CADOGAN PETROLEUM PLC

Half Yearly Report for the Six Months ended 30 June 2016

(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 2016.

- Production has continued from Debeslavetska, Cheremkivska and Monastyretska licences and average net production for the reporting period was 115 boepd, versus 93 boepd in H1 2015. Notwithstanding a reduction of the weighted average realized price ($206/mcm for gas and $27.4/bbl for oil in H1 2016 vs $394/mcm for gas and $48.1/bbl for oil in H1 2015) the Exploration and Production ("E&P") segment results have improved thanks to cost saving and recovery efficiency initiatives.
- The renewal of the expired Zagoryanska and Pirkovska licences follows the process, with some delay caused by the new legislation entered in force early this period; the Slobodo-Rungurska licence expired in April 2016 and no further application for awarding was filed as the remaining exploration potential was deemed not to be worth drilling.
- Traded volumes of gas and trading margins shrank compared to Half Year 2015 due to increased competition; besides the continuing economic difficulties faced by the country are now taking a toll on the solvency of buyers.
- The lower volumes of traded gas and lower margins have impacted both revenues and costs of sales which have substantially decreased over the same period of last year, with the result that gas trading has not contributed to the company profit over the reporting period. Conversely the service business has done much better than last year and has mitigated part of the negative impact of the trading segment on the Group performance
- The active review of opportunities to expand and diversify the portfolio has continued and Cadogan has maintained a healthy pipeline; though results have so far not met the expectations, Managment remains confident that these efforts will deliver results and the portfolio will be reloaded and diversified.
- The efforts to preserve cash have successfully continued; optimization of working capital, discounts negotiated on some contracts and margins realized by the Service business have mitigated the impact of an unfavorable scenario, i.e. lower oil and gas realized prices and lower trading margins. Net cash, i.e. cash and cash equivalents less short term borrowings, increased during the period to $4.1 million over the value at the end of 2015 and is now $40.6 million.
- The Group has recorded a profit after tax of $1.98 million (H1 2015: loss of $4.5 million), which is primarily the results of the GBP devaluation versus the USD. Net of the devaluation the Group would have incurred a loss for the period of $3.3 million.

Key performance indicators

The Group has monitored its performance in conducting its business with reference to a number of key performance indicators ('KPIs'):

- to increase oil, gas and condensate production measured on the barrels of oil equivalent produced per day ('boepd');
- to decrease administrative expenses;
- to increase the Group's basic earnings per share; and
- to maintain an accident free working environment.

Last year the Group has added an additional KPI related to its emissions to the atmosphere.

The Group's performance during the first six months of 2016 against these targets is set out in the table below, together with the prior year performance data. No changes have been made to the sources of data or calculations used in the period/year. Not withstanding the continuous improvement process in Health, Safety and Environment ("HSE"), leading to a remarkable zero LTI since 23 July 2011 (close to 2.25 million working hours) on February 20 2016 one sub-contractor was injured during the Zagoryanska plug and abandonment activities.

	Unit	30 June 2016	30 June 2015	31 December 2015
Average production (working interest basis) (1)	boepd	115	93	109
Administrative expenses (2)	$million	2.5	3.6	6.1
Basic profit/(loss) per share (3)	cent	0.9	(1.9)	(10.1)
Lost time incidents (4)	Incidents	1	-	-
Emissions to the atmosphere (5)	t/boe	31.06	36.32	42.49

(1) Average production is calculated as the average daily production during the period/year.
(2) Administrative expenses for the six months ended 30 June 2015 of $3.6 million includes $0.9 million of provision for trading costs.
(3) Basic loss per Ordinary share is calculated by dividing the net loss for the year attributable to equity holders of the parent company by the weighted average number of Ordinary shares during the period.
(4) Lost time incidents relate to injuries where an employee/contractor is injured and has time off work (IOGP standard).
(5) For E&P activity. Normalised to tons of CO_2 per total wellhead production, ton/boe.

Enquiries:

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Introduction

The reporting period has not been easy for the oil and gas industry, in general, and for companies operating in Ukraine in particular. The negative impact of persistent low prices has been compounded in Ukraine by a further devaluation of the currency and the extension into 2016 of the harsh fiscal regime introduced in 2014 as a temporary measure[1].

