategy and the resources to deliver a step-change in performance during the coming 12 months"	Senior management at JKX's Russian subsidiary is changed in 2011
	"We are confident that we will commence production in Russia this autumn, and I look forward to this operation becoming an important contributor to net cash inflow"	
	"We are working hard to increase production in Ukraine and this will play an important role in helping us to reach our key objective of producing 20,000 barrels of oil equivalent per day during this year"	2011 production fell from c.10,000 to c.9,000 boepd
2011	"The Company is anticipating an increase in production volumes in 2012"	2012 production falls to near 8,000 boepd
	"Prospects for 2012 are bright with significant progress anticipated on development of the Rudenkovskoye field and further exploration success on the Zaplavskoye license"	
2012	"We have begun an important growth phase of the company with a reversal of the production decline in Ukraine and the continued growth of our new Russian production"	2013 production still below 2010 level
2013	"We are forecasting continued growth of production through 2014 with an increased contribution from Ukraine where gas realisations are expected to remain strong"	2014 production still below 2010 level
	"We embarked last year on an exciting two-year development programme in Russia and Ukraine aimed at accelerating the growth of the Company with a rising level of group production"	

Should the resolutions be passed, the new board will seek to improve guidance around production targets to ensure honest and trustworthy forecasting and improve the transparency of the Company's performance to shareholders and the market.

**The time for empty promises and missed targets is over. JKX needs a new board that can deliver on its promises and be held to account.**

## 2. Value destruction and share underperformance vs peers

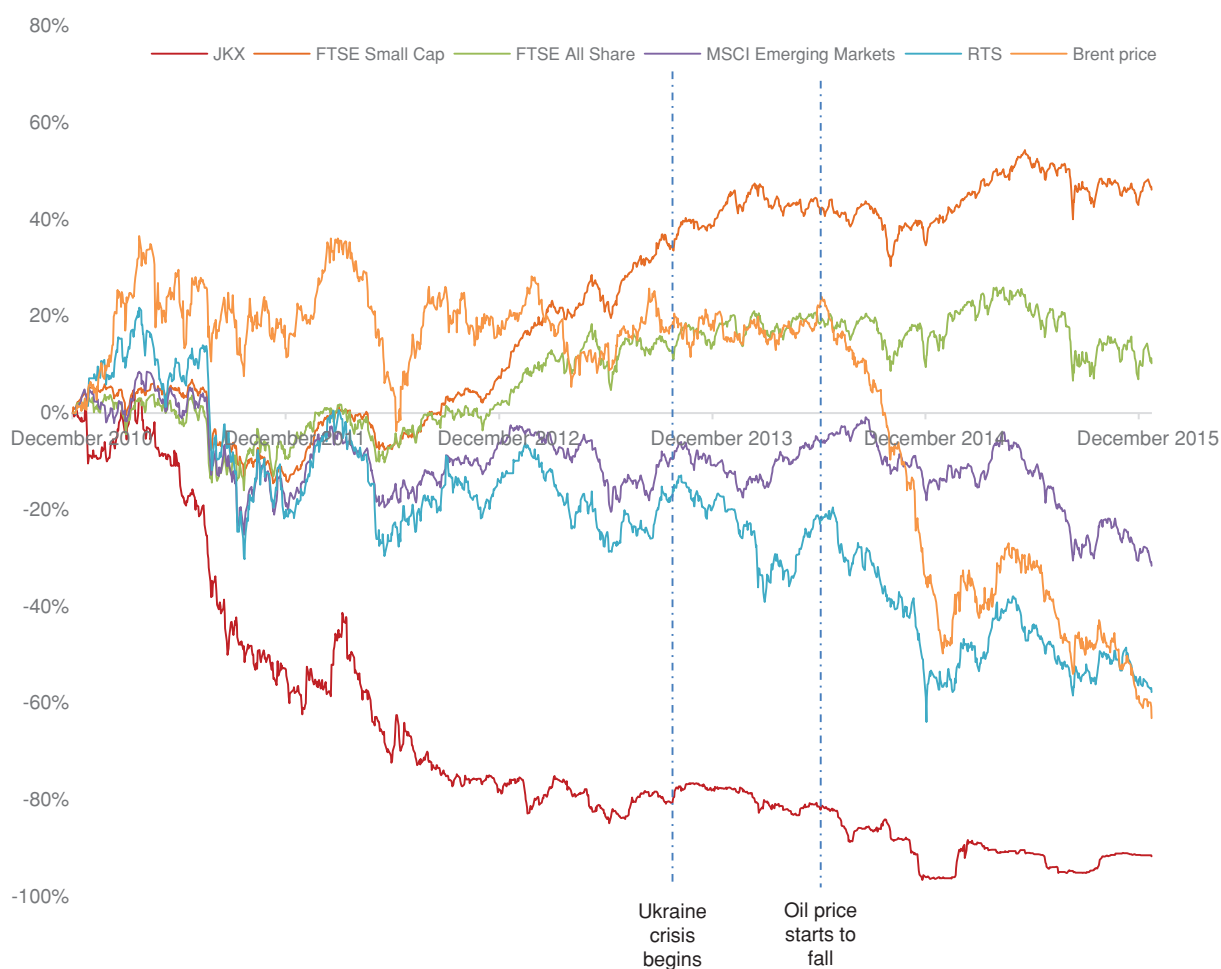
JKX's share price has fallen by over **90 per cent.** over the last five years, with JKX's market capitalization falling from £546m in January 2011 to £46m by 6 January 2016. This is a massive underperformance over

that period by any measure, and including when compared to its peer group of companies listed in the table below (collectively, its “Peer Group”):

