CADOGAN PETROLEUM PLC

Half Yearly Report for the Six Months ended 30 June 2012

(Unaudited and Unreviewed)

Highlights

Cadogan Petroleum plc ("Cadogan" or the "Company"), an independent oil and gas exploration, development and production company with onshore gas, condensate and oil assets in Ukraine, announces its unaudited results for the six months ended 30 June 2012.

- Continued production from the Zagoryanska, Debeslavetska and Cheremkivska licences at a combined rate of about 51 mcm/day of gas and 5.1 tons/day of condensate
- Joint venture established to develop unconventional shale gas in Lviv western Ukraine announced
- New well at Zagoryanska 11 drilled
- Total capital expenditure of $16.2 million during the first half of 2012 (30 June 2011: $3.0 million)
- Decreased operating costs to $4.9 million (H1 2011: $5.4 million) despite significant increase in activity
- Net cash and cash equivalents at 30 June 2012 of $51.3 million (31 December 2011: $65.0 million)

Commenting on the results, Bertrand des Pallieres Chief Executive Officer said:

"As predicted in 2011 the Company has made significant progress in its strategic alliances with both state companies and major oil companies and is developing exciting opportunities for the business. Although the results of the shale gas initiative will take time to be realised, Cadogan is able to participate in this type of venture without the usual significant levels of capital. A further initiative is being considered in the shallow Black Sea area. These activities continue to demonstrate our aim to become a key player in accelerating the transformation of the energy sector in Ukraine."

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Introduction

During the first half of 2012 the Group continued to focus on developing its assets in Ukraine, with continuing production from one major asset in eastern Ukraine and from three minor assets in western Ukraine. Although significant increases in production from new assets have yet to be achieved, management has in 2012 run a significantly larger capital investment programme than in previous years, with no corresponding increase in operating costs due to a significant management focus on productivity initiatives.

In June 2012 Cadogan with its joint venture partner, Ukrainian state-owned National Joint Stock Company Nak Nadra Ukrayny ("Nadra"), entered into a Share Purchase Agreement with Eni S.p.A ("Eni"), the Italian integrated energy company, whereby Eni will acquire a stake in the joint venture established by Nadra and Cadogan, Ukrainian company LLC Westgasinvest. LLC Westgasinvest currently holds subsoil rights to nine unconventional (shale) gas license areas in the Lviv Basin of Ukraine, totalling approximately 3,800 square kilometres of acreage. The Lviv Basin is considered to be one of the most attractive basins in Europe for the exploration of unconventional gas, being a continuation of the Lublin Basin in Poland which has already attracted substantial interest from the hydrocarbon industry.

Under the transaction, Eni will acquire 50.01% of LLC Westgasinvest from the joint venture parties and will fund an initial exploration program. Cadogan had transferred ownership of its two west Ukraine licences, Debeslavetska and Cheremkhivska to the joint venture. Following the conclusion of the transaction Cadogan will retain ownership of 15% of LLC Westgasinvest. The transaction remains conditional on achieving certain conditions precedent including Ukraine anti monopoly clearance and this is on target to occur by the end of September. Cadogan remains the operator for its existing conventional activities at Debeslavetska and Cheremkhivska and will keep the economic benefit from the conventional activities on these two licenses.

Operations

During the period to 30 June 2012 the Group continued to operate safely and efficiently.

Since the end of the half year the Group has concluded the drilling activity on its Zagoryanska 11 well and the data acquisition programme is underway. The results will be announced once the full programme and validation has been concluded. Results of the various Zagoryanska workovers of the wells acquired in 2010 that were initially drilled in the Soviet era have not been in accordance with expectations, but the information gathered is being compiled into a further analysis of the Zagoryanska fields and the adjacent Pirkroskvoe field to identify reservoir structures. The rig used on the Zagoryanska 11 drilling project has been moved to another major oil company project in eastern Ukraine, but will remain available to Cadogan for further projects in 2013.

Operations at Pokrovskoe remain temporarily suspended. The Pokrovskoe 2a well was drilled to 4,783 metres into the V22 level of the Upper Visean. The Logs acquired indicated the presence of hydrocarbons in the lower part of the well and a decision was taken to deepen the well by approximately 350 metres. Whilst pulling out of the hole the running string became stuck and subsequent fishing operations with the limited equipment available in country has not allowed the running tool to be recovered. Management will evaluate the most effective option, amongst those available, to re-enter the well. After analysis of the results for the Pokroskvoe 1 well, deepened in 2011, and the Pokroskvoe 2a wells, Eni advised Cadogan that it did not intend to exercise its option to acquire a further 30% of the share capital of Pokroskvoe Petroleum BV. The option formed part of the transaction entered into with Eni in July 2011.