The political climate has remained uncertain and this has delayed the implementation of some much needed reforms as well as a resolution of the ongoing debate on the distribution of roles and responsibilities on the management of licences between the Ministry of Environment and Natural Resources and the Ministry of Energy. In addition, the ratification of a new law which has redistributed authority between central and local authorities has de facto brought to a halt the award of licences, particularly in the East of the country; this has affected the process of awarding the production licences for Zagoryanska and Pirkovska licences.

In this challenging context the Group has continued to focus on safely and efficiently producing the existing fields, on controlling its costs in order to preserve cash while continuing to look at opportunities to grow and diversify its portfolio.

Operations

The E&P activity has focused on maintaining the validity of the licences of interest and on safely and efficiently producing from the existing fields within the Debeslavetska, Cheremkhivska and Monastyretska licences. At the end of the reporting period gross production rate increased to 123 boepd (115 boepd net), higher than in the six months ended 30 June 2015 (99 boepd gross, 93 net).

The plug and abandonment of Zagoryanska and Pokrovska Licences' wells, site restoration and the disposal of drilling waste are progressing in line with schedule.

Trading

Traded volumes of gas and trading margins decreased in the first half of the year, with volumes 54% lower than in the corresponding period of 2015. The Group lost its two larger customers and it is focusing its efforts on expanding the customer base by engaging a larger number of small clients, while trying to increase competitiveness in order to regain its large clients. Management are looking at options to re-baseline the cost structure to align it to the new scenario while pursuing further optimisations of the working capital that have brought a positive impact to the Group's financial position.

Financial position

At 30 June 2016 the Group had cash and cash equivalents of approximately $48.1 million excluding $0.7 million of Cadogan's share of cash and cash equivalents in the joint ventures, including $20 million of restricted cash[2]. Net cash, which included cash and cash equivalents less short-term borrowings, increased to $40.6 million at 30 June 2016 compared to $36.5 million at 31 December 2015, mostly due to working capital optimisation. 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.

[1] As of January 1, 2016 the harsh 70 % subsoil use tax for gas has remained in force only for licenses operated under Joint Activity Agreements, Debeslavetska and Cheremkhivsk production licences fall into this category.

[2] This amount is held into an account with BNP Paribas in the UK and backs-up a credit line in Ukraine used for trading.

Outlook

Cadogan remains well positioned to pursue and exploit the opportunities which will materialize in the E&P domain, outside of Ukraine and in Ukraine once the country re-bounds from the current situation.

In Ukraine, Cadogan on the one hand will continue to protect its licences of interest while working on a solution to bring the subsoil use tax to the normal level and on the other hand will prepare for the new heating season. The possible combination of declining gas prices in Europe and low level of gas storage and curtailments to local production in Ukraine could create trading opportunities.

Outside of Ukraine, the Company will continue to actively pursue a reload and geographic diversification of its portfolio using its cash, lean organization and low cost structure as levers.

In H1 2016 the Group held working interests in six (2015: eight) operated, gas, condensate and oil exploration and production licences in the East and West of Ukraine. Zagoryanska expired in 2014 and Pirkovskoe licence expired in 2015 and Cadogan has taken all necessary actions to re-obtain the licences. 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 during the period continued to be on the cost optimisation and enhancement of current production.

Summary of the Group's licences (as of 30 June 2016)			
Working interest (%)	**Licence**	**Expiry**	**Licence type**(1)
Major licences			
100.0	Zagoryanska	Expired(3)	E&D
70.0	Pokrovska	August 2016(4)	E&D
100.0	Pirkovska	Expired(3)	E&D
99.8	Bitlyanska	December 2019	E&D
Minor licences			
99.2	Debeslavetska(2)	November 2026	Production
99.2	Debeslavetska(2)	September 2016	E&D
54.2	Cheremkhivska(2)	May 2018	Production
99.2	Monastyretska	November 2019	E&D

(1) E&D = Exploration and Development.

(2) Debeslavetska and Cheremkhivska licences are held by WGI, in which the Group has a 15% interest. The Group has respectively 99.2% and 54.2% of economic benefit in conventional activities in Debeslavetska and Cheremkhivska licences through Joint Activity Agreements ("JAA").

(3) Their application to be awarded a 20 year production licence has been filed. Though the Group has fulfilled the legal obligations and requirements and applied for the licence before the expiration date delays have occurred because of recently introduced changes to the awarding process.

(4) Pokrovska licence expired on 10 August 2016.