**JKX vs Peers**

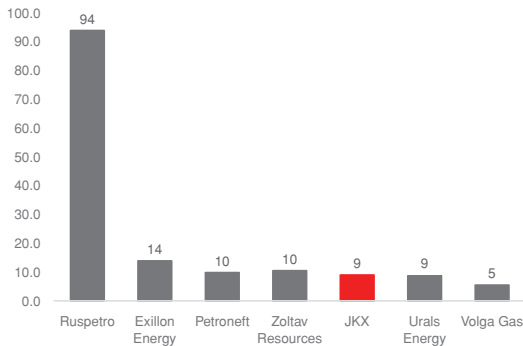
Company	5Y Share Price Performance
Zoltav .....	256.1%
Cadogan Petroleum .....	- 61.3%
Volga Gas .....	- 62.9%
Exillon Energy .....	- 68.4%
Urals Energy .....	- 84.5%
Regal Petroleum .....	- 85.6%
Ruspetro .....	- 95.7%
Petronaft .....	- 96.6%
JKX .....	<b>- 91.6%</b>

In addition, JKX has also dramatically underperformed against the FTSE Small Cap, FTSE All Share, MSCI Emerging Markets and RTS Indices over the last 5 years. This underperformance cannot simply be explained by the fall in oil price or the Ukraine crisis, with management overseeing a significant destruction in value well in advance of these troubles:

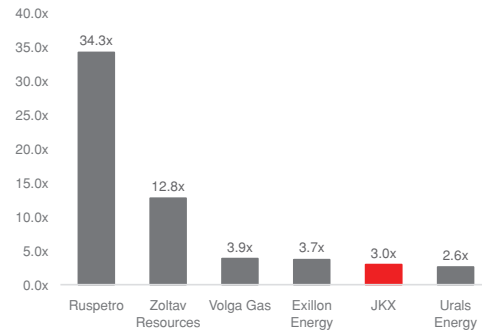


In addition to JKK's underperformance against its Peer Group and relevant major indices, JKK is also currently undervalued on all key bases, including enterprise value to production and enterprise value to EBITDA:

**EV/Production**



**EV/EBITDA**



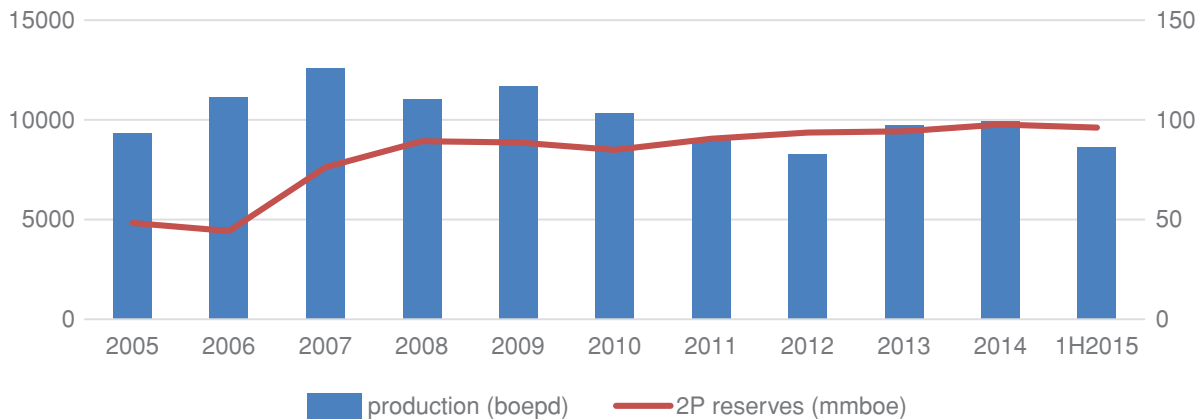
*We believe that JKK's dramatic underperformance and consistent low valuation can only be explained as the market's reaction to unsatisfactory operational, financial and strategic management by a defensive board which is out of ideas and fails to recognize its accountability to shareholders. We explore each of these management failings in more detail below.*

**3. Operational, financial and strategic mismanagement**

*Falling production, profits and targets*

The average production of the Company has declined significantly since 2007 and has now stagnated at approximately 9,000 boepd. The board had a previous target of 20,000 boepd<sup>1</sup> but this has not ever been close to being met since the target was issued, and the most recent target set by the board in their H1 2015 report was "above 8,000 boepd"<sup>2</sup>. However we note that the board has suddenly changed this claim in their circular dated 31 December 2015 to state, for the first time, that they have now increased production to c.11,500 boepd.