Production from the Zagoryanska, Debeslavetska and Cheremkivska licences continued at a combined rate of approximately 51 mcm/day of gas and 5.1 tons/day of condensate.

Litigation

Under the October 2009 settlement with Global Process Systems Inc (GPS), the Group is entitled to a payment of $37.5 million. To date $7.5 million has been received but the remaining $30 million due to the Group in 2011 has not been received. As a consequence of this non-payment the Group rescinded GPS's exclusive right to sell the plants contained within the settlement agreement and started legal proceedings to recover the amounts due. The Group retains legal title to both plants and management continues to expect to recover value of at least $30 million due to the Group through a sale of the plants and recovery through litigation.

Financial position

At the date of this report, the Group had cash and cash equivalents of approximately $46.9 million. The Directors believe that the capital available at the date of this report is sufficient for the Company and the Group to continue operations for the foreseeable future.

Changes to the board

On 26 January 2012 Adelmo Schenato was appointed a director of the Company and became the Group's Chief Operating Officer. On 19 June 2012 Ian Baron resigned as a director of the Company. Mr Alessandro Benedetti resigned as a director of the Company on 27 June 2012.

Outlook

Cadogan continues to aggressively develop and manage its portfolio of assets in Ukraine in order to fully exploit substantial industry changes taking place there. The Board believes that this strategy will allow the Company to develop into a significant player in the potential rich Ukraine energy sector.

Reserves and resources

As at 30 June 2012 the Group held working interests in nine (2011: nine) gas, condensate and oil exploration and production licences in the east and west of Ukraine. All these assets are operated by the Group and are located in either the Carpathian basin or the Dnieper-Donets basin, in close proximity to the Ukrainian gas distribution infrastructure. The Group's primary focus is on the four licences where the main reserve and resource potential is located, Zagoryanska, Pokrovskoe, and Pirkovskoe in the Dnieper-Donets basin of east Ukraine and Bitlyanska, in the Carpathian Basin of west Ukraine.

Summary of the Group's licences held at 30 June 2012			
Working interest (%)	**Licence**	**Expiry**	**Licence type[1]**
Major licences			
40.0	Zagoryanska	April 2014	E&D
70.0	Pokrovskoe	August 2016	E&D
100.0	Pirkovskoe	October 2015	E&D
96.5	Bitlyanska[2]	December 2014	E&D
Minor licences			
98.3	Debeslavetska[3]	October 2026	Production
98.3	Debeslavetska[3]	September 2016	Exploration
49.8	Cheremkhivska[3]	May 2018	Production
100.0	Slobodo-Rungerska	April 2016	E&D
95.0	Monastyretska	November 2014	E&D

(1) E&D = Exploration and Development.

(2) The working interest on the Bitlyanska licence declines on a stepped basis, every five years after the commencement of production on each well. The Joint Activity Agreement ('JAA') also distinguishes working interests on new wells and work over wells with the former offering a higher share to the Group. Effective working interests are shown above.

(3) The working interest on Debeslavetske and Cheremkhivske licences did not change for the conventional gas as the result of the transaction described in the Board Statement above.

The following are updates to the full Operations Review contained in the Annual Financial Report for 2011:

Zagoryanska licence

In 2009 the Zagoryanska 3 well was perforated and commercial flow rates were achieved. Production from the well commenced in August 2010 at a flow rate of 55 mcm/day (2 million scf/day) of gas and 15 t/day (120 bpd) of condensate and the well was tied into the Group's Zagoryanska gas treatment plant. Average monthly gross production rates during the first half of 2012 were 30 mcm/day gas (H1 2011: 35 mcm/day) and 5.1 t/day condensate (H1 2011: 8 t/day).

As required by the work programme on the licence, a new well has been drilled to 5,180 metres at Zagoryanska 11. The well has been completed and a data acquisition programme is being carried out, and the results will be available by the end of Q3 2012. The rig used on the Zagoryanska 11 drilling project has been moved to another major oil company project in eastern Ukraine. As required by the licence, further geological and economic estimation of hydrocarbon reserves, seismic interpretation, modelling and geological studies of the field are on-going.