In addition to the above licences, the Group has a 15%, carried-through-exploration interest in eni-lead WGI[1], which holds the Reklynetska, Zhuzhelianska, Cheremkhivsko-Strupkivska, Debeslavetska Exploration, Debeslavetska Production, Baulinska, Filimonivska, Kurinna, Sandugeyivska and Yakovlivska licences for unconventional activities.

Below we provide an update to the full Operations Review contained in the Annual Financial Report for 2015 published on 26 April 2016.

Zagoryanska licence

The process for requesting the award of a 20 years' production licence is further delayed because of the introduction of a new law which re-allocates the licencing authority amongst the involved state entities.

Pokrovskoe licence

The licence expired on 10 August 2016 and Cadogan is evaluating whether to retain it by filing a new application.

Pirkovska licence

Likewise for Zag the approval process is further delayed by the new law.

Bitlyanska licence

Borynya 3 well is routinely monitored as requested by existing regulations for wells which are suspended.

1 WGI is a Ukraine registered company in which Cadogan owns a 15 % participating interest; the remaining participating interest is held by eni ukraine LLC (50.01 %) and Nadra Ukrayny (34.99 %)

Monastyretska licence

Blazh 1 well continues regular production of oil at a rate of 48 boepd.

Minor fields

These licences are located in Western Ukraine, and include the following:

- **Debeslavetska Production licence area**

During the reporting period, the field produced 60 boepd gross (H1 2015: 65 boepd). Rigless activity is regularly run to mitigate the production decline.

- **Debeslavetska Exploration licence area**

The licence will expire on 7 September 2016. Cadogan is evaluating the eventual request for a new E&P period after the present licence expiry.

- **Cheremkhivska Production licence area**

During the reporting period, the field produced 16 boepd gross (H1 2015: 16 boepd). July average production increased to 30 boepd gross for debottlenecking.

- **Slobodo-Rungurska exploration and development licence area**

Expired in April 2016; no further application for awarding as the remaining exploration potential was deemed not to be economically viable

- **Unconventional licenses**

The unfavourable market conditions brought the Operator to defer the drilling of the first well to 2017.

Service Company activities

Cadogan's 100% owned subsidiary, Astro Service LLC, has continued to pursue opportunities to build a larger portfolio of orders while working to execute the contracts won in the final months of the last year.

Overview

Income statement

Revenues have decreased to $12.3 million in the first half of 2016 (30 June 2015: $40.6 million, 31 December 2015: $75.4 million) due to a decrease in gas trading operations, which represent $10.5 million (30 June 2015: $39.6 million, 31 December 2015: $73.2 million) of the total revenues; revenues from production have slightly declined to $0.5 million (30 June 2015: $0.8 million, 31 December 2015: $1.8 million) mainly due to the price decrease.

Revenues from the service business increased to $1.3 million (30 June 2015: $0.2 million, 31 December 2015: $0.4 million) mainly due to the execution this year of activities which the clients had originally planned for the previous year.

Cost of sales consists of $10.1 million of purchases of gas for trading operating segment, $0.4 million of production royalties and taxes, depreciation and depletion of producing wells and direct staff costs for exploration and development and $0.6 million related to the service segment.
Gross profit has decreased to $1.0 million (30 June 2015: $3.8 million, 31 December 2015: $5.9 million).

Other administrative expenses of $2.5 million (30 June 2015: $3.6 million, 31 December 2015: $6.1 million) comprise other staff costs, professional fees, Directors' remuneration and depreciation charges on non-producing property, plant and equipment.

Share of loss in joint ventures of $1.4 million (30 June 2015: loss $4.2 million, 31 December 2015: loss $12.8 million) mainly represent by impairment of Pokrovska licence due to expiration of the licence.

Profit of $1.9 million (30 June 2015: loss of $4.5 million, 31 December 2015: loss of $23.3 million) mainly due to GBP devaluation versus the USD; before devaluation effects the six months ended 30 June 2016 would have a loss of $3.3 million.

Balance sheet

The cash position of $48.1 million as at 30 June 2016, including restricted cash of $20 million, has decreased from $49.4 million at 31 December 2015. Net cash, which included cash and cash equivalents less short-term borrowings, increased to $40.6 million at 30 June 2016 compared to $36.5 million at 31 December 2015 mainly due to optimisation of working capital.