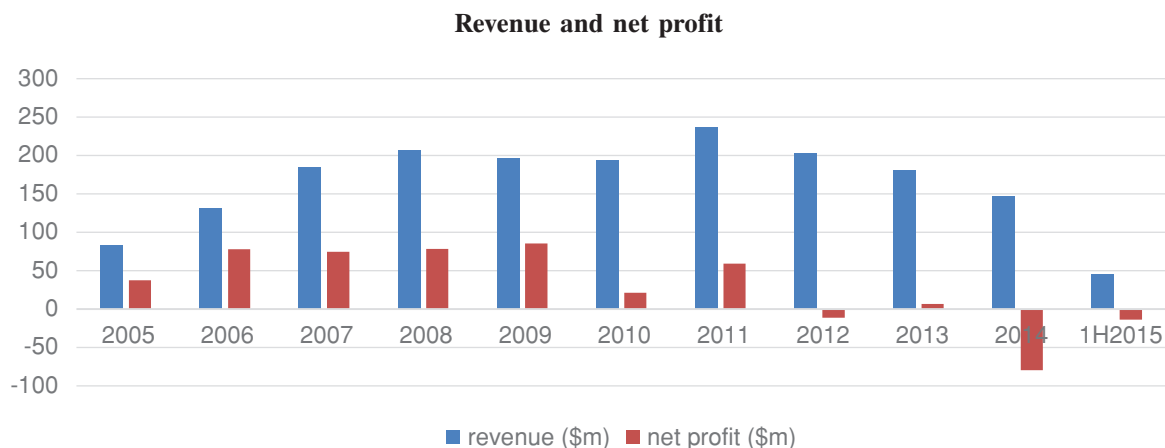
**Average production and Reserves**



<sup>1</sup> JKK annual report and accounts 2010 (p 17)

<sup>2</sup> Half yearly report states "H2 production anticipated to be in excess of 8,000 boepd"

In addition, the Company's revenues have fallen significantly since 2011 and its profitability has been virtually wiped out:



Source: JKX annual reports and accounts 2009-2014, JKX half-yearly report 2015

#### *Overspend on Russian projects*

We consider that the Company's projects in Russia have been mismanaged and the Company has vastly overspent on them. We understand, following an analysis of the information available publicly that the Company has spent approximately US\$360m on developing its Koshekhablskoye gas field in southern Russia in the years 2009 to 2014. Despite this considerable investment, the Company's 2015 half-yearly review shows production rates at the Koshekhablskoye field to be down on last year<sup>3</sup>, running an operating loss and suffering from repeated equipment and facilities failures. The design, execution and delivery of this hugely expensive project has been a disaster from start to finish, and has effectively hampered the growth of the Company.

Whilst the JKX board claims the Company will be left exposed if it loses the corporate knowledge that has been deployed to date in Russia, the current management have shown themselves to be wholly incompetent. The problems with deep well-5 and the failure to bring field throughput to maximum plant capacity despite spending enormous sums of the Company's cash are just the latest examples of this.

#### *Failure to focus on core business*

The Company's core operations in Ukraine have become a quagmire. As set out in the Company's 2015 half-yearly review, revenue from the Company's Ukraine operations was down 18% on 2014<sup>4</sup>, production at the Novo-Nikolaevskoye complex is down<sup>5</sup> and all capital investment into Ukraine has been suspended. We were further alarmed to discover that the Ukrainian authorities recently temporarily suspended a licence of the Company's main Ukrainian production subsidiary (Poltava Petroleum Company). It is our understanding that the Company was required to resolve certain mismanagement issues, related to the alleged non-payment of a sum due to the Ukrainian authorities under the terms of the licence, in order to lift the suspension. We understand this has now been resolved but the fact this issue arose in the first place is concerning from an operational point of view. A further cause for concern is the fact that we were only made aware of this issue via local Ukrainian press speculation and commentary, which was later confirmed to us by the Company when we raised the question directly, rather than by a public statement issued by the Company to its shareholders and the market generally over what would appear to be a highly material issue. This is another example of the board's failure to focus on its core market and its mismanagement of relations with the authorities is visibly harming the operations of what should be the jewel in the Company's crown.

The JKX board argues it has successfully managed and resisted unjustified tax claims. The sad reality is that, even if this is true, the Ukrainian operations have continued to underperform for several years now.

<sup>3</sup> H1 2015: 4,470 boepd vs H1 2014: 5,226 boepd

<sup>4</sup> 2015: \$8.25/Mcf vs 2014: \$9.77/Mcf

<sup>5</sup> H1 2015: 2,546 boepd vs H1 2014: 3,353 boepd



### *Costly forays into non-core markets*

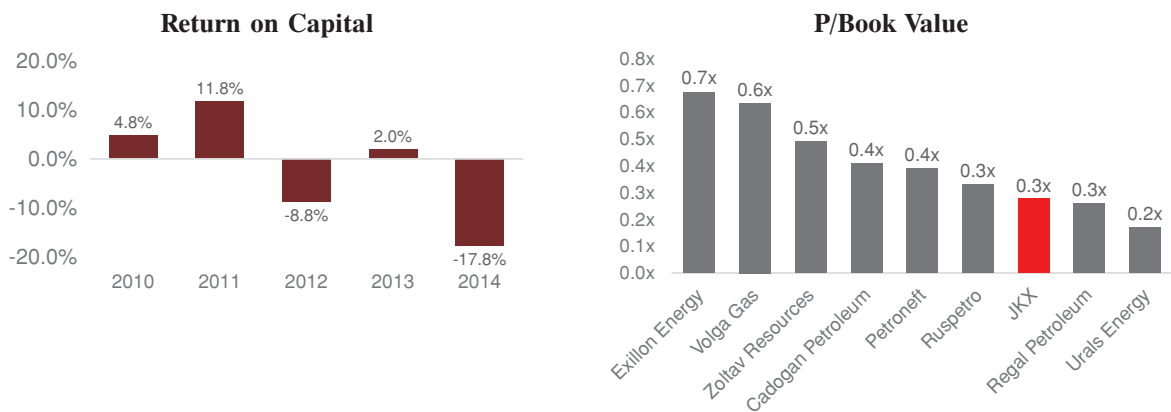
We consider that the board has been misguided in making costly diversifications from the Company's core business, including through its investments in Hungary and Slovakia. The capital spend in Hungary since 2010 is \$9.3m, however the Company's most recent half yearly report states that the revenue from Hungary and other sales was US\$0.5m out of total Group revenues of US\$74.5, contributing approximately 0.7% of the Group's total revenues.