Following the purchase of the Zagoryanska 3 well in 2010, (which it was previously renting), together with four additional wells on the field a work over plan was prepared for three of the four additional wells (Zagoryanska 1, 2 and 8). Zagoryanska 1 and 2 wells have been worked over, and work over operations are concluded and both wells are presently being monitored; the work over of Zagoryanska 8 identified issues within the old well that could not be resolved with the fishing equipment available in country and is temporarily abandoned.

Pokrovskoe licence

At Pokrovskoe 2a the well was drilled to a casing point at 4,783 metres in 2012 where the logs acquired indicated the presence of hydrocarbons in the lower part of the well and a decision was taken to deepen the well by approximately 250 metres. Whilst pulling out of the hole the running string became stuck and the limited fishing equipment available in country prevented the running tool from being recovered. The well has therefore been suspended while future options are considered for the well. After analysis of the results for the Pokroskvoe 1 well, deepened in 2011, and the Pokroskvoe 2a wells, Eni advised Cadogan that it did not intend to exercise its option to acquire a further 30% of the share capital of Pokroskvoe Petroleum BV. The option formed part of the transaction entered into with Eni in July 2011.

Pirkovskoe licence

No activity to report up to the date of this report.

Bitlyanska licence area

No activity to report up to the date of this report.

Minor fields

The Group has a number of minor licence areas located in western Ukraine. These include the following:

- Debeslavetska Production licence area

  The field is currently producing 101.4 boepd (full year 2011 was 84.0 boepd). The planned compressor maintenance is under schedule.

- Cheremkhivska Production licence area

  This licence is currently producing 23.0 boepd (full year 2011 was 32.8 boepd).

- Monastyretska licence area

  After re-entry of the Blazhiv 1 well in 2011, minor oil production was re-established at the rate of 16 bopd. A basic hydraulic formation cleaning on the well was conducted; and present production is averaging 20 – 25 bopd. Well behaviour is being monitored and further actions are being considered.

Overview

In the six months ended 30 June 2012 the Group mainly focused on exploration activity at Pokrovskoe and appraisal activity at Zagoryanska fields together with its joint venture partner Eni. In total $16.2 million was spent on capital expenditure, which was a primary reason for the cash position to decrease to $51.3 million as at 30 June 2012 from $65.0 million as at 31 December 2011.

Income statement

Loss before tax was $7.1 million (30 June 2011: $6.2 million, 31 December 2011: profit - $152.6 million). Revenues of $2.7 million (30 June 2011: $4.4 million, 31 December 2011: $7.0 million) comprised sales of gas from the Debeslavetska, Cheremkhivska fields and Zagoryanska 3 well. Cost of sales, which represents production royalties and taxes, depreciation and depletion of producing wells and direct staff costs amounted to $1.9 million (30 June 2011: $3.5 million, 31 December 2011: $6.3 million) to give a gross profit of $0.8 million (30 June 2011: $0.8 million, 31 December 2011: $0.7 million). In addition, an increase in the gas price in Ukraine enabled gross margin to increase to 30% from 19% for the comparative period in 2011.

- Other administrative expenses of $4.9 million (30 June 2011: $5.4 million, 31 December 2011: $11.6 million) comprise staff costs, professional fees, Directors' remuneration, depreciation charges on non-producing property, plant and equipment.
- Net impairment charges of $2.0 million (30 June 2011: $0.3 million reversal of impairment, 31 December 2011: $2.8 million) relates to Ukrainian VAT impairment.
- Other operating loss of $1.1 million (30 June 2011: $2.0 million, 31 December 2011: income - $4.6 million) relates to net foreign exchange losses (30 June 2011: $2.0 million, 31 December 2011: gain - $2.4 million) mainly on the translation of the USD denominated monetary assets held by the UK companies whose functional currency is GBP.

Profit on disposal of subsidiaries and other losses for the year ended 31 December 2011 relate to the Eni transaction completed in July 2011 (refer to note 39 to the Consolidated Financial Statements for year ended 31 December 2011).

Cash flow statement

The Condensed Consolidated Cash Flow Statement on page 13 shows expenditure of $6.1 million (30 June 2011: $2.0 million, 31 December 2011: $16.9 million) on intangible Exploration and evaluation assets (E&E) and $10.0 million (30 June 2011: $0.9 million, 31 December 2011: $4.4 million) on Property, plant and equipment (PP&E). In addition, the Group received $4.1 million (30 June 2011: $nil, 31 December 2011: $58.0 million) as a part of deferred consideration from disposal of subsidiaries in 2011.

