

June 26, 2017

Dear Shareholders,

Thursday, June 22, we held our AGM, with more attendees than last year and had an engaging Q&A session. I wish to thank those of you who made it to Chandos House, despite the scorching heat and lack of air conditioning.

We value our communication with our shareholders and their feedback and wish to meet more of you at the next AGM. For those who could not attend, I have summarized the main messages and answers I gave to the questions which were asked.

We have made good progress in reshaping the Company. E&P operations are now at break-even, thus preserving cash and therefore the Company's ability to make deals that will drive future growth. This has been achieved despite lower prices and punitive gas royalties. The Company has become a lean organization and a cost-efficient operator. Other key achievements include:

- Doubling production from the existing asset base.
- Reducing administrative expenses by 27 %, equivalent to \$2.8 million of achieved savings in 2015 and 2016; further reductions to follow as a result of rightsizing the Executive Management.
- Streamlining the organization with the liquidation of five subsidiaries and the consolidation of operations into a single district. Expected annual savings are in excess of \$250, 000.
- Protecting the cash position, with an \$18 million improvement in the balance of receivables and payables (end of 2016 vs end of 2014). Subsidiary operations, in gas trading and oil services, have also contributed with net revenues to support the Company's overall cash position.
- Taking key steps toward improving the sustainability of Cadogan's operations. Emissions to the atmosphere have and are being reduced and sites are safe places to work, with minimal LTI. The workforce has been fully nationalized in Ukraine and progress towards gender equality is being achieved.
- Starting the geographic diversification of the asset portfolio, with the screening of nearly 50 opportunities, 9 of which have been taken to preliminary LoI stage or equivalent, and 1 has been finalized: a gas opportunity in Italy, purchased with zero upfront payment.

Nonetheless, progress in diversifying the portfolio has been slower than initially hoped. This is due to a combination of factors that have artificially kept asset prices at a higher level than is in Cadogan's long term interest to acquire at. These factors include a reluctance among lender's to force asset sales on insolvent companies and a perception among vendors that the oil price could recover at anytime.

Despite this situation, the management team remains resolute in keeping to the strict financial discipline and search criteria it believes will support the long-term success of the Company. These include focusing on under-

priced assets, as a result of distressed positions or portfolio optimization, that are conventional, onshore and located in countries where the team has direct experience and understanding.

With stability in the oil price providing greater confidence among both buyers and sellers on long term valuations, we expect some opening up of the asset market and a bridging of the valuation gap. This gives us added confidence that, with a strong platform in place, Cadogan is well placed to deliver on its diversification strategy and goals.

The achievements over the last two years have been made possible by the full backing and trust of the Board and by a new Management team made up of young, competent and determined Managers who are ready to take up the challenge of transforming the Company. I would like to thank them for their support and tireless efforts in driving the business forward. I would also like to thank Cadogan's staff for their efforts and loyalty to the Company during challenging times.

Last, but certainly not least, we are all grateful to you, our shareholders, for your support and patience. Rest assured that every member of staff, starting from your CEO, knows there is more to do to meet the expectations you and we have of the Company and that we will continue with our persistent efforts to turn your and our Company around.

The team looks to the future with confidence and excitement, building on the foundation laid down over the last two years to create a Company with robust finances, clear exposure to growth and a diversified portfolio.

Yours sincerely



Guido Michelotti  
CEO