Notwithstanding the issues that the Company has had in Russia and the Ukraine, we consider that these issues could have been managed better by the board had it been more focused on them rather than seeking to diversify into new markets at considerable cost. Whilst the Company has certain competitive advantages in Ukraine and CIS, it has none in CEE.

If the resolutions are passed, we propose that the new board would refocus the Company on its core business in Ukraine and the CIS, seek to exit the Company's non-core interests in Hungary and Slovakia and undertake a strategic review of its Russian operations. The review of the Russian operations would be intended to look for ways to optimise the substantial investments that have been made.

### *Poor return on capital and valuation*

The Company's return on capital over the last five years has gone from bad to worse, culminating in negative return on capital of  $-17.8\%$  in 2014 while still in an environment of relatively high oil prices. In addition, the Company's valuation in terms of Price to Book Value has been nothing short of appalling, and worse than most of its Peer Group, as shown below. This is further evidence of the board's operational and financial mismanagement:



Source: Bloomberg

### *Inadequate liquidity capital structure*

It appears that the board does not have a strategy to address their liquidity issues, including the substantial convertible bond payments due to be made in February 2016 and February 2017. We do not think it is prudent for the board to rely on the success of an arbitration claim against Ukraine to meet its liquidity requirements, as it appears to be doing. Nor do we believe that the disputes that the Company engaged in and the Ukraine crisis can or should be used as an excuse not to revisit debt or equity finance. We note that transactions undertaken by some of the Company's peers since the start of the Company's difficulties suggest that financing transactions are still a possibility, even in the challenging deal environment. Nevertheless, we are unaware of any significant financing initiatives taken by management, who seem content to preserve cash and allow the capital structure to drift.

If the resolutions are passed, the new board would immediately renew pro-active efforts to improve the Company's financial position going forward and position the Company for a return to profit and growth. We believe that the proposed new board represents the best opportunity for the Company to move away from the current passive approach to its capital structure, remove the uncertainty concerning its future financing and resolve its current financial difficulties for the long-term benefit of all stakeholders.

### *Strategic mismanagement*

We consider that both the regulatory environment in Ukraine and the Company's dispute with Eclairs Group and Glengary Overseas could have been handled better by management and that the Company's relationship with key stakeholders will benefit from a fresh perspective brought by the new board.

Moreover, we do not support the board's argument that they should be retained, as only they have the expertise, knowledge and memory required to continue to prosecute the proceedings against the Ukraine Government. Such a threat should not be used to effectively hold the Company hostage and justify keeping on a failing management team any longer.

We welcome the ruling of the Supreme Court released on 2 December 2015 that has brought an end to the protracted dispute between the Company and its major shareholders, Eclairs Group and Glengary Overseas, which we believe to have been an unnecessary and costly distraction by the current board during a time of significant financial difficulties.

In the Company's announcement of 2 December 2015, the board sought to explain away its defeat in the Supreme Court by emphasizing that it had acted in good faith in disenfranchising major shareholders in the Company. However, the board fails to acknowledge the court's judgment that it had acted for an improper purpose. We are troubled by this most recent failure of the board to accept any form of accountability, and question whether their focus is on entrenching their position, rather than engaging with stakeholders in any meaningful way.

We believe that, should the resolutions be passed, our proposed changes to the board will help bring a new perspective to these issues and will grant the Company an opportunity to constructively re-engage with its key regulators, counterparties and suppliers, as well as its stakeholders as a whole. We will look for the right people to consult with, and are open to suggestions and ideas from any stakeholder, unlike the current closed and defensive board.

The current board argues that it should be kept on because of its extensive experience and corporate knowledge and memory. Frankly, given the Company's massive underperformance and the apparent lack of operational oversight, poor decision-making and the mismanagement by the board of the Company's relations with competent authorities outlined above, we strongly disagree.