Net cash outflow from operations has decreased to $2.2 million during six months ended 2012 from $3.5 million in the same period of 2011 mainly due to changes in the working capital.

Balance sheet

As at 30 June 2012, the Group had net cash and cash equivalents of $51.3 million (30 June 2011: $30.9 million, 31 December 2011: $65.0 million). Intangible E&E assets of $71.7 million (30 June 2011: $8.4 million, 31 December 2011: $66.0 million) represent the carrying value of the Group's investment in exploration and appraisal assets, mainly at Pokrovskoe licence. It also includes $40.3 million of fair value uplift recognised in 2011 from the valuation of the 70% jointly-controlled interest in the former subsidiary which holds the licence. The PP&E balance of $107.9 million (30 June 2011: $53.2 million, 31 December 2011: $99.4 million), comprised of the cost of developing fields with commercial reserves and bringing them into production. It includes $40.0 million of fair value uplift recognised in 2011 from the valuation of the 40% jointly-controlled interest in the former subsidiary which holds Zagoryanska licence. Trade and other receivables of $58.5 million (30 June 2011: $35.8 million, 31 December 2011: $66.3 million) include $30.0 million (30 June 2011: $30.0 million, 31 December 2011: $30.0 million) receivables in respect of the settlement with GPS, $24.7 million (30 June 2011: $nil, 31 December 2011: $29.1 million) represent deferred and contingent consideration for the disposal of two of Group's subsidiaries to Eni in July 2011 and $1.1 million prepayments (30 June 2011: $3.3 million, 31 December 2011: $4.3 million) mostly relate to prepayments made to contractors in Ukraine for the drilling and work over campaign.

Related party transactions

No material transactions have taken place with related parties during the six months to 30 June 2012.

Commitments

There has not been any change to the commitments and contingencies reported as at 31 December 2011 (refer to page 64 of the Annual Report).

Treasury

The Group continually monitors its exposure to currency risk. It maintains a portfolio of cash and cash equivalent balances mainly in US dollars ('USD') held primarily in the UK and holds these mostly in term deposits depending on the Group's operational requirements. Production revenues from the sale of hydrocarbons are received in the local currency in Ukrainian hryvnia ('UAH') and to date funds from such revenues have been held in Ukraine for further use in operations rather than being remitted to the UK. Funds are transferred to the Company's subsidiaries in USD to fund operations at which time the funds are converted to UAH. Some payments are made on behalf of the subsidiaries from the UK.

Key performance indicators

The Group monitors its performance in implementing its strategy with reference to clear targets set out for five key financial and one key non-financial performance indicators ('KPIs'):

- to increase oil, gas and condensate production measured on number of barrels of oil equivalent produced per day ('boepd');
- to increase the Group's oil and gas reserves by de-risking possible resources and contingent reserves into 2P Reserves. This is measured in million barrels of oil equivalent ('mmboe');
- to increase the realised price per 1,000 cubic metres;
- to decrease the cost per barrel for exploration and acquisition related expenditure;
- to increase the Group's basic and diluted earnings per share; and
- to reduce the number of lost time incidents.

The Group's performance during the six months 2012 against these targets is set out in the table below, together with the prior year performance data. No changes have been made to the source of data or calculation used in the period/year.

	Unit	30 June 2012	30 June 2011	31 December 2011
Financial KPIs				
Average production (working interest basis) (1)	boepd	210	424	297
2P reserves (2)	mmboe	2.6	2.6	2.6
Realised price per 1,000 cubic metres (3)	$	489.9	345.2	395.1
Basic and diluted (loss)/profit per share (4)	cent	(3.1)	(2.5)	65.6
Non-financial KPIs				
Lost time incidents (5)	incidents	-	-	2

(1) Average production is calculated as the average daily production during the period.

(2) Quantities of 2P reserves as at 30 June 2012 and 31 December 2011 are based on Gaffney, Cline & Associates' independent reserves report on 2P Reserves as at 31 December 2009, dated 16 March 2010, as adjusted for the actual production until 30 June 2012, 30 June 2011 and 31 December 2011 respectively.

(3) This represents the average price received for gas sold during the period (including VAT).

(4) Basic and diluted (loss)/profit per Ordinary share is calculated by dividing the net (loss)/profit for the period attributable to Ordinary equity holder of the parent by the weighted average number of Ordinary shares during the period.