Intangible Exploration and Evaluation ("E&E") assets of $2.6 million (30 June 2015: $14.0 million, 31 December 2015: $2.7 million) represent the carrying value of the Group's investment in E&E assets as at 30 June 2016. The Property, Plant and Equipment ("PP&E") balance of $1.5 million at 30 June 2016 (30 June 2015: $2.8 million, 31 December 2015: $1.7 million) represented other PP&E of the Group.

Investments in joint ventures of $1.2 million (30 June 2015: $10.1 million, 31 December 2015: $2.2 million) represent the carrying value of the Group's investments in Westgasinvest LLC net of the Group's commitments to fund Zagoryanska and Pokrovska licences that have been fully impaired.

Trade and other receivables of $7.1 million (30 June 2015: $8.9 million, 31 December 2015: $14.4 million) include $2.7 million trading prepayments and receivables, $2.4 million receivable from joint ventures in respect of management charges and services provided (30 June 2015: $1.6 million, 31 December 2015: $1.8 million) and VAT recoverable of $1.5 million (30 June 2015: $1.4 million, 31 December 2015: $nil).

Short-term borrowings as at 30 June 2016 were $7.5 million (30 June 2015: $5.7 million, 31 December 2015: $12.9 million). Borrowings are represented by a credit line drawn in UAH at a Ukrainian bank, a 100% subsidiary of a European bank. The credit line is secured by $20 million of cash placed at a European bank in the UK.

The $1.3 million of trade and other payables as of 30 June 2016 (30 June 2015: $8.4 million, 31 December 2015: $3.7 million) represent $0.9 million (30 June 2015: $2.2 million, 31 December 2015: $1.7 million) of other creditors and $0.4 million of accruals (30 June 2015: $1.1 million, 31 December 2015: $0.6 million).

Cash flow statement

The Consolidated Cash Flow Statement shows operating cash outflow before movements in working capital of $1.4 million (30 June 2015: inflow $0.5 million, 31 December 2015: outflow $1.1 million). Cash inflows from movements in working capital in first half 2016 of $6.3 million represent a decrease in trade and other receivables of $8.6 million, decrease in inventories of $1.0 million, and a decrease in trade and other payables of $3.3 million.

The Group contributed $0.4 million to joint ventures (30 June 2015: $nil, 31 December 2015: $0.7 million). In addition, the Group had minimal capital expenditure of $46 thousand on intangible Exploration and Evaluation ("E&E") assets for the six months ended 30 June 2016 (30 June 2015: $0.1 million, 31 December 2015: $0.3 million) and minimal capital expenditure of $28 thousand (30 June 2015: $0.4 million, 31 December 2015: $0.2 million) on Property, Plant and Equipment ("PP&E").

In 2016 the Group continued to finance its trading operations with short-term borrowings and for the six months ended 30 June 2016 proceeds were $1.8 million (30 June 2015: $1.6 million, 31 December 2015: $13.2 million) and repayments were $6.7 million (30 June 2015: $9.2 million, 31 December 2015: $12.2 million).

Commitments

There has not been any significant change in the commitments and contingencies reported as at 31 December 2015 (refer to pages 70-71 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 call deposits. Production revenues from the sale of hydrocarbons are received in the local currency in Ukraine ('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 affiliates from the UK.

Going concern

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Condensed Consolidated and Company Financial Statements. For further detail refer to the detailed discussion of the assumptions outlined in note 2(b) to the Condensed Consolidated Financial Statements.

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 14 to 15 of the 2015 Annual Financial Report. There have been no changes to the risk profile during the first half of the year. The risks and uncertainties are summarised below:

Operational risks

- Health, safety, and environment
- Drilling and work-over operations
- Production and maintenance
- 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
- Counterparty risk
- Commodity price risk

Corporate risks

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

Director’s 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 20 has been approved by the Board and signed on its behalf by:

Guido Michelotti
Chief Executive Officer
25 August 2016

CADOGAN PETROLEUM PLC

Condensed Consolidated Income Statement
Six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 $'000 (Unaudited)	Six months ended 30 June 2015 $'000 (Unaudited)	Year ended 31 December 2015 $'000 (Audited)
CONTINUING OPERATIONS				
Revenue	3	12,295	40,603	75,440
Cost of sales	3	(11,262)	(36,758)	(69,562)
Gross profit		**1,033**	**3,845**	**5,878**
Administrative expenses		(2,523)	(3,604)	(6,115)
Impairment of oil and gas assets		-	-	(10,480)
(Impairment)/Reversal of impairment of other assets		(12)	1,486	1,300
		(2,535)	**(2,118)**	**(15,295)**
Share of losses in joint ventures	6	(1,360)	(4,243)	(12,844)
Net foreign exchange gains/(losses)		5,242	(953)	2,494
Other operating (costs)/income		(76)	43	31
Operating profit/(loss)		**2,304**	**(3,426)**	**(19,736)**
Interest income		892	81	118
Finance costs		(1,108)	(1,128)	(2,625)
Profit/(loss) before tax		**2,088**	**(4,473)**	**(22,243)**
Tax		(113)	(28)	(1,040)
Profit/(loss) for the period/year		**1,975**	**(4,501)**	**(23,283)**
Attributable to:				
Owners of the Company	4	1,977	(4,495)	(23,261)
Non-controlling interest		(2)	(6)	(22)
Profit/(loss) per Ordinary share		**Cent**	**cent**	**cent**
Basic	4	**0.9**	**(1.9)**	**(10.1)**

Condensed Consolidated Statement of Comprehensive Income
Six months ended 30 June 2016

	Six months ended 30 June 2016 $'000 (Unaudited)	Six months ended 30 June 2015 $'000 (Unaudited)	Year ended 31 December 2015 $'000 (Audited)
Profit/(Loss) for the period/year	**1,975**	**(4,501)**	**(23,283)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Unrealised currency translation differences	(4,929)	(6,647)	(11,521)
Other comprehensive loss	(4,929)	(6,647)	(11,521)
Total comprehensive loss for the period/year	**(2,954)**	**(11,148)**	**(34,804)**
Attributable to:			
Owners of the Company	(2,952)	(11,142)	(34,782)
Non-controlling interest	(2)	(6)	(22)
	(2,954)	**(11,148)**	**(34,804)**

Condensed Consolidated Statement of Financial Position
Six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 $'000 (Unaudited)	Six months ended 30 June 2015 $'000 (Unaudited)	Year ended 31 December 2015 $'000 (Audited)
ASSETS				
Non-current assets				
Intangible exploration and evaluation assets	5	2,568	14,049	2,700
Property, plant and equipment		1,485	2,791	1,661
Investments in joint ventures	6	1,221	10,082	2,181
		5,274	**26,922**	**6,542**
Current assets				
Inventories	7	2,331	2,687	3,503
Trade and other receivables	8	7,143	8,895	14,411
Cash and cash equivalents		48,051	55,105	49,407
		57,525	66,687	67,321
Total assets		**62,799**	**93,609**	**73,863**
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		-	(307)	-
Long-term provisions		(698)	(37)	(726)
		(698)	(344)	(726)
Current liabilities				
Short-term borrowings	9	(7,483)	(5,664)	(12,903)
Trade and other payables	10	(1,346)	(8,437)	(3,682)
Current provisions		(1,196)	(479)	(1,523)
		(10,025)	(14,580)	(18,108)
Total liabilities		**(10,723)**	**(14,924)**	**(18,834)**
Net assets		**52,076**	**78,685**	**55,029**
EQUITY				
Share capital		13,337	13,337	13,337
Retained earnings		202,316	219,105	200,339
Cumulative translation reserves		(165,441)	(155,638)	(160,512)
Other reserves		1,589	1,589	1,589
Equity attributable to equity holders of the parent		**51,802**	**78,393**	**54,753**
Non-controlling interest		274	292	276
Total equity		**52,076**	**78,685**	**55,029**

Condensed Consolidated Cash Flow Statement
Six months ended 30 June 2016

	Six months ended 30 June 2016 $'000 (Unaudited)	Six months ended 30 June 2015 $'000 (Unaudited)	Year ended 31 December 2015 $'000 (Audited)
Operating income/(loss)	**2,304**	**(3,426)**	**(19,736)**
Adjustments for:			
Depreciation of property, plant and equipment	94	267	434
Impairment of oil and gas assets	-	-	10,480
Share of losses in joint ventures	1,360	4,243	12,844
Impairment of inventories	4	-	90
Reversal of impairment of VAT recoverable	3	(1,486)	(1,390)
Loss on disposal of property, plant and equipment	-	18	24
Effect of foreign exchange rate changes	(5,145)	861	(3,827)
Operating cash flows before movements in working capital	**(1,380)**	**477**	**(1,081)**
Decrease in inventories	997	4,758	1,258
Decrease in receivables	8,591	8,231	4,871
(Decrease)/Increase in payables and provisions	(3,331)	2,880	(1,429)
Cash from operations	**4,877**	**16,346**	**3,619**
Interest paid	(1,158)	(1,168)	(2,379)
Income taxes paid	-	(7)	-
Net cash inflow from operating activities	**3,719**	**15,170**	**1,240**
Investing activities			
Investments in joint ventures	(400)	-	(700)
Purchases of property, plant and equipment	(28)	(362)	(261)
Purchases of intangible exploration and evaluation assets	(46)	(174)	(281)
Proceeds from sale of property, plant and equipment	-	-	5
Interest received	300	81	118
Net cash from/(used in) investing activities	**(174)**	**(455)**	**(1,119)**
Financing activities			
Proceeds from short-term borrowings	1,839	1,569	13,187
Repayment of short-term borrowings	(6,684)	(9,245)	(12,225)
Net cash (used in)/from financing activities	**(4,845)**	**(7,676)**	**962**
Net (decrease)/increase in cash and cash equivalents	**(1,300)**	**7,039**	**1,083**
Effect of foreign exchange rate changes	(56)	(861)	(603)
Cash and cash equivalents at beginning of period/year	49,407	48,927	48,927
Cash and cash equivalents at end of period/year	**48,051**	**55,105**	**49,407**

CADOGAN PETROLEUM PLC

Condensed Consolidated Statement of Changes in Equity
Six months ended 30 June 2016

	Share capital $'000	Retained earnings $'000	Cumulative translation reserves $'000	Other reserves Reorganisation $'000	Non-controlling interest $'000	Total $'000
As at 1 January 2015	**13,337**	**223,600**	**(148,991)**	**1,589**	**298**	**89,833**
Net loss for the period	-	(4,495)	-	-	(6)	(4,501)
Exchange translation differences on foreign operations	-	-	(6,647)	-	-	(6,647)
As at 30 June 2015	**13,337**	**219,105**	**(155,638)**	**1,589**	**292**	**78,685**
Net loss for the period	-	(18,766)	-	-	(16)	(18,782)
Exchange translation differences on foreign operations	-	-	(4,874)	-	-	(4,874)
As at 31 December 2015	**13,337**	**200,339**	**(160,512)**	**1,589**	**276**	**55,029**
Net profit for the period	-	1,977	-	-	(2)	1,975
Exchange translation differences on foreign operations	-	-	(4,929)	-	-	(4,929)
As at 30 June 2016	**13,337**	**202,316**	**(165,441)**	**1,589**	**274**	**52,075**

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 c/o Bridgehouse Company Secretaries Ltd, Unit 205, Clerkenwell Workshops, 31 Clerkenwell Close, London, EC1R 0AT. The nature of the Group's operations and its principal activities are set out in the Operations Review on pages 5 to 6 and the Financial Review on pages 7 to 8.

The financial information for the year ended 31 December 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006, but is derived from those accounts.

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 at www.cadoganpetroleum.com.

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 30 April 2016.

The Group has not early adopted any amendment, standard or interpretation that has been issued but is not yet effective. It is expected that where applicable, these standards and amendments will be adopted on each respective effective date.

The Group has adopted the standards, amendments and interpretations effective for annual periods beginning on or after 1 January 2015. The adoption of these standards and amendments did not have a material effect on the financial statements of the Group.

(a) Assessment of the political situation in Ukraine

Recent political situation in Ukraine has made it necessary for management to assess the extent of its impact on the Group's operations and assets.

Management have concluded that there were no significant adverse consequences in relation to the Group's operations, cash flows and assets that impact the 2016 condensed financial statements, apart from continued uncertainty related to key assumptions used by management in assessment of the recoverable amount of production assets including the gas price and the discount factor in particular.

(b) 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. The financial position of the Group, its cash flow and liquidity position are described in the Financial Review.

The Group's cash balance at 30 June 2016 of $48.1 million (31 December 2015: $49.4 million) excluding $0.7 million (31 December 2015: $0.9 million) of Cadogan's share of cash and cash equivalents in joint ventures. It includes $20 million of restricted cash used to guarantee the trading credit line, and held in an international bank. The Directors believe that the funds available at the date of the issue of these financial statements are 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.

(b) Going concern (continue)

The Group continues to pursue its farm-out campaign, which, if successful, will enable it to farm-out a portion of its interests in its oil and gas licences.

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 and, thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. In making its statement the Directors have considered the recent political and economic uncertainty in Ukraine.

(c) Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). The functional currency of the Company is pounds sterling. For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US dollars, which is the presentation currency for the consolidated financial statements.

The relevant exchange rates used were as follows:

1 US$ = £	**Six months ended 30 June**		**Year ended**
	2016	**2015**	**31 Dec 2015**
Closing rate	1.3393	1.5720	1.4805
Average rate	1.4339	1.5239	1.5289

1 US$ = UAH	**Six months ended 30 June**		**Year ended**
	2016	**2015**	**31 Dec 2015**
Closing rate	25.0649	21.4515	24.2731
Average rate	25.7136	21.5125	22.0584

(d) Dividend

The Directors do not recommend the payment of a dividend for the period (30 June 2015: $nil; 31 December 2015: $nil).

3. Segment information

Segment information is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal assessment provided to the Group's chief operating decision maker ("CODM"). The Group has identified its top management team as its CODM and the internal assessment used by the top management team to oversee operations and make decisions on allocating resources serve as the basis of information presented.

Segment information is analysed on the basis of the type of activity, products sold or services provided.

The majority of the Group's operations are located within Ukraine.

Segment information is analysed on the basis of the types of goods supplied by the Group's operating divisions.

The Group's reportable segments under IFRS 8 are therefore as follows:

Exploration and Production

- E&P activities on the production licences for natural gas, oil and condensate

Service

- Drilling services to exploration and production companies
- Construction services to exploration and production companies

Trading

- Import of natural gas from European countries
- Local purchase and sales of natural gas operations with physical delivery of natural gas

The accounting policies of the reportable segments are the same as the Group's accounting policies. Sales between segments are carried out at market prices. The segment result represents operating profit under IFRS before unallocated corporate expenses. Unallocated corporate expenses include management and Board remuneration and expenses incurred in respect of the maintenance of Kiev office premises. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

The Group does not present information on segment assets and liabilities as the CODM does not review such information for decision-making purposes.

As of 30 June 2016 and for the six months then ended the Group's segmental information was as follows:

	Exploration and Production	Service	Trading	Consolidated
	$'000	$'000	$'000	$'000
Sales of hydrocarbons	107	-	10,915	11,022
Other revenue	-	1,272	-	1,272
Sales between segments	451	-	(451)	-
Total revenue	**558**	**1,272**	**10,464**	**12,295**
Other cost of sales	(427)	(644)	(10,097)	(11,169)
Depreciation	(54)	(39)	-	(93)
Other administrative expenses	(193)	(22)	(215)	(430)
Interest income on receivables[(1)]	-	-	823	823
Interest on short-term borrowings	-	-	(1,113)	(1,113)
Segment results	**(116)**	**567**	**(138)**	**314**
Unallocated other administrative expenses				(2,093)
Share of losses in joint ventures				(1,360)
Net foreign exchange gains				5,242
Other income, net				(14)
Profit before tax				**2,088**

(1) Since January 1, 2016 interest is charged for late payments starting from the day the payments were due

As of 30 June 2015 and for the six months then ended the Group's segmental information was as follows:

	Exploration and Production	Service	Trading	Consolidated
	$'000	$'000	$'000	$'000
Sales of hydrocarbons	141[(1)]	-	40,270	40,411
Other revenue	-	192	-	192
Sales between segments	688	-	(688)	-
Total revenue	**829**	**192**	**39,582**	**40,603**
Other cost of sales	(713)	(86)	(35,731)	(36,530)
Depreciation	(181)	(47)	-	(228)
Other administrative expenses	(470)[(2)]	-	(1,153)[(3)]	(1,623)
Interest on short-term borrowings	-	-	(1,114)	(1,114)
Segment results	**(535)**	**59**	**1,584**	**1,108**
Unallocated other administrative expenses[(4)]				(1,981)
Share of losses in joint ventures				(4,243)
Net foreign exchange losses				(953)
Other income, net				1,595
Loss before tax				**(4,473)**

(1) Sales of hydrocarbons of the Exploration and Production segment represent sales of oil from Monastyretska licence only in May and June 2015, as Monastyretska licence production was shut-in until May 2015
(2) Other administrative expenses of E&P segment also includes part of costs of personnel of Ukrainian head office
(3) Other administrative expenses of trading segment includes $0.9 million of provision for trading costs
(4) Unallocated other administrative expenses includes depreciation of $39 thousands

4. Profit per ordinary share

Profit per ordinary share is calculated by dividing the net 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 loss per share is based on the following data:

	Six months ended 30 June		**Year ended 31 December**
	2016	**2015**	**2015**
Loss attributable to owners of the Company	**$'000**	**$'000**	**$'000**
Loss for the purposes of basic profit per share being net loss attributable to owners of the Company	1,977	(4,495)	(23,261)
	Number	**Number**	**Number**
Number of shares	**'000**	**'000**	**'000**
Weighted average number of Ordinary shares for the purposes of basic loss per share	**231,092**	231,092	231,092
	Cent	**Cent**	**Cent**
Profit/(Loss) per Ordinary share			
Basic	0.9	(1.9)	(10.1)

5. Intangible exploration and evaluation assets

As of 30 June 2016 the intangible assets balance has decreased in comparison to 31 December 2015 due to increase of the UAH against the USD, being the presentation currency of the Group.

6. Investments in joint ventures

Share of losses in joint ventures mostly represents the impairment of Pokrovskoe licence due to expiration of licence.

The Group is committed together with its partner eni to provide LLC Astroinvest-Energy and LLC Gazvydobuvannya with the funds necessary to fulfil the residual obligations of the Joint Ventures; the Group's share of such residual obligations is estimated in the amounts of $1.8 million and $0.5 million, respectively.

7. Inventories

The Group had significant volumes of natural gas as at 31 December 2015 which have been sold during the six months ended 30 June 2016 that resulted in a reduction of the natural gas balance from $2.5 million to $1.2 million.

8. Trade and other receivables

	Six months ended 30 June		**Year ended 31 December**
	2016	**2015**	**2015**
	$'000	**$'000**	**$'000**
Trading receivables	2,662	1,558	1,824
Receivable from joint-ventures	2,412	4,238	8,514
VAT recoverable	1,466	1,358	-
Prepayments	148	96	64
Trading prepayments	53	893	3,206
Other receivables	402	752	803
	7,143	**8,895**	**14,411**

The Directors consider that the carrying amount of the other receivables approximates their fair value and none of which are past due.

Management expects to realise VAT recoverable through the activities of the business segments.

9. Short-term borrowings

In 2016 the Group continued to use short-term borrowings as a financing facility for its trading activities. Borrowings are represented by a credit line drawn in UAH at a Ukrainian bank, a 100% subsidiary of a European bank. The credit line is secured by $20 million of cash balance placed at a European bank in the UK.

During the six months ended 30 June 2016 the Group repaid a significant amount of the credit line and the outstanding amount as at 30 June 2016 was $7.5 million (30 June 2015: $5.7 million, 31 December 2015: $12.9 million) with effective interest rate of 19.75% p.a (H1 2015: 24% p.a.). Interest is paid monthly and as at 30 June 2016 the accrued interest amounted to $0.2 million (30 June 2015: $0.1 million, 31 December 2015: $0.2 million). The $4.0 million outstanding as of 25 August 2016 represents UAH 100.0 million borrowed in UAH to purchase gas.

10. Trade and other payables

The $1.3 million of trade and other payables as of 30 June 2016 (30 June 2015: $8.4 million, 31 December 2015: $4.6 million) represent $0.9 million (30 June 2015: $7.3 million, 31 December 2015: $4.0 million) of other creditors and $0.4 million of accruals (30 June 2015: $1.1 million, 31 December 2015: $0.6 million).

11. Related party transactions

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. The application of IFRS 11 has resulted in the existing joint ventures LLC Astroinvest-energy, LLC Gazvydobuvannya and LLC Westgasinvest, being accounted for under the equity method and disclosed as related parties. During the period, Group companies entered into the following transactions with related parties who are not members of the Group:

	Six months ended 30 June		Year ended 31 December
	2016	2015	2015
	$'000	$'000	$'000
Revenues from services provided and sales of goods	1,272	350	508
Purchases of goods	117	28	9
Amounts owed by related parties	2,412	1,558	1,824
Amounts owed to related parties	234	148	96

The amounts outstanding are unsecured and will be settled in cash. No provisions have been made for doubtful debts on the amounts owed by related parties.

12. Post balance sheet events

On 10 August 2016 the Pokrovskoe licence expired.

13. Commitments and contingencies

There have been no significant changes to the commitments and contingencies reported on page 71 of the Annual Report.