#### **4. Unacceptable corporate governance**

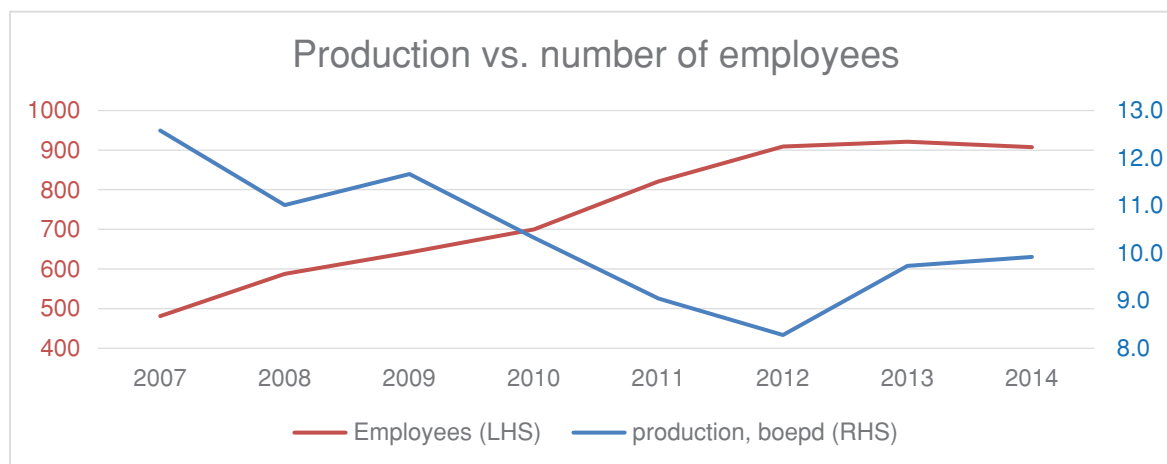
We consider that the Company has unacceptable corporate governance which has contributed to the failures of the Company and its consistent underperformance and value destruction.

### *Bloated management structure*

The board is too large for its current circumstances, given it has gone from being a company with a market capitalization in excess of £500m to a current approximate market capitalization of £46m. The size of the board is a legacy from the Company's better days, and evidence that the board is clearly living in the past. Our proposals therefore include reducing the board from its current nine board members to seven and reducing the executive team from four to two. We consider that a smaller, cheaper and more efficient board will be more appropriate for the Company as it is now, and something that should have happened a long time ago.

In addition, we believe that the board's current headquarters in Cavendish Square in London does nothing to aid engagement with the issues the Company is facing day to day. Instead, it only strengthens the perception that the current board is sitting on their hands in an exclusive London address, rather than rolling up their sleeves and addressing the key issues the Company is facing, on the ground, in its core markets. We believe that the current board has fostered a culture of remote management with insufficient controls, allowing the Company to become bloated, overstaffed and inefficient. For example, since 2007

(when the Company's Russian project began), the number of the Company's employees has almost doubled, yet the Company's production rate has fallen significantly:



If the resolutions are approved at the meeting, the new board would embrace operations in the Ukraine and the CIS and, as demonstrated in paragraph 5 below, have broad range of operational experience in the Company's core markets, that the Company and all stakeholders will benefit from.

We also consider that the fact that there has been a massive underperformance in the Company's share price and revenue has collapsed and yet at the same time the board has continued to grow the number of employees and pay themselves flat salaries whilst maintaining a Cavendish Square office is evidence of a board seemingly acting in its own interests, rather than in the interests of the Company's shareholders.

The board has argued in its circular that shareholders should not vote in favour of the resolutions as "...a wholesale change of existing JKX board members...would eliminate at a stroke extensive experience and corporate knowledge and memory...and...could result in substantial loss of value for shareholders." We consider that this argument is, at best, scaremongering that seeks to hold the Company and its shareholders hostage. We do not think shareholders should fall for this. We, and the proposed new management team, have operated in these countries for many years and will continue to do so again successfully for the Company if appointed. In addition, if the resolutions are successful then the new management team could pick up the reins with an orderly professional handover and to assist with a smooth transition the new board would seek to offer the relevant members of the board short-term consultancy as part of their settlement.

Fundamentally, we consider that all of these arguments put forward by the board boil down to a desperate confidence trick with the board trying to blackmail shareholders into believing the sky will fall in if they are removed. The unfortunate reality for JKX and its shareholders is that the sky fell in many years ago.

#### *Closed club*

The current board has effectively acted like a closed club with insufficient rotation of the independent non-executive directors leading to limited oversight and challenge of the executive team by the non-executive directors and thereby contributing to the failures of the Company. Lord Oxford has for example been on the board since 1997 and yet the board still consider him as independent for UK Corporate Governance Code purposes. If our resolutions are approved we would propose that the independent non-executive directors will stand for re-election at regular intervals and more frequently than has been the case in recent years. The board would be open to fresh ideas and insight, in recognition of its duty to act in the best interests of all stakeholders as a whole.

#### *Limited engagement with shareholders*

We have, prior to the date of our requisition, experienced very little engagement from the board, despite being the Company's second largest shareholder. Since we served our requisition the JKX board has tried to buy us off by offering us two board seats. This is despite the numerous statements in their circular that indicate that their view is that we have nothing to offer the Company. This reflects the actions of a board which appears willing to say or do anything to stay in power.

If the resolutions are passed, the new board would be fully committed to re-engaging with all of the Company's shareholders and other important stakeholders.

#### *Executive management team primarily responsible for failures*

We consider that the executive management team should take primary responsibility for the failures of the Company and that is why our proposals seek the removal of the entire executive management team being: the CEO, Dr Paul Davies, the CFO, Cynthia Dubin, the current Commercial Director, Peter Dixon, and the current Technical Director, Martin Miller.

In addition we consider that the Company will benefit from the guidance of a new chairman and so have also proposed the removal of the current chairman, Nigel Moore.