(5) Lost time incidents relate to injuries where an employee/contractor is injured and has time off work.

Risks and uncertainties

There are a number of potential risks and uncertainties inherent in the oil and gas sector which could have a material impact on the long-term performance of the Group and which could cause the actual results to differ materially from expected and historical results. The Company has taken reasonable steps to mitigate these where possible. Full details are disclosed on pages 12 to 13 of the 2011 Annual Financial Report. There have been no changes to the risk profile during the first half of the year. These are summarised below:

Operational risks

- Health, safety, and environment
- Drilling operations
- Production and maintenance
- Work over and abandonment
- Subsurface risks

Financial risks

- Recoverability of the Group's assets
- Liquidity risk, management and going concern assumption
- Regulatory and tax compliance risk
- Fraud risk
- Foreign exchange risk
- Inflation risk
- Credit risk
- Commodity price risk

Corporate risks

- Regulatory and licence issues
- Emerging market risk
- Insurance risk

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

(a) the Condensed set of Financial Statements has been prepared in accordance with IAS 34 '*Interim Financial Reporting'*;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year);

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein); and

(d) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R.

This Half Yearly Report consisting of pages 1 to 19 has been approved by the Board and signed on its behalf by:

Stefan Bort
Company Secretary
30 August 2012

Cautionary Statement

The business review and certain other sections of this Half Yearly Report contain forward looking statements that have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. However they should be treated with caution due to inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information and no statement should be construed as a profit forecast.

CADOGAN PETROLEUM PLC

Condensed Consolidated Income Statement
Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Year ended 31 December 2011 $'000 (Audited)
CONTINUING OPERATIONS				
Revenue		2,740	4,373	6,981
Cost of sales		(1,917)	(3,542)	(6,264)
Gross profit		**823**	**831**	**717**
Administrative expenses:				
Other administrative expenses		(4,895)	(5,427)	(11,634)
(Impairment)/reversal of impairment of other assets		(2,009)	341	(2,818)
		(6,904)	**(5,086)**	**(14,452)**
Gain on disposal of subsidiaries		-	-	164,945
Other losses		-	-	(3,299)
Other operating (loss)/income	4	(1,082)	(2,000)	4,552
Operating (loss)/profit		**(7,163)**	**(6,255)**	**152,463**
Investment revenue		91	45	155
Finance costs		(7)	(6)	(11)
(Loss)/profit before tax		**(7,079)**	**(6,216)**	**152,607**
Tax		(62)	441	473
(Loss)/profit for the period/year	5	**(7,141)**	**(5,775)**	**153,080**
Attributable to:				
Owners of the Company		(7,141)	**(5,775)**	**151,549**
Non-controlling interest		**-**	**-**	**1,531**
		(7,141)	**(5,775)**	**153,080**
(Loss)/profit per Ordinary share		**cent**	**cent**	**cent**
Basic and diluted	6	**(3.1)**	**(2.5)**	**65.6**

CADOGAN PETROLEUM PLC

Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2012

	Six months ended 30 June		Year ended 31 December
	2012	**2011**	**2011**
	$'000	**$'000**	**$'000**
	(Unaudited)	**(Unaudited)**	**(Audited)**
(Loss)/profit for the period/year	**(7,141)**	**(5,775)**	**153,080**
Unrealised currency translation differences	152	2,270	(2,067)
Total comprehensive (loss)/profit for the period/year	**(6,989)**	**(3,505)**	**151,013**
Attributable to:			
Owners of the Company	(6,989)	(3,505)	149,482
Non-controlling interest	-	-	1,531
	(6,989)	**(3,505)**	**151,013**