#### **5. Proxima, proposed changes to the board and turnaround strategy**

The board has stated in its most recent interim report that “...it has confidence that the Company will return to profitability when conditions improve” but, given the value destruction and underperformance the board has presided over in the last five years, we consider that the board has already had more than sufficient time to demonstrate its ability to run the Company and has not done so. Our attempts to engage with the board prior to the date of our requisition have been rebuffed and, as such, we have chosen to act now to prevent further value destruction and safeguard the future of the Company.

We do not think shareholders can afford to wait any longer and we believe that we must act now to make a fundamental change to the board to improve the prospects of the Company going forwards and avoid further destruction of value.

#### *Proxima*

Proxima is currently the second largest shareholder in JKX with a holding of 19.9%.

Proxima is an independent investment firm focusing on investments in Russia, Ukraine and the CIS. Proxima offers M&A advice, fund raising and debt restructuring. Proxima invests its own capital in assets and asset portfolios with a focus on Russia, Ukraine and CIS countries that appear to be distressed or are at an early stage of development and which will benefit from effective management and proven sector experience. Proxima employs a team of highly skilled professionals including four partners, each of whom has at least 15 years of experience in their field. Members of the team have completed more than 100 M&A and fund raising transactions including numerous clients in the Oil & Gas sector such as BP Plc, Gazprom, Nostrum Oil & Gas, Victoria Oil & Gas.

Proxima has identified JKX as an attractive turnaround opportunity given the quality of its production assets and considering that its problems appear, in large part at least, to be self-inflicted or a product of unsatisfactory management. We are therefore strong believers in JKX's future.

#### *Proposed changes to the board*

We are proposing that the Company appoint Tom Reed and Russell Hoare as directors at the general meeting in order that they can become the new CEO and CFO of the Company respectively.

#### **Tom Reed**

- Substantial oil and gas experience in the region having been a founder and served as Chief Financial Officer of Ruspetro plc, from December 2011 to February 2015, including a period as acting CEO from July to December 2013. Played an instrumental role in delivering the rescue refinancing successfully closed in December 2014.
- Extensive wider regional experience, having worked as a private equity investor and M&A advisor for a number of years, based in Moscow. Before that he worked in Russia, Ukraine and other parts of the CIS on the origination, trading and structuring of equity and equity derivatives, distressed debt and debt derivatives since 1995.
- Served as an advisor to VR Capital from 2001 to 2007 and Raven Russia, a Real Estate Investment Company in Russia from 2005 to 2007.
- Member of the society of petroleum engineers.
- Fluent Russian speaker.

### **Russell Hoare**

- More than 15 years working with Russia, Ukraine and Eastern Europe, holding a variety of CFO roles.
- This includes acting as CFO for the last five years at Russ Outdoor, the leading out-of-home advertising company in Russia, with assets across Russia and until recently Ukraine. In addition he spent 10 years in News Corporation, based between London and Moscow, and with responsibility for many of the company's media assets in Russia and Eastern Europe.
- Over 10-years of experience of managing the financial operations of Ukrainian businesses, including the repatriation of cash out of Ukraine to offshore shareholders in an industry sector with a very high degree of government and local municipal involvement.
- Oil and gas experience includes working in the internal audit department of LASMO plc, a small oil and gas exploration and development company based in London, mainly conducting audits of the company's assets in emerging markets.
- Qualified as a UK Chartered Accountant with Arthur Andersen in 1996; has for many years been responsible for governance and operational transparency reporting to listed parent entities in both London and New York.

We are also proposing that the Company appoint Paul Ostling as a director at the meeting in order that he can become the independent non-executive chairman.

### **Paul Ostling**

- 30 years working at Ernst & Young, where he held various senior management positions including Global Executive Partner from 1995 to 2003, and then Global Chief Operating Officer from 2003 to 2007. Worked with major listed entities on the NYSE and LSE. Also had responsibility for a number of years for the development, oversight and coordination of the firm's operations throughout Russia, Ukraine, the CIS and Eastern Europe.
- Further substantial experience living in and working with Russia and Ukraine, including a number of directorships at some of the region's leading corporates. From 2007 to 2012 he served as chairman of the audit committee and all special committees of Mobile TeleSystems OJSC "MTS" (NYSE). Other board and leadership roles include: Brunswick Rail (2012 to present); Uralkali (2011 to present); PromSvyazBank (2008 to 2010); UralChem (2008 to 2011); and DME Ltd (Domodedovo) (2011 to 2012).
- Specifically in Ukraine, Paul served as co-Chairman of the Foreign Investment Advisory Council from 2005 to 2010, alongside then President Victor Yuschenko.
- Strong knowledge of the region's oil and gas sector, having been a board member of Kungur Oilfield Equipment and Services, where he also served as CEO and General Director from 2007 to 2009.
- In 2011, was named "Independent Director of the Year" by the Association of Independent Directors in Russia.
- Proficient Russian speaker and has maintained a residence in Moscow for the last 8 years, and began working in and on Eastern Europe and CIS matters in 1990.

As a major shareholder of the Company and given its experience in turnaround investments, we are also seeking to appoint Vladimir Tatarchuk and Vladimir Rusinov as our two nominees as non-executive directors on the board. The Proxima nominees are experienced in financial and business matters and are, we believe, fully capable of understanding the issues confronting JKK and participating in a responsible and constructive way in the deliberations of the board.