CADOGAN PETROLEUM PLC

Condensed Consolidated Balance Sheet
Six months ended 30 June 2012

	Notes	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Year ended 31 December 2011 $'000 (Audited)
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	7	71,706	8,370	65,972
Property, plant and equipment	7	107,865	53,210	99,373
Other financial assets		37	719	-
		179,608	**62,299**	**165,345**
Current assets				
Inventories		6,465	4,695	6,556
Trade and other receivables	8	58,457	35,758	66,251
Other financial assets		-	372	-
Cash and cash equivalents		51,317	30,853	65,039
		116,239	71,678	137,846
Total assets		**295,847**	**133,977**	**303,191**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		(11,554)	(457)	(11,538)
Long-term provisions		(597)	(439)	(548)
		(12,151)	(896)	(12,086)
Current liabilities				
Short-term borrowings		-	(372)	-
Trade and other payables		(7,129)	(4,293)	(7,552)
Current provisions		(527)	(751)	(524)
		(7,656)	(5,416)	(8,076)
Total liabilities		**(19,807)**	**(6,312)**	**(20,162)**
Net assets		**276,040**	**127,665**	**283,029**
EQUITY				
Share capital		13,337	13,337	13,337
Retained earnings		383,114	232,188	389,734
Cumulative translation reserves		(123,632)	(119,447)	(123,784)
Other reserves		2,823	2,720	3,344
Equity attributable to equity holders of the parent		**275,642**	**128,798**	**282,631**
Non-controlling interest		398	(1,133)	398
Total equity		**276,040**	**127,665**	**283,029**

CADOGAN PETROLEUM PLC

Condensed Consolidated Cash Flow Statement
Six months ended 30 June 2012

	Note	Six months ended 30 June 2012 $'000 (Unaudited)	Six months ended 30 June 2011 $'000 (Unaudited)	Year ended 31 December 2011 $'000 (Audited)
Net cash outflow from operating activities	9	**(2,165)**	**(3,450)**	**(7,885)**
Investing activities				
Proceeds from disposal of subsidiaries		4,142	-	57,954
Purchases of property, plant and equipment		(10,024)	(926)	(4,402)
Purchases of intangible exploration and evaluation assets		(6,140)	(2,048)	(16,893)
Proceeds from sale of property, plant and equipment		459	27	87
Acquisition of financial assets		(37)	-	-
Interest received		91	45	155
Net cash (used in)/from investing activities		**(11,509)**	**(2,902)**	**36,901**
Financing activities				
Proceeds from short-term borrowings		-	-	(371)
Net cash used in financing activities		**-**	**-**	**(371)**
Net (decrease) /increase in cash and cash equivalents		**(13,674)**	**(6,352)**	**28,645**
Effect of foreign exchange rate changes		(48)	786	(25)
Cash and cash equivalents at beginning of period/year		65,039	36,419	36,419
Cash and cash equivalents at end of period/year		**51,317**	**30,853**	**65,039**

Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2012

				Other reserves			
	Share capital $'000	Retained earnings $'000	Cumulative translation reserves $'000	Share-based payment $'000	Reorganisation $'000	Non-controlling interest $'000	Total $'000
As at 1 January 2011	**13,337**	**237,963**	**(121,717)**	**1,131**	**1,589**	**(1,133)**	**131,170**
Share-based payments	-	-	-	-	-	-	-
Net loss for the period	-	(5,775)	-	-	-	-	(5,775)
Exchange translation differences on foreign operations	-	-	2,270	-	-	-	2,270
As at 30 June 2011	**13,337**	**232,188**	**(119,447)**	**1,131**	**1,589**	**(1,133)**	**127,665**
Share-based payments	-	222	-	624	-	-	846
Net income for the period	-	157,324	-	-	-	1,531	158,855
Exchange translation differences on foreign operations	-	-	(4,337)	-	-	-	(4,337)
As at 1 January 2012	**13,337**	**389,734**	**(123,784)**	**1,755**	**1,589**	**398**	**283,029**
Share-based payments	-	521	-	(521)	-	-	-
Net loss for the period	-	(7,141)	-	-	-	-	(7,141)
Exchange translation differences on foreign operations	-	-	152	-	-	-	152
As at 30 June 2012	**13,337**	**383,114**	**(123,632)**	**1,234**	**1,589**	**398**	**276,040**

1. General information

Cadogan Petroleum plc (the 'Company', together with its subsidiaries the 'Group'), is incorporated in England and Wales under the Companies Act. The address of the registered office is One Fleet Place, London, EC4M 7WS. The nature of the Group's operations and its principal activities are set out in the Operations Review on pages 4 to 5 and the Financial Review on pages 6 and 7.

The financial information for the year ended 31 December 2011 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, but is derived from those accounts. Statutory accounts for the year ended 31 December 2011 have been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified but contained an emphasis of matter in relation to the uncertainty over recoverability of the amounts included within current other receivables in respect of two gas plants being sold by Global Process Systems LLC ("GPS") as set out in note 4(b) to those accounts. The auditor's report did not contain a statement under section 498(2) (unable to determine whether adequate accounting records had been kept) or 498(3) (failure to obtain necessary information and explanations) of the Companies Act 2006.

This Half Yearly Report has not been audited or reviewed in accordance with the Auditing Practices Board guidance on 'Review of Interim Financial Information'.

A copy of this Half Yearly Report has been published and may be found on the Company's website.

2. Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union ('EU'). These Condensed Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as issued by the IASB.

The same accounting policies and methods of computation are followed in the condensed financial statements as were followed in the most recent annual financial statements of the Group, which were included in the Annual Report issued on 27 April 2012.

(a) Going concern

The Directors have continued to use the going concern basis in preparing these condensed financial statements. The Group's business activities, together with the factors likely to affect future development, performance and position are set out in the Operations Review on pages 4 and 5. The financial position of the Group, its cash flow and liquidity position are described in the Financial Review on pages 6 and 7.

The Group's cash balance as at 30 June 2012 was $51.3 million (31 December 2011: $65.0 million) with no external debt and the Directors believe that the funds available at the date of issue of this financial information is sufficient for the Group to manage its business risks successfully.

The Group's forecasts and projections, taking into account reasonably possible changes in operational performance, start dates and flow rates for commercial production and the price of hydrocarbons sold to Ukrainian customers, show that there are reasonable expectations that the Group will be able to operate on funds currently held and those generated internally, for the foreseeable future, without taking into account receivables from litigation and without the requirement to seek external financing.

After making enquiries and considering the uncertainties described above, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and consider the going concern basis of accounting to be appropriate. Thus they continue to adopt the going concern basis of accounting in preparing the financial information.

(b) Transition to US dollar reporting

The Directors decided to change the Group's presentation currency from sterling to US dollars with effect from 1 January 2011. The 2011 consolidated financial statements were the first financial statements and the accompanying notes to be reported in US dollars.

The change of the Group's presentation currency has been accounted for in accordance with IAS 21 'The Effects of Changes in Foreign Exchange Rates'. The following methodology was used to re-present the financial information into US dollars as at 30 June 2011 and the period then ended, originally reported in pounds sterling:

a) assets and liabilities were translated into US dollars at the closing rate prevailing at the balance sheet dates (1US$/0.6242£);

b) income and expenses were translated into US dollars at the average exchange rate for the relevant period (1US$/0.6186£); and

c) equity items were translated at historical exchange rates, all resulting exchange rate differences have been recognised in other comprehensive income, within the foreign currency translation reserve.

(c) Dividend

The Directors do not recommend the payment of a dividend for the period (30 June 2011: $nil; 31 December 2011: $nil).

3. Business and geographical segments

The Directors continue to consider there to be only one business segment, the exploration and development of oil and gas revenues and only one geographical segment, being Ukraine.

4. Other operating (loss)/income

	Six months ended 30 June		Year ended 31 December
	2012	**2011**	**2011**
	$'000	**$'000**	**$'000**
Out of court settlements	-	-	2,144
Net foreign exchange (losses)/gains	(1,082)	(2,000)	2,408
	(1,082)	**(2,000)**	**4,552**

5. (Loss)/profit for the period/year

The (loss)/profit for the period/year is stated after (charging)/crediting:

	Six months ended 30 June		Year ended 31 December
	2012	2011	2011
	$'000	$'000	$'000
Depreciation of property, plant and equipment	(871)	(1,330)	(2,411)
Gain on disposal of subsidiaries	-	-	164,945
Other losses	-	-	(3,299)
Gain/(loss) on disposal of property, plant and equipment	41	(8)	(13)
(Impairment)/reversal of impairment	(2,009)	341	(2,818)
Staff costs	(2,132)	(1,704)	(4,587)
Net foreign exchange (loss)/gain	(1,082)	(2,000)	2,408

Profit on disposal of subsidiaries and other losses for the year ended 31 December 2011 relate to the transaction with Eni completed in July 2011 (refer to note 39 to the Consolidated Financial Statements for year ended 31 December 2011).

6. (Loss)/profit per ordinary share

(Loss)/profit per ordinary share is calculated by dividing the net (loss)/profit for the period/year attributable to Ordinary equity holders of the parent by the weighted average number of Ordinary shares outstanding during the period/year. The calculation of the basic and diluted loss per share is based on the following data:

	Six months ended 30 June		Year ended 31 December
	2012	2011	2011
(Loss)/profit attributable to owners of the Company	**$'000**	**$'000**	**$'000**
(Loss)/profit for the purposes of basic profit per share being net (loss)/profit attributable to owners of the Company	(7,141)	(5,775)	151,549
	Number	**Number**	**Number**
Number of shares	**'000**	**'000**	**'000**
Weighted average number of Ordinary shares for the purposes of basic (loss)/profit per share	231,092	231,092	231,092
Effect of dilutive potential ordinary shares:			
Options and warrants outstanding	-	-	95
Weighted average number of Ordinary shares for the purposes of diluted profit per share	231,092	231,092	231,187
	cent	**cent**	**cent**
(Loss)/profit per Ordinary share			
Basic	(3.1)	(2.5)	65.6
Diluted	(3.1)	(2.5)	65.6

7. Non-current assets

During the period additions $6.1 million (H1 2011: $2 million) and $10.0 million (H1 2011: $0.9 million) were made to E&E and PP&E assets respectively, which mainly represent the capital program on the Pokrovskoe and Zagoryanska licenses.

8. Trade and other receivables

	Six months ended 30 June		Year ended 31 December
	2012	2011	2011
	$'000	$'000	$'000
Other receivables	57,317	32,288	61,816
VAT recoverable	72	179	127
Prepayments	1,068	3,291	4,308
	58,457	**35,758**	**66,251**

All sales of hydrocarbons are made on a prepayment basis, so there are no trade debtors.

Out of $57.3 million of other receivables $30.0 million as at 30 June 2012 (30 June 2011: $30.0 million, 31 December 2011: $30.0 million) represent receivables from a settlement agreement with GPS, $24.7 million (30 June 2011: $nil, 31 December 2011: $29.1 million) represents deferred and contingent consideration for the disposal of two of Group's subsidiaries to Eni in 2011.

VAT recoverable relates to the UK VAT recoverable. VAT recoverable in Ukraine is impaired in full as the Board considers that such VAT is only recoverable on commencement of significant production, while cash recovery is not considered likely due to Ukrainian budgetary issues. The amount of the impairment provision against Ukrainian VAT recoverable as at 30 June 2012 is $20.0 million (30 June 2011: $18.0 million, 31 December 2011: $18.2 million).

$1.1 million prepayments (30 June 2011: $3.3 million, 31 December 2011: $4.3 million) mostly relate to prepayments made to to contractors in Ukraine for the drilling and work over campaign.

The Directors consider that the carrying amount of the remaining other receivables approximates their fair value and none of which are past due except for the amounts due from GPS (refer to note 4(b) of the 2011 Annual Report). Cadogan has commenced legal action in the High Court of England and Wales to recover this debt but continues to assist GPS in its attempts to sell the plant. The Group retains legal title to both plants and management continues to expect to recover value of at least $30 million due to the Group through a sale of the plants and recovery through litigation.

9. Notes to the condensed cash flow statement

	Six months ended 30 June		Year ended 31 December
	2012	2011	2011
	$'000	$'000	$'000
	(Unaudited)	(Unaudited)	(Audited)
Operating (loss)/profit	**(7,163)**	**(6,255)**	**152,463**
Adjustments for:			
Depreciation of property, plant and equipment	871	1,330	2,411
Share-based payment charge	-	-	846
Gain on disposal of subsidiaries	-	-	(164,945)
Other losses	-	-	3,299
Reversal of impairment of inventories	(45)	(166)	(344)
Impairment/(reversal of impairment) of VAT recoverable	2,054	(178)	3,162
(Gain)/loss on disposal of property, plant and equipment	(41)	8	13
Effect of foreign exchange rate changes	684	1,634	(1,691)
Operating cash flows before movements in working capital	**(3,640)**	**(3,627)**	**(4,786)**
Decrease/(increase) in inventories	73	(409)	(2,563)
Decrease/(increase) in receivables	1,871	3,421	(3,027)
(Decrease)/increase in payables and provisions	(422)	(2,740)	1,589
Decrease in other financial assets	-	-	1,035
Cash used in operations	**(2,118)**	**(3,355)**	**(7,752)**
Income taxes paid	(47)	(95)	(133)
Net cash outflow from operating activities	**(2,165)**	**(3,450)**	**(7,885)**

10. Related party transactions

No related party transactions have taken place in the six months ended 30 June 2012 that have materially affected the financial position or the performance of the Group during the period.

11. Post balance sheet events

No post balance sheet events have taken palce after 30 June 2012.

12. Commitments and contingencies

There has not been any change to the commitments and contingencies reported on page 64 of the Annual Report.