### **Vladimir Tatarchuk**

- Chairman of the Board and Chief Executive Officer at Proxima Capital Group since 2013.
- From 2011 to 2013 served as First Deputy Chairman of the Executive Board and Head of Corporate-Investment Banking at Alfa Bank.

- From 1998 to 2011 he held many posts at Alfa Bank including Head of Corporate Banking, Co-Head of Corporate-Investment Banking, Deputy Chairman of the Executive Board, Deputy Head of Corporate Finance and Vice President.
- Strong Ukraine experience having served for a number of years on the Board of Directors of Alfa Bank in Ukraine.
- Holds a degree in law from the Lomonosov Moscow State University and a diploma in executive management the leading international business school INSEAD.

#### **Vladimir Rusinov**

- Joined Proxima Capital Group in 2015 as Managing Director.
- Prior to joining PCM, worked for 20 years at leading Russian and international investment banks with a particular focus on oil and gas in Russia and the CIS, including:
  - 2014 - 2015—Managing Partner at VNR Capital, investment banking advisory firm
  - 2007 - 2014—Managing Director and Head of Oil and Gas at Renaissance Capital
  - 2003 - 2007—Director at ABN AMRO Oil and Gas Group
  - 2000 - 2003—Vice President in the European Energy & Power Group at Merrill Lynch
  - 1994 - 2000—Associate in M&A, Corporate Finance and European Energy & Power Departments at Goldman Sachs International
- Holds a MA (Hons) Degree in International Economics from Kiev State University and MBA Degree from Nijenrode Business University, the Netherlands School of Business.

If all the resolutions are passed at the general meeting, the revised board will consist of two executives, being the CEO and CFO, Tom Reed and Russell Hoare, three non-executive directors being the new independent chairman, Paul Ostling, and two new independent non-executive directors (should Richard Murray and Alastair Ferguson resign following the general meeting as they have indicated they will if the resolutions are successful) and also Vladimir Tatarchuk and Vladimir Rusinov as representatives of Proxima.

The new board will look after the interests of all JKX shareholders, rather than their own interests as appears to be the case with the current board, with an overriding goal of enhancing the shareholder value of the Company and arresting the massive 90% plus decline of JKX's share price in the last five years.

We consider that, if the resolutions are passed, the new board will be balanced and have the necessary skills and experience to address the challenges that the Company currently faces. The new board will also be fully compliant with the UK Corporate Governance Code.

If the resolutions are passed, the new board will also seek to put in place appropriate consultancy arrangements between the Company and the relevant outgoing members of the board for a transitional period as part of their settlements to assist with their co-operation and a smooth and orderly transition to the new board.

#### *Turnaround strategy*

The new board has already identified ways in which the Company's woeful performance to date can be reversed for the benefit of all shareholders. These include:

- A renewed and keen focus on the Company's core business in Ukraine and the CIS and planned exit of the Company's non-core interests in Hungary and Slovakia. In addition, the new board would conduct a strategic review of the Russian operations. The review of the Russian operations would be intended to look for ways to better leverage the large investment that has been made to date;
- Embrace operations in Ukraine and the CIS through the implementation of better cost controls, relocating key management positions, with the Chairman, CEO and CFO all undertaking to be based in the Company's core markets. Additionally conduct a review other of areas for cutting costs and improving operational efficiencies (including, for example, exploring ways to optimise costs associated with maintaining offices at an exclusive London address, and repatriating as many corporate functions as practicable to lower cost jurisdictions in core markets);

- Immediate renewal of pro-active efforts to improve the Company's financial position going forward and position the Company for a return to profit and growth. We believe that the proposed new board represents the best opportunity for the Company to remove the uncertainty concerning its future financing and resolve its current financial difficulties for the long-term benefit of all stakeholders by moving away from the passive management of its capital structure;
- Seek to improve guidance around production targets to ensure honest and trustworthy forecasting and improve the transparency of the Company's performance to shareholders and the market; and
- Adopt a policy of regular re-election of independent non-executive directors to ensure fresh ideas and insight are continually brought to the board.

### **Conclusion**

As a major shareholder, we have a significant interest in the success of the Company, which is fully aligned with the interests of all other shareholders. We do not believe that shareholders should be held to ransom any longer by a board that has presided over a massive destruction of shareholder value and yet still argues for the supposed need to retain their "extensive experience and corporate knowledge and memory". We sincerely believe that shareholders should not have to wait for any more unfilled promises of improvement from the board and that a fundamental change to the board as proposed by us is needed now to address the challenges the Company is facing.

We therefore respectfully ask that you consider our proposals for JKK and to vote **IN FAVOUR OF** all of the resolutions at the meeting of shareholders which will take place on 28 January 2016.

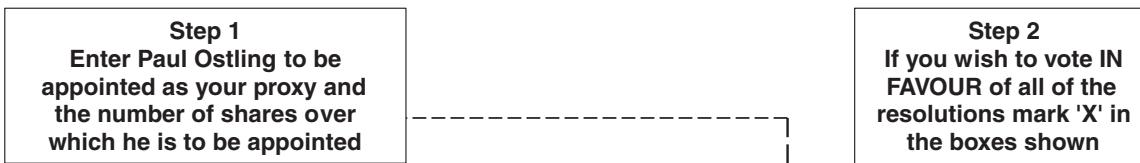
Yours faithfully,

**Proxima Capital Group Inc.**

**SAMPLE FORM OF PROXY**

Proxima recommends that you vote **IN FAVOUR** of all of the resolutions. To vote **IN FAVOUR OF** all of the resolutions, you should complete the Form of Proxy as shown below and in accordance with the explanatory notes to the Form of Proxy.

**+ SAMPLE**



I/We being a holder[s] of ordinary shares of 10p each of the Company, hereby appoint the duly appointed Chairman of the Meeting or [see note 7] ..... In respect of  ordinary shares (see note 8) to act as my/our proxy to exercise all or any of my/our rights to attend, speak and vote in respect of my/our voting entitlement on my/our behalf at the General Meeting ("the Meeting") of the Company to be held on Thursday 28 January 2016 at 11.00 a.m., and at any adjournment thereof and I/we desire and instruct my/our proxy to vote on the following resolutions as indicated by an 'x' in the appropriate space under the headings 'For', 'Against' or 'Withheld'. Unless otherwise instructed my/our proxy may vote as he or she sees fit or abstain in relation to any business of the Meeting. On any other business arising at the meeting (including any motion to amend a resolution or to adjourn the Meeting) my/our proxy will act at his or her discretion.

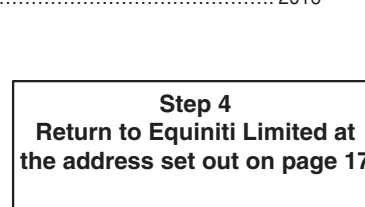
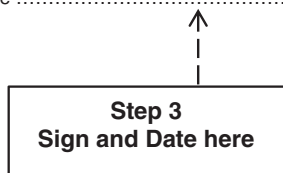
Please tick here if this proxy appointment is one of multiple proxy appointments being made. For the appointment of more than one proxy, see note 8.

Please detach this page, fold along the dotted line and return using the free post envelope provided.

As ordinary resolutions	For	Against	Withheld
1. THAT Mr Thomas Alan Reed be and is hereby appointed as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. THAT Mr Russell Hoare be and is hereby appointed as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. THAT Mr Paul James Ostling be and is hereby appointed as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. THAT Mr Vladimir Tatarchuk be and is hereby appointed as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. THAT Mr Vladimir Rusinov be and is hereby appointed as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. THAT Dr Paul Davies be and is hereby removed from office as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. THAT Ms Cynthia Dubin be and is hereby removed from office as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. THAT Mr Peter Dixon be and is hereby removed from office as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. THAT Mr Martin Miller be and is hereby removed from office as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. THAT Lord Oxford be and is hereby removed from office as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. THAT Mr Dipesh Shah, OBE, be and is hereby removed from office as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. THAT Mr Nigel Moore be and is hereby removed from office as a director of the Company.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature .....

Dated ..... 2016





## **HOW TO VOTE**

You will find enclosed with the Notice of GM, a Form of Proxy for use at the general meeting. Whether or not you intend to attend the general meeting, Proxima would urge you to complete the Form of Proxy to vote **IN FAVOUR OF** all of the resolutions and to appoint Paul Ostling as your proxy for the general meeting.

If you need assistance voting your shares or have any related questions, please contact Proxima's proxy solicitor, Cmi2i, either by telephone 020 7129 8015 or 0800 012 6782 or by email [shareholderenquiries@cmi2i.com](mailto:shareholderenquiries@cmi2i.com).

**The sample form of proxy illustrated on page 16 of this document demonstrates how to complete the Form of Proxy IN FAVOUR OF all of the resolutions and to appoint Paul Ostling as your proxy for the general meeting.**

The Form of Proxy must be completed and signed and sent or delivered, together with any power of attorney or other authority (if any) under which it is signed, so as to reach JKX's registrars, Equiniti Limited, at Aspect House, Spencer Road, Lancing, BN99 8LU as soon as possible but in any event no later than 11.00 a.m. (London time) on 26 January 2016. The return of the completed Form of Proxy will not prevent you from attending the general meeting and voting in person if you wish to do so.

Alternatively, you may give proxy instructions by logging on to the Equiniti website, [www.sharevote.co.uk](http://www.sharevote.co.uk) and following their instructions. Proxies received electronically must be sent as soon as possible.

CREST members may also appoint a proxy or proxies through the CREST electronic proxy appointment service by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST Sponsored Members, and those CREST members who have appointed voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

**What to do if you have already submitted a Form of Proxy and now wish to change your mind and vote in favour of all of the resolutions?**

If you have already submitted a Form of Proxy to vote against all of the resolutions but have now changed your mind, you are able to revoke that proxy and vote in favour of the resolutions. In this case, you will need to call Equiniti Limited on 0871 384 2351 (UK callers) or +44 (0) 121 415 7047 (international callers) and request a fresh Form of Proxy. You should then complete this form of proxy in accordance with the instructions above. You should then address a letter to JKX Oil & Gas Plc stating that you revoke your previous appointment of a proxy and that the enclosed proxy is submitted in its place. This letter and the completed fresh form of proxy should then be sent to Equiniti Limited at the address stated